



# Baltic Sea Region

Programme 2007–2013

**Programme under European Territorial  
Co-operation Objective and European  
Neighbourhood and Partnership Instrument**

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### Executive Summary

The Baltic Sea Region (BSR) Programme 2007-2013 has been designed under the European Community's territorial co-operation objective, while integrating the objectives of the European Neighbourhood and Partnership Instrument's cross-border co-operation (ENPI CBC). It is built on the experience of the two predecessor programmes supporting transnational co-operation in the Baltic Sea Region under the Community Initiatives 'INTERREG IIC' (1997-1999) and 'INTERREG III B Neighbourhood Programme' (2000-2006).

The overarching **strategic objective** of the Baltic Sea Region Programme is to strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders. As part of Europe, also the Baltic Sea Region is expected to become a better place for its citizens to invest, work and live. The Programme will thus address the European Union's Lisbon and Gothenburg strategies in order to boost knowledge-based socio-economic competitiveness of the Baltic Sea Region and its further territorial cohesion. The Programme likewise addresses strategic objectives of the EU's external relations as expressed within the framework of the multilateral cross-border co-operation.

The Programme is **focused** on preparation of investments and actions aimed at improving the territorial potential of the region, minimising the considerable differences in the level of socio-economic development between the western and eastern parts of the region and at resolving several issues of common concern for all the countries around the Baltic Sea. Through several pan-Baltic networks in almost all fields of activity the Programme aims also to enhance policies towards an integrated development of the Baltic Sea Region and its better identity in Europe and worldwide.

The eligible area includes the whole territory of Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden, and northern parts of Germany as EU Member States. Also the neighbouring countries of Norway (whole country), Russia (some North-Western regions – see chapter 1) and Belarus (whole country) belong to the Programme area.

The contribution from the **European Regional Development Fund (ERDF)** amounts to some 208 million EUR. **Norway** will make available 6 million EUR national funding. Some 23 million EUR will be provided by the **European Neighbourhood and Partnership Instrument (ENPI)** for the benefit of the eligible regions in Russia and Belarus. Within limits, Programme funds from ERDF and Norway can be applied for by partners from outside the eligible area. Projects will present a single joint application to the Programme, which integrates the objectives of EU and Norwegian territorial co-operation and objectives of the European Neighbourhood and Partnership Instrument cross-border co-operation.

Eligible beneficiaries comprise public authorities from national, regional and local level, public equivalent bodies as well as private law bodies without an industrial or commercial character (such as research and training institutions, business development institutions and other non-profit organisations). Private commercial organisations may act as additional partners with own financing. At least three benefiting institutions from at least three different countries shall form a partnership for transnational co-operation.

The Programme features **four prioritised thematic areas**:

The **first priority** is focused on facilitating generation and dissemination of innovations across the BSR. It is dedicated to core innovations in the field of natural and technical science but also to selected non-technical innovations, such as business services, design and other market-related skills. Actions will be targeted at the performance of innovation sources and their links to SMEs, facilitation of transnational transfer of technology and knowledge as well as at making social groups of citizens fitter for generating and absorbing knowledge. The priority will also, especially in a context of co-operation with Russia and Belarus, support actions aimed at broader socio-economic development at the regional level.

The second priority is dedicated to improving the external and internal accessibility of the Baltic Sea Region. Priority topics highlights promotion and preparation of joint transnational solutions in the field of transport and information and communication technology (ICT), in particular those overcoming functional barriers to both, diffusion of innovation, and to traffic flows. Also further integration of already existing strategic development zones, spread along the transnational transport corridors in the BSR, will be promoted, as well as creating new transnational links.

The third priority concentrates on environmental pollution of the Baltic Sea in a broader framework of a sustainable management of the sea resources. It supports operations aiming at limiting pollution inputs into and pollution impacts on the marine environment. Special emphasis is put on enhanced maritime safety. The priority also promotes economic management of open sea areas by means of best available technologies and practices. Attention is given to an integrated development of offshore and coastal areas in the BSR in the context of climate change tendencies.

The fourth priority promotes co-operation of metropolitan regions, cities and rural areas enhancing its attractiveness for citizens and investors. It features action programmes and policies at the BSR level to make cities and regions more competitive engines for economic development. At the same time, ideas will be promoted, which strengthen urban-rural partnerships and support a viable economic transformation of BSR areas with smaller and less dense settlements. The priority is also open for preparation of pan-Baltic strategies, action programmes, policies and subsequent investments. A special ENPI feature under this priority is joint actions dedicated to the social issues within regional and city development, as well as governance



and capacity building in the public sector, exclusively promoted in co-operation projects with Russia and Belarus.

Actions supported by the Programme are expected to meet a range of **quality requirements**. Project initiators shall address jointly identified relevant needs and deficiencies, demonstrate the added value through joint actions, raise policy-making competence in the participating institutions and produce durable results. Within the scope of actions, project developers are strongly encouraged to prepare investments of transnational relevance. Progress in the Programme and project implementation will be monitored through a system of output and result indicators. Projects will be expected to specify planned achievements and quantify expected targets from the outset. Projects shall also contribute to an effective marketing of results and benefits achieved through the means of EU Structural Funds.

As a new element, the Programme features a concept of '**strategic projects**' under ERDF. Such projects are expected to address a vital problem for the stable development of the overall Baltic Sea Region and respect a number of additional criteria.. Expected results of strategic projects include that national authorities will endorse policy recommendations developed under such a project and will take responsibility for implementation of the prepared investments.

The Programme will retain the '**lead partner principle**', according to which an institution leading the project will be responsible for implementation of the entire project, including the management of funds.

The **co-financing rate** from the ERDF is up to 85 % for beneficiaries located in Estonia, Latvia, Lithuania or Poland, while it is up to 75 % for lead beneficiaries and other beneficiaries located in the Programme area of Denmark, Finland, Germany or Sweden. In case of Norway, the co-financing rate of eligible expenditures from Norwegian national co-financing is up to 50%. The co-financing rate for beneficiaries receiving ENPI funds is up to 90 %.

The **implementation structure** of the BSR Programme is built on the experience of the preceding Baltic Sea Region INTERREG III B Neighbourhood Programme. It complies with the legal regulations for both, the Structural Funds and the European Neighbourhood and Partnership Instrument.

The **Monitoring Committee (MC)** will be the main decision making body composed of representatives of all eleven participating states. The MC will be responsible for ensuring the effectiveness and quality of Programme implementation including the selection of projects. The work of the MC will be supported by **national sub-committees** safeguarding the information flow to regional and local authorities, economic and social partners, and non-governmental organisations during the implementation of the Programme.



A single **Managing Authority (MA)** will be responsible for managing and implementing the Programme on behalf of the participating states in accordance with the relevant Community and national rules. This function will be performed by the Investitionsbank Schleswig-Holstein, located in Kiel/Germany.

The Managing Authority will set up a **Joint Technical Secretariat (JTS)** responsible for providing all necessary information and management services towards the project partners. Furthermore, the JTS will launch information measures and communicate the benefits of EU Structural Funds to the citizens of the Baltic Sea Region. The JTS will also support the Monitoring Committee, Managing Authority, Certifying Authority and the Audit Authority in meeting their tasks. The main office of the JTS will be located in Rostock, Germany, and the branch office will be seated in Riga, Latvia.

The Investitionsbank Schleswig-Holstein will also act as a **Certifying Authority (CA)** responsible for certifying eligible expenditures to the European Commission and Norway, as well as requesting payments, to be made to beneficiaries, from the European Commission and Norway.

Germany, as the member state hosting the Managing Authority, will also set up an **Audit Authority (AA)**, responsible to ensure that audits are carried out to verify the effective functioning of the management and control system of the Programme.

The Audit Authority will be assisted by a **Group of Auditors** comprising a representative of each Member State and Norway, as well as representatives of Russia and Belarus as observers.

### Introduction

Over the recent decades the co-operation between local, regional and national governments in the Baltic Sea Region has been growing rapidly and got additional momentum in effect of the EU enlargement. Collaboration across the borders already includes many thematic fields and there is a high level of convergence in trade exchange and investments. Yet, the region needs more integration in order to strengthen its competitive position in Europe and to become a global economic player.

Socio-economic, environmental and territorial reports (see the list of reference sources) still emphasise a need for more common efforts from the member countries of the Region to fully realise its development potential. It is argued that the good economic standing of the Baltic Sea Region seems to result rather from successes of the individual countries. Improvements in infrastructure, human capital development and increased economic and financial integration are considered necessary as building blocks for enhanced regional competitiveness, growth and ultimately - jobs and prosperity.

By virtue of its geographical scale and envisaged multi-stakeholder actions, the transnational territorial co-operation programme is a useful tool for better functional integration and territorial convergence of the Baltic Sea Region and its more competitive status towards other European spaces. The present Baltic Sea Region Programme 2007-2013 will be the third in a row of joint co-operation undertakings of eleven countries around the Baltic Sea. Like its predecessors, the Programme is designed to respond to real expectations of stakeholder authorities, institutions and organisations by providing an added value to their routine activities. However, in comparison to its predecessors, the Programme comfortably integrates the EU funding coming from two sources – ERDF and ENPI – which makes it possible to include transnational co-operation interests of eligible Russian<sup>1</sup> and Belarusian areas in a sufficient manner.

Building on the experience of Interreg IIC and IIIB Community Initiatives in the Baltic Sea Region, the present Programme has its point of departure in the description of the situation made in the year 2001 and attempts to identify relevant issues, which persevere despite previous programme actions or which pose new challenge to the transnational co-operation. In addition, the Programme addresses issues not solved during the previous periods and takes up new challenges.

Important analytical sources for the BSR Programme are provided by extensive investigations carried out by several pan-Baltic organisations,

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<sup>1</sup> Due to the non-signature of the Financing Agreement between Russia and the European Commission by 31.12.2008, Russia is not eligible to receive ENPI funds of the Programme.

regarded strategic partners of the Programme authorities in its preparation and implementation. The list of references includes relevant reports by Baltic Development Forum, Baltic 21, CBSS, HELCOM, VASAB 2010 and many others. Further useful sources include research findings by various BSR Interreg IIIB projects, such as MECIBS and COMMUN. In addition, specific analysis on accessibility of the BSR was carried out. Furthermore, the outcome of the Interreg II C and III B projects in the BSR was used as a ground to specify the orientation of the chosen priorities.

These analyses are not replicated or presented in detail in the programme document. Instead, they have been used to illustrate specific development problems in the Baltic Sea Region, in order to define a basis for the transnational actions (SWOT table) and to justify the Programme strategy, priorities and principal areas of support. The analyses are partly visualised through a number of maps and listed under the reference sources.

Built on this rationale, the Programme strategy highlights a common objective and thematic scope of transnational co-operation in the Baltic Sea Region in the period of 2007-2013. The range of topics supported by the Programme is streamlined to disallow actions, which are not conducive to territorial development and do not demonstrate added value to the existing Baltic Sea Region experience. To set a delineation line, the document describes complementarity of the Programme to both sector initiatives at the EU level, to EU co-financed convergence programmes as well as to cross-border programmes operating in the same space of the Baltic Sea Region.

The chosen thematic priorities interlink one another and present a particular orientation (specific focus), leading to concrete areas of support. In addition, the Programme lays out samples of strategic projects, which have been developed together with the major pan-Baltic organisations during the public consultation process on the draft programme document. These strategic projects are based on policy developments, which are closely linked to the overarching objective of the Programme. The Programme also sets the targets for each of the priorities, progress in fulfilment of which is measured by means of result indicators.

Finally, the document features a financial plan for the Programme and its implementation provisions, including management structures and decision-making procedures.

### **The joint programming process**

The preparatory process for the Baltic Sea Region Programme 2007-2013 was commenced with establishment of the Joint Programming Committee (JPC) composed of national and regional representatives of all 11 countries around the Baltic Sea. At its first meeting in November 2005 the JPC appointed the working structures: two drafting teams, dealing with content and implementation issues, and the Partnership Dialogue Network (PDN),

which gathered a larger representation of national, regional and sector organisations acting at the pan-Baltic level. The role of the PDN was seen as to provide an important political backing and advice to the JPC in the programming process and to disseminate information concerning the future Programme to the members of respective organisations and other partners.

Detailed information on the procedures taken for the ex-ante evaluation and strategic environmental assessment is given in chapters 12.1 and 12.2.

An inquiry distributed among the pan-Baltic organisations on their expectations to the scope and contents of the transnational territorial co-operation in the Baltic Sea Region helped develop a Baltic profile of the priorities laid down in the Commission regulation (1080/2006). Subsequent work by the JPC resulted in preparation of the first consolidated draft of the BSR Programme, which was presented for comments from the audience of about 450 individuals attending the conference of the BSR Interreg IIIB Neighbourhood Programme organised in Malmö on 16-17 May 2006.

The received remarks were reflected in the second draft of the programme document, released for public consultation in the beginning of July 2006. The consultation process was arranged both through a series of public hearings on the Programme in the respective countries and through uploading the draft document to the BSR Interreg IIIB Neighbourhood Programme website for direct comments. For transparency, all comments received during the public consultation and the JPC statements on their relevancy were collated in a separate document.

In order to adjust the programming process to the expectations of the European Commission on the Programme quality, a consultation meeting with the Commission was organised on 14 September.

Outcome of the public consultation process closed on 15 September 2006 was transferred to the third draft of the programme document, which embodied almost all content and implementation features on the ERDF side. Among them were also the concept and exemplary themes of the Programme strategic projects, subject to intensive dialogue with the pan-Baltic organisations. This phase of concertation was closed in November with presentations on the programme document to several pan-Baltic organisations.

At its meeting in October 2006 the JPC took a decision to develop an integrated Baltic Sea Region Programme including funding from ERDF and ENPI. The JPC members of Belarus and Russia provided inputs to the integration of relevant ENPI-related content issues into the Programme and discussed their proposals with the European Commission.

The programme document, with integrated ENPI-related content issues and key principles for implementation of the ENPI, was approved by the JPC at its successive meeting in January 2007. In effect of the taken decisions, an integrated document with incorporated basic ENPI implementation

provisions was endorsed by the JPC on 5 March 2007 and submitted to national approval procedures in the Programme countries.

## Part I: Content provisions

### 1. The Programme area

The eligible Programme area in the Member States encompasses, as laid down in the Commission decision of 31 October 2006 [C(2006)5144] drawing up the list of regions and areas eligible for funding from the European Regional Development Fund under the cross-border and transnational strands of the European territorial co-operation objective for the period 2007 to 2013 (Art. 2 and Annex 2):

**Denmark:** the whole country,

**Estonia:** the whole country,

**Finland:** the whole country,

**Germany:** the States (Länder) of Berlin, Brandenburg, Bremen, Hamburg, Mecklenburg-Vorpommern, Schleswig-Holstein and Niedersachsen (only NUTS II area Lüneburg),

**Latvia:** the whole country,

**Lithuania:** the whole country,

**Poland:** the whole country,

**Sweden:** the whole country.

In the Non Member States, the eligible area includes:

**Belarus:** the whole country,

**Norway:** the whole country,

**Russia<sup>2</sup>:** St Petersburg and the surrounding Leningrad Oblast, Republic of Karelia, the Oblasts of Kaliningrad, Murmansk, Novgorod and Pskov; for projects addressing the Barents Region, also co-operation with Archangelsk Oblast, Komi Republic and Nenetsky Autonomous Okrug is envisaged.

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<sup>2</sup> Due to the non-signature of the Financing Agreement between Russia and the European Commission by 31.12.2008, Russia is not eligible to receive ENPI funds of the Programme.

The eligible area is shown on the map below.





## 2. Socio-economic context of the transnational actions

### 2.1. Territorial potential of the Region

#### 2.1.1. Socio-economic conditions

The land area of the Baltic Sea Region is approximately 2.4 million km<sup>2</sup> and is composed of whole or parts of territories of 11 countries. The population size of about 110 million inhabitants gives an average population density of some 46 inhabitants/km (ref. Fig. 1). More than a third of the BSR inhabitants live in Poland and nearly a quarter in Norway, Denmark, Sweden and Finland. Another quarter of the population of the Baltic Sea Region lives in seven German Länder.

Although the land area of the Baltic Sea Region equals a little less than half of the area of the EU, the share of its population is 23 percent and the aggregated GDP about 16 percent of the total EU value. The figures clearly show that the BSR in overall terms **does not form the economic centre of Europe** [3]. This is largely on account of substantially low levels of economic production per capita in the eastern part of the area.

Nevertheless, **economies** of the BSR countries are **growing faster** than the EU average [23]. In addition, regional co-operation is shifting from the provision of support by Western countries (W-BSR) to their Eastern neighbours (E-BSR) - to a more balanced exchange. In 2005 nine of eleven countries had a higher growth rate than the EU average of 2.1 percent. On account of the substantial growth potential in the new Member States, Russia and Belarus, the BSR is forecast to be among the fastest growing regions of Europe in the near future or even to take the leading position. Between the years 1995 and 2004, the aggregated GDP of the BSR (excluding Russia and Belarus) grew by 42 %. One of its main reasons is constantly increasing trade within the BSR, driven by deregulation and removal of a number of customs administrative procedures in the new EU Member States and especially high inflow of foreign direct investments to these countries [3]. Further, the Region has over recent years retained its world export market position and strong export orientation. The BSR's share of world export is more than 50% higher than its share of world GDP [2].

In terms of shares at the global market, the Region is positioned even higher with regard to knowledge creation. Compared to other European and world regions, the BSR features a fundamental asset with regard to high levels of education, further education, and R&D personnel and expenditure, which provided excellent ground for formation of **several leading scientific and technologic clusters** in many fields of expertise [2], [29]. This potential is coupled with high degrees of organisation, public participation and communication as well as with broad awareness in the

countries around the Baltic Sea of the role the social factors play in sustainable economic development. However, although the average rate of R&D investments and the share of researches in the BSR are significantly above the European average, the **output from that capital**, for instance in form of patents, is **below EU standards**. Among reasons, both a quality of innovation policies opening the markets for new products and services, as well as unsatisfactory progress in formation of transnational clusters are pointed out. As the differences in innovation performance persist between the BSR countries and the instances of leading knowledge creation on a global scale seem too few to reach critical mass, smoother co-operation and co-ordination of efforts across the Baltic Sea as well as joint networking and marketing are needed to better exploit this territorial capital [2], [23].

The engine for social and economic development in the BSR is **small and medium sized companies**. SMEs make up 99% of all companies and provide around 70% of all jobs in the Baltic Sea Region, with a high level of innovative ability. More than two thirds of new patents come not from universities, research laboratories and major companies, but from the very smallest and small companies. The pronounced SME-based structure and advanced entrepreneurship stand behind a high level of the BSR potential in all six dimensions of innovations: project, process, market, organisational, relationship and logistical [19]. Such a potential can be better activated through continuous and targeted access of SMEs to new knowledge across the Baltic Sea.

### 2.1.2. Transport conditions

A specific feature of the BSR is an important role of almost all means of transport (with some exception of inland waterways) in the transport system of the area, which does not occur in any other transnational space in Europe. This transport system operates, however, in a **very imbalanced territorial pattern** with low density in the North and considerably higher southwards, especially in the south-western part of the BSR. Vertical elongation of the BSR causes long geographic distances and extensive travel times not only in internal relations between settlement centres but also in external relations to large market areas in Europe (ref. Fig. 11) [28].

Another prominent feature of the BSR is the location of the Baltic Sea in the very centre of the Programme area, which poses at the same time **a barrier and a linking element** to the co-operation. The Baltic Sea is an important means of transport, subject of the sea-based economy and an important area for recreation and tourism [33].

### 2.1.3. Environmental conditions

So far in the territorial transnational co-operation in the BSR, the **environment of the Baltic Sea** has not been comprehensively regarded as a common heritage. The growing sense of self-identification in the

Region, to which the Interreg IIC and IIIB programmes sought to contribute, gives ground for setting the future perspective for this common resource.

The Baltic Sea is one of the largest bodies of brackish water in the world. Being a shallow and almost landlocked sea, surrounded by many large cities and regions with intensive agriculture and industry, it constitutes a unique and fragile ecosystem highly sensitive to all kinds of pollution [20] [32].

This resource experiences now increasing environmental threats due to pressure from the booming sector of coastal and sea tourism, intensified agri- and aquaculture, emerging transport chains across the sea basin, the growing use of the energy, forestry, minerals and living stock of the Baltic Sea as well as to global climate changes. Among these threats and problems are eutrophication, pollution by hazardous substances, losses in biodiversity and increasing risks from maritime transport. The natural balance of the Baltic Sea has been seriously disrupted by excessive nutrient inputs, which originate from diffuse sources like over-fertilised farmland and air pollution, as well as point sources like sewage treatment plants and industrial wastewater outlets [20]. As a result of pollution abnormal algal blooms on the surface waters and lifeless areas on the seabed have been observed in the Baltic Sea starting from 1960s. Despite positive changes seen in the last two decades (e.g. improvement in the waste and wastewater treatment measures), volumes of land-based pollution in the Baltic Sea waters remain too high.

The Baltic Sea carries some of the busiest shipping lanes in the world. This increases pressure on the marine environment resulting e.g. from oil spills or release of hazardous substances carried by ships [20].

According to forecasts, development of almost all marine-related industries will continue to increase in the coming years, with especially high rate for sea bottom excavation of mineral resources [11].

One of the biggest natural resources of the BSR is **woodland**. It represents a development potential in sparsely populated areas and trade of forest products (e.g. timber) is a major source of export income for many countries (e.g. Sweden, Latvia and Russia). Opportunities exist to increase the contribution of forests to the BSR economy and to its environment, including biodiversity, water storage and effects of the climate change.

### 2.1.4. Conditions for urban and regional co-operation

BSR cities at large have a sufficient potential to play an important role in global economy i.e. to form a new global integration zone (GIZ) in Europe. This is a very specific feature of the Region, which makes the BSR different to other peer transnational spaces outside the European core. Its exemplary asset is location of 15% of headquarters of large international companies in the BSR (ref. fig. 10) [18]. Formation of such a Zone in the BSR would however hardly benefit from proximity between the cities, due to low

population density and relatively high distances. Therefore, a prerequisite of strengthening development of cities in the BSR and their co-operation is to encourage their networking – for both material (e.g. trade, foreign direct investments) and immaterial (e.g. transfer of knowledge, decision-making networks) flows.

The Baltic Sea Region shares many historical ties, symbolised by the legacy of the Hanseatic League. As inheritance of the past, the area is home to many organisations acting at the pan-Baltic level and dealing with joint solving of sustainable development (e.g. Baltic 21) and territorial cohesion problems (e.g. VASAB 2010). Respective visions and strategies are subject to public validation and political endorsement as high as at the ministerial level.

The Baltic Sea Region was the first large transnational region to articulate a sustainable concept of future development and a vision for spatial development. This innovative and forward-looking approach stems in large part from the Region's political and public commitments to sustainability. It is based on integration of the policies for economic growth, social progression and environmental protection as mutually interdependent elements of long-term development. Open and transparent participation by all relevant stakeholders in decision-making processes at all levels of governance is a key feature of the Region's endeavour towards achieving a status of Baltic Sea Eco-region [5].

One of the recent initiatives (by Baltic Development Forum) has been targeting a branding of the Baltic Sea Region on the world arena as an easily recognisable entity, identifiable, among all, with stable democracies, proximity of markets, great investment climate, superb education, dynamic metropolises and successful environmental protection measures. A good ground for this initiative is given by a growing number of human interactions around and across the Baltic Sea, which contributes to development of a 'Baltic community'.

Among distinguishable features of the Baltic Sea Region are: intellectual resources and educated labour force across the Region, high growth potential of the new EU Member States, considerable market potential of North-Western Russia and Belarus and efficient innovation systems of the old EU Member States. Such combination gives the Region an advantage in the global competition for international investments and for high-quality resources, such as labour force and know-how. In particular, human capital of the BSR should form one of its main assets in comparison to other peer areas.

However, on the way to the functional integration of the area several obstacles need to be overcome. Among them are significant differences in socio-economic situation across the Region and common development challenges.

## 2.2. East-West divide

While the gap between the older and newer market economies slowly narrowed for some years, the latest data indicate that economic disparities between and within Baltic Sea countries are now widening. Considerable differences in the level of socio-economic development between the western and eastern Baltic Sea Region countries, as well as the lagging development of rural areas in some parts of the Region are major weaknesses in terms of its overall cohesion.

Despite evident growth tendencies, territorial disparities in per capita production are among the highest across the continent. The Region has some of the wealthiest as well as some of the poorest areas of Europe, in many cases adjacent to each other. The disparities in general align to the former iron curtain dividing Europe, with the largest gaps along the boundary between Finland/Norway and Russia, and between former West Germany and the new Länder. It must also be noted that Poland has the five poorest regions of the EU25.

The East-West divide continues to exist in such essential fields as:

- **Intensity of economic production.** Despite fast catching-up processes in the new Member States (ref. fig. 2), the GDP per capita index for the E-BSR countries is still at least 4-5 times lower than for their Western counterparts. In 1995 the ratio between the W-BSR and E-BSR was roughly 3:1 (to the advantage of the former) whereas by 2003 this ratio has decreased to approximately 2,5:1 (ref. fig. 3). If the relative production value of the two groups of countries changed linearly at a steady rate, this gap would be closed by the year 2039. Such linearity of growth, however, is highly unlikely.
- **Unemployment.** In effect of structural transformation of the economies towards better productivity, some new Member States and the new German Länder encountered severe problems with securing employability of former agricultural and manufacturing workforce, especially in the rural areas. Due to national and regional aid programmes co-funded by EU, the rising rate of unemployment was suppressed and somewhat reversed, yet still in some eastern Polish regions and the new German Länder, the unemployment rate exceeds 20% of the people in the productive age (ref. fig 4). The gap in unemployment rate between W-BSR and E-BSR rising up till 2002 has since then gone on a reverse trend due to rising levels especially in Germany and diminishing figures in the new Member States (e.g. Poland) and in Russia (ref. fig. 5).
- **Sectoral composition of employment.** At a national level, Lithuania, Latvia and Poland still have low shares of their work force employed in the service sector (ref. fig. 6). Although the tendency of a gradual change in the structure of the E-BSR economies from manufacturing to services is positive, the service sector employs only

54 percent of the work force. In comparison, in the W-BSR the service sector provides three quarters of all jobs.

- **Quality of business environment susceptible to innovations.** While the business environment of the W-BSR features dense physical infrastructure (e.g. transport and telecommunication), skilled labour force and strong clusters and companies competing on innovation and uniqueness - public support for innovation and clustering in the E-BSR is lagging behind. Even though the E-BSR countries continue to exhibit strong GDP growth and positive trends in the service sector and ICT investments, there is still a large performance gap in innovation input and output between on one hand the Nordic countries and Germany, and the E-BSR countries on the other. This is particularly visible in formation of and production within clusters, R&D investments, patenting and in scientific publications [23] [29].
- **Endowment in transport and ICT infrastructure.** The BSR exhibits huge disparities in access to transport infrastructure (especially to rail stations, airports and intermodal terminals). Except for the Nordic peripheries, the Baltic States, Belarus and Russia show the lowest accessibility rates within the BSR and also within Europe. There are also clear disparities in availability of fast internet access, which pose a threat of a widening NW-SE digital divide in the BSR [23] [28] [33].
- **Environmental protection.** Public awareness on environmental problems and related possible solutions is lagging behind throughout the E-BSR countries. At the same time, this area offers renewable energy sources and potential for both the energy saving better waste water treatment, for which know-how and funding is readily available in the W-BSR.
- **Social conditions and impact of development.** Whereas social and human capital is among key BSR assets, in the E-BSR it requires further strengthening with regard to participation of broader public, better access to social services and health care as well as to the management of the natural environment.

### 2.3. Issues of common concern

Common challenges, to which the BSR countries are exposed, are associated with global socio-economic and environmental trends, which affect the territorial cohesion. Among them are (in thematic order):

1. Concentration of knowledge-intensive service activities, especially business services in and around capitals and metropolitan regions. Such a tendency might reinforce the development gap between highly urbanised regions and rural areas. In addition, several BSR cities despite a solid economic potential have a low penetration of ICT in the public domain (e.g. e-government, e-health, e-learning).

2. Inward oriented transport solutions in the BSR countries, with insufficient transnational components, which are important for the integration of the BSR and good connectivity of its urban system. Except for the densely populated and well interconnected south-western part of the area and for some metropolitan areas (mainly capital cities), vast areas in the BSR (e.g. north-eastern part, Baltic States, Belarus) suffer from low connectivity both in external and internal relations [28] [33]. Additionally, the Baltic Sea forms a functional barrier in trade exchange between the BSR countries and makes communication in the area dependent on maritime links and crossings. Noteworthy is also lack of transversal airborne connections in the Nordic peripheries, which reduces the potential for interaction between peripheral regions and increases the dependence on the capital region [16].
3. Road transport, which makes up the biggest share in international transport of goods and the growth of which in both short- and long-range distances has been especially evident in the new Member States [3]. In the last decade only, the freight volumes handled in the area have more than doubled, and this tendency is even expected to accelerate on account of the enlarged EU and the increased Russian and Belarusian trade. This may deepen traffic capacity problems, already now visible in the road network of the south-western part of the Baltic Sea Region, and may cause serious environmental threats. Currently, the transport sector in the BSR is the fastest growing contributor to Europe's rising energy demand and CO<sub>2</sub> emissions [3]. In terms of geographical directions, a gradual shift of flows to the east-west exchange is being observed.
4. Enormously high growth of passenger aviation due to expansion of low fare operators, which breaks a so far low accessibility pattern of many remote and poorly connected areas in the BSR. The process triggers also serious competition to long-distance passenger service on land and ferry crossings on sea. At the same time, however, this growth causes environmental problems.
5. Spatial disparities in the diffusion of IT technology (e.g. broadband access in households), which are visible both between countries and between urban and rural regions within all BSR countries.
6. Safety on sea, on account of the Baltic Sea being the most crowded water basin in Europe. It is predicted that the risk of accidents and environmental damage (risk of spills) may even increase with fast growing ferry services to and from the new Member States and with more and more voluminous transports of crude oil and oil products by seas from the Russian ports on the Gulf of Finland. According to the forecasts, in the year 2020 shipping is to become the leading mode of transport in the BSR trade, carrying 54 percent of the total volume of internationally traded goods [3]. Its fast booming segment is maritime tourism [9] [24].



7. Pressure on the use of marine resources due to continuing development in all marine-related sectors. This pressure has caused conflicts between functions of the marine space as well as impact on the environmental quality of the Baltic Sea. Of common interest are also challenges resulting from implementation of the proposed Marine Strategy Directive (e.g. preparation of national environmental plans) and the co-operation it will require from the Member States and third countries [8].
8. Pollution of the Baltic Sea waters by nitrogen and phosphorous as well as by hazardous substances from the catchment area. Although in general nutrient loads within the area have decreased over the last 15 years, eutrophication has accelerated and algae blooms have become more common [4], [20]. Marine industries, sea traffic and nutrients coming from agriculture, forestry, industrial production and settlements constitute main sources of the pollution.
9. Status and future development of the coastal areas in the BSR, which call for harmonisation and capacity building actions over the national borders. These are expected to facilitate implementation of integrated coastal zone management plans at regional and national level, following the recommendation of the European Parliament and the Council (2002/413/EC) to be reviewed in 2006 [15].
10. Natural disasters, such as massive floods affecting several countries, hurricanes or forest fires, which happened frequently in the recent past and which are partly attributed to the global climate change.
11. Demographic tendencies with ageing of the BSR societies and an extending life expectancy, which presents economic and social challenges, like securing enough work force to sustain the growth or providing third age services. The opposite situation, however, exists in the North-West Russian regions partially due to high mortality rates and no gains in life expectancy (ref. fig. 7, 8).
12. Migration, which continues to be directed towards metropolitan areas and large cities as well as towards university towns, and thereby worsens the uneven distribution of population (ref. fig. 9). Severe population decline processes are observed in the Nordic peripheries, where a large proportion of administrative areas have lost over 10% of their population over recent 10 years, eminently in the age class of younger generations [16] [17]. The trends put a high pressure on liveability of especially small and medium size cities in the peripheral, rural and declining industrial areas, which lose young and well educated inhabitants. Between 1995 and 2000 economic disparities between metropolitan and non-metropolitan regions continued to grow [17]. In recent years the migration processes tend to be even more dynamic between E-BSR and W-BSR Europe because of gradual opening of the labour markets in the European Union and Norway for employees from the new Member States.

13. Economic standing of rural areas, which cover predominant space of the BSR and which stand as an important area of income generation, with more than 15% employed in the primary sector in many BSR subregions (ref. fig. 6).
14. Insufficient performance of urban centres in the rural areas distant from the metropolitan cores; in these areas small and medium sized towns fail to provide a sound alternative for employment of the rural population willing to move from agriculture to manufacturing and services [32] [33].
15. Energy efficiency in housing and production, as the consumption of all types of energy is expected to increase by 60% by the year 2030. Most of this increase is in fossil fuels; however, fast relative growth is also seen in nuclear energy and renewable energy [5]. Significant challenges still remain in reducing emissions of CO<sub>2</sub>, being the major greenhouse gas contributing to climate change.

These common challenges need to be addressed jointly through the transnational co-operation, which should provide ground for specific interventions.

### 3. Summary of assets and challenges for the development of the Baltic Sea Region

#### 3.1. SWOT analysis

Analysis of the socio-economic standing of the area, of its territorial divide and of the identified common challenges allows for creating the profile of the Baltic Sea Region (see the SWOT table below).

STRENGTHS	WEAKNESSES
<b>Socio-economic assets</b>	
<ul style="list-style-type: none"> <li>• Good conditions for cluster development, rich portfolio of regional clusters and advanced industries having their base especially in W-BSR</li> <li>• Well-educated population and considerable R&amp;D capacity as a high potential for knowledge-based development</li> <li>• Innovative potential of Baltic SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Large disparities in the status of socio-economic development between W-BSR and E-BSR, as well as lagging behind development of rural areas in some parts of the BSR</li> <li>• Insufficient use of innovation potential and low intensity of joint efforts</li> <li>• Weak innovation absorption capacity in some parts of the BSR, especially in rural areas</li> <li>• Large disparities in the territorial distribution of leading clusters</li> <li>• Insufficient support structures for boosting and transferring innovations due to low population and settlement density and to lagging behind socio-economic development especially in the E-BSR</li> </ul>
<b>Transport assets</b>	
<ul style="list-style-type: none"> <li>• Dense network of maritime connections, especially in the western part of the BSR</li> <li>• Advanced multimodal transport solutions in some parts of the area</li> <li>• TEN-T network extending to countries neighbouring the EU</li> <li>• High ICT usage in some parts of the BSR (top leading countries)</li> <li>• Relatively good coverage of the area by transnational development zones enhancing cohesion and integration in the BSR</li> </ul>	<ul style="list-style-type: none"> <li>• Peripheral geographical location of the BSR to important economic centres in Europe</li> <li>• Poor accessibility of some parts of the BSR (especially in the north and east) due to deficiencies in land and air transport infrastructure and perseverance of functional and institutional barriers (e.g. national planning systems)</li> <li>• Decreasing road infrastructure capacity around some metropolitan areas</li> <li>• Disparities in IT endowment between urban and rural areas in the BSR</li> </ul>

Environmental assets	
<ul style="list-style-type: none"> <li>• Well developed monitoring system on the environmental quality of the Baltic Sea</li> <li>• Good scientific knowledge base for management of the marine environment</li> <li>• Established integrated coastal zone management and river basin practices at the local and regional level as a good potential for transnational co-operation</li> <li>• Great nature values of European interest, relatively high quality of environment (incl. vast forest areas) and important cultural heritage</li> <li>• High potential and know-how for production of renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of joint actions and action plans to prevent and to combat land-based marine pollution (nutrification of arable land and ground waters, leaky wastes disposal areas, insufficient waste water treatment) resulting, among others, in eutrophication of sea waters, oxygen depletion at the Baltic Sea bottom and high level of dioxins in fish</li> <li>• Lack of well coordinated joint plans to prevent and to respond to maritime accidents, incl. oil spills and contamination by hazardous substances</li> <li>• Lack of transnational co-operation and joint planning in usage of Baltic Sea space and in minimalisation of risks caused by natural disasters</li> </ul>
Assets for urban and regional co-operation	
<ul style="list-style-type: none"> <li>• System of metropolitan regions acting as engines of development towards a Global Integration Zone</li> <li>• Strong political support to BSR co-operation through existent pan-Baltic associations and high degree of institutional organisation across the BSR</li> <li>• Vision of the territorial development of the BSR acknowledged by the pan-Baltic ministerial co-operation</li> <li>• Good experience of transnational co-operation at all levels in result of the Interreg IIC and IIIB programmes in the BSR</li> </ul>	<ul style="list-style-type: none"> <li>• Prevalence of the monocentric settlement pattern and weak structure of small and medium sized cities in several parts of BSR</li> <li>• Lack of potential for city networking based on physical proximity because of low population density in the northern and eastern part of the Region</li> <li>• Insufficient social dimension of sustainable development in some parts of the BSR, including public health problems</li> </ul>

OPPORTUNITIES	THREATS
<b>Socio-economic challenges</b>	
<ul style="list-style-type: none"> <li>• Formation processes of new competitive clusters</li> <li>• Improving education and R&amp;D footing in the BSR countries for fostering innovations across the area</li> <li>• Good preconditions to develop and market the BSR as a model for: <ul style="list-style-type: none"> <li>• A knowledge and innovation-oriented area</li> <li>• Demonstrating the linkage between growth, social progress and protection of the environment</li> <li>• Demonstrating that quality products, efficient organisation, boosting innovation and high social standards can be combined for global competitiveness</li> </ul> </li> <li>• Attracting human, industrial and financial resources, as well as more targeted foreign direct investments in the field of technical innovations</li> <li>• Making use of the vast innovation potential of the E-BSR for the whole area</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing regional disparities inside the BSR countries</li> <li>• Insufficient progress in developing a knowledge and innovation basis in the E-BSR</li> <li>• Decreasing potential for innovations due to ageing of the BSR population</li> <li>• Insufficient use of human resources of Russia and Belarus for the BSR integration</li> </ul>
<b>Transport challenges</b>	
<ul style="list-style-type: none"> <li>• High potential to absorb future transport growth through maritime services</li> <li>• Opportunity to enhance the gateway function of the BSR in serving especially flows to and from Russia and the Far East market</li> <li>• Rising penetration of air services and advanced communication (Internet, mobile phone) to counteract peripherality and low population density</li> <li>• More and more widely used e-government practices</li> <li>• Strong potential to benefit from globalisation due to highly developed businesses and advanced ICT technologies in some parts of the BSR and to the sizeable BSR market</li> </ul>	<ul style="list-style-type: none"> <li>• Declining public passenger transport services and heavy increase of road transport due to weakness of more environment friendly modes</li> <li>• Environmental problems associated with the growth in both road and sea transport including reliability of the transport means as well as preparedness and response issues</li> <li>• Increasing territorial divide in access to ICT and absorption capacity of digital services</li> </ul>

Environmental challenges	
<ul style="list-style-type: none"> <li>• Growing awareness of the poor status of the Baltic Sea environment</li> <li>• Good natural and cultural heritage incentives to develop pan-Baltic tourism products as a measure for the BSR branding</li> <li>• Good quality of the marine environment as an asset to fish stocks</li> <li>• EU Marine Strategy Directive giving a higher status to protection of the marine environment and regional co-operation</li> </ul>	<ul style="list-style-type: none"> <li>• Uncontrolled exploration of marine resources leading to environmental hazards and/or use conflicts</li> <li>• Lack of political commitment and low harmonisation of national management plans and legislation related to the marine environment</li> <li>• Insufficiently prepared administrative personnel at regional and national level to adapt and implement UE regulations on ICZM and marine environment</li> <li>• Economic development needs overriding other interests and weakening efforts to safeguard sustainable development of the Baltic Sea and its catchment area</li> <li>• Natural disasters such as rising sea level, flooding, forest fires etc</li> </ul>
Challenges for urban and regional co-operation	
<ul style="list-style-type: none"> <li>• Complementarity of the BSR Programme 2007-2013 to cross-border, convergence as well as to regional competitiveness and employment programmes in the BSR</li> <li>• Strengthening of the BSR identity and creation of the BSR brand</li> <li>• Inclusion of social groups vulnerable to segregation or other social problems in the sustainable development process in the area</li> </ul>	<ul style="list-style-type: none"> <li>• Disadvantageous demographic (e.g. ageing and negative birth rate) and migration processes in already sparsely populated parts of the BSR</li> <li>• Lack of co-ordinated civil protection actions and rescue assistance in case of disasters</li> </ul>

## 3.2. Rationale for transnational actions in the area

### 3.2.1. Fostering of innovations

The Baltic Sea Region has a competitive advantage with regard to high levels of education, further education and research & development. The exploitation of these advantages by fostering innovations is the key development factor for the BSR. A major challenge in that context is a better association of partners across the Region to intensify the use of human resources and organisational advantages for a broad application of new knowledge in the BSR economy. This especially holds true to the Baltic SMEs, which need assistance in their international activities. In these actions all groups of the society, irrespective of age, gender, profession and social background, need to be integrated. Given the partly disadvantageous population structures (over-aging population) the challenge before the

Programme is also to enhance the attractiveness of the Baltic Sea Region for human, financial and industrial resources, including young innovative individuals from other parts of the world.

### 3.2.2. Better accessibility

Good accessibility is an important precondition for the transfer of knowledge and information. The BSR demonstrates certain peripherality towards the main economic areas of EU and at the same time certain specificity of a transport system where all land (rail and road), sea and air modes have almost equal importance. Despite completed and planned TEN-T investments more efforts are needed at the transnational level to improve accessibility of the BSR from the outside, bearing especially in mind a need to better connect the TEN-T with the Pan-European transport corridors, opening the BSR as a gateway to the Russian, Belarusian and Far East markets, as laid down in the Commission Communication (COM(2007)32) on extension of the major trans-European transport axes to the neighbouring countries.

Fast growing east-west flows in the BSR – when added to already voluminous north-south figures – constitute a high potential to transform the BSR to a gateway region in serving commodities and passengers traffic. The pre-requisite to attract external flows to the BSR is, however, its good connectivity to adjacent stretches of Europe and other continents.

On the Baltic Sea arena noteworthy transport isolation and low connectivity of some areas impede good internal accessibility of the BSR. This dimension of accessibility is crucial in particular for the eastern part of the BSR, rural areas as well as for some urban agglomerations [28] [33]. The found imbalances result not only from insufficient provision of high-capacity transport connections but also from inward-oriented transport solutions and regulations in respective countries.

The key challenge is hence to develop a comprehensive multimodal transport system across the area and to compensate disadvantageous effect on the area's accessibility. Also adaptation to unfavourable climatic conditions in the northern parts (Barents area) has to be taken into consideration.

At the same time the rapid development of information and communication technology (ICT) has become an important competitiveness factor, affecting the economic and social attractiveness of locations. The promotion of ICT may become a viable opportunity for the BSR to combat the impact of geographical distance and physical barriers in both internal and external accessibility. This has already been pursued by the Nordic countries, whose economic over-performance compared with their geographical situation, beside skilled labour and technology orientation - results from good infrastructural access to contacts and information. The problem, however, remains in insufficient endowment of many - especially rural - areas with



the fast access ICT infrastructure as well as in user response due to language barriers, which hamper participation of the general public and small businesses in the Internet and e-commerce community.

Improvement of the BSR accessibility shall be followed through actions stimulating functional integration across borders within concrete transnational development zones. These development zones, having one or several transport links as a backbone, extend beyond cross-border co-operation and promote the BSR integration in larger territories. However, only few zones stretch beyond the EU border so far and have not managed yet to demonstrate sufficient undertaking of development issues vital for Russia and Belarus [33].

### **3.2.3. Effective management of Baltic Sea resources**

Because of a growing number of commercial activities affecting the Baltic Sea resources, efforts are needed to ensure sustainable use of those resources and to prevent them against pollution. Wise management and reconciliation of different needs and interests focused on the same territory becomes a real challenge for the transnational actions. This management should aim at economically justified and sustainable utilisation of marine resources, starting with identification of their availability and ending up with workable resolutions of potential conflicts between users. Prospective conflicts on functional use of the marine space and its environmental protection need to be recognised and resolved at the planning stage. The offshore and coastal zone planning and management tools should be regarded as a means for resolution of conflict of interests, covering the inland areas and the whole marine space in its all dimensions. Also, possibility as well as the impacts of natural hazards should be taken into consideration.

### **3.2.4. Making the BSR and its cities and regions more competitive and attractive**

City co-operation on strategic issues is a key pre-requisite to strengthen competitiveness of the BSR at the global level. Cities and regions are key actors in meeting the Lisbon and Gothenburg challenges in the BSR. They enhance economic development through provision of public services and create important environment for business growth. Successful policies in that respect require active co-operation of public and private sectors. The local and regional governments require a policy support at the transnational level in order to better contribute to the BSR competitiveness and integration. Key actions to this end, such as stimulation of entrepreneurship, attraction of foreign direct investment, promotion of knowledge economy, corporate decision-making, business environment quality or labour productivity, require joint efforts of local, regional and national level of public authorities pursued in close concertation with private

and research sector. Capitalising on this, the governments may improve their decision-making on economic and social investments in the city areas and their surroundings.

For internal BSR integration, functionality of secondary (small and medium-sized) cities has to be given attention, as well as specific settlement patterns with large areas of low population and settlement scarcity (e.g. the Barents area). Of similar importance are strategies and practical solutions how city development can be combined with enhancement of surrounding rural areas.

All the actions should contribute to creation of efficient communication and identity building in the BSR as well as enhancing its competitiveness and cohesion. This is of key importance taking into consideration territorial digital divide and language barriers, which hamper flow of ideas across the BSR and tele-working.

For the BSR competitiveness, apart from cluster building, enhancement of innovation and urban co-operation, important and decisive is also a proper use of other assets.

Nature is one of the most important assets of the BSR in comparison to other transnational spaces. Using the rich potential of renewable raw materials and energies in a sustainable way could be considered a major perspective for rural areas and a specific competence of the BSR. Cultural inheritance represents an important asset for a further enhancement of the BSR identity, which should be used to attract domestic and external tourists and to support forming of an attractive business environment.

An outstanding specific natural and cultural heritage of the BSR should be given a twofold perspective. On one hand, it should be maintained, used and further improved as an excellent soft environment location factor for business development. On the other hand it represents a sustainable resource for future generations and for production of innovations (e.g. in the field of bio-mass production, renewable energy, environmental technologies etc.). In the past, several examples were created on maintaining, using and marketing elements of that heritage for the BSR development. An integrative and harmonised view on how to exploit the economic potential of these resources in a sustainable way is, however, still needed.

Therefore, in order to maintain the unique features of the natural environment, also protection and long-term strategies have to be launched, addressing e.g. an adaptation to climate change and prevention of natural hazards.

The described profile of the Baltic Sea Region needs to be reflected in the transnational co-operation actions. Bearing in mind limited available funding and presence of other co-operation programmes at the national, cross-border and interregional level, the strategy for proposed actions shall be given a clear focus.

#### **4. Strategy and focus of the Programme**

The Baltic Sea Region has become a European laboratory of integration where three different economic backgrounds and cultures came together. Joint transnational projects involving partners from old and new EU Member States as well as from the neighbouring countries (Belarus, Norway, Russia), have substantially contributed to the territorial cohesion and building of durable networks of co-operating organisations and institutions.

The Baltic Sea Region Programme 2007-2013 follows the logic of the two past transnational programmes - Interreg IIC (1997-99) and Interreg IIIB (2000-2006) but presents a new stage of transnational co-operation in the area. The mutual learning process, which started from the exchange of experience in spatial planning and development, and which went through commonly elaborated studies, action plans and strategies, will for this period aim to demonstrate the Baltic Sea Region profile and identity in addressing the challenges of the Lisbon [6] and Gothenburg [7] strategies of the European Union especially towards territorial cohesion. It will thus be instrumental also to the forthcoming Territorial Agenda of the EU, which demonstrates the territorial consequences of the Lisbon and Gothenburg strategies [25].

The Programme – reflecting the trends and tendencies of the area's socio-economic situation – addresses issues that need intervention at the transnational level. The Programme hence relates to the deficits in the territorial cohesion across the Baltic Sea, dwelling on its regional identity features, the existing East-West divide in the distribution of socio-economic processes and the issues of common concern. For the long-term regional sustainability of the BSR essential is merging of the territorial potential of the western and eastern parts of the BSR and recognition of the partner countries in the east (Russia and Belarus) as increasingly meaningful neighbours and collaborates in various co-operation domains.

The Programme, however, through its rather modest funds is not able to directly influence socio-economic situation in the BSR (see chapter 5). However, it may prepare larger investment interventions, aimed at minimising of the East-West divide or at resolving other issues of common concern (see chapter 2.3). Further, based on the advanced organisational structure (with several well established pan-Baltic organisations and networks in almost all fields of activity), the Programme may promote policies towards the complex and integrated development of the whole Region and its better identity (region building).

Bearing that in mind, the Programme attempts to stimulate the identified strengths and diminish the detected weaknesses (see chapter 3.1). Its ambition is to wisely assimilate needs of a better territorial cohesion of the Baltic Sea Region, a demand to raise competitiveness of the whole area and its individual parts, and a necessity to improve the management of the sensitive environment of the Baltic Sea to achieve more sustainable pattern of development. Attention is paid to such strategy issues as the

development of a knowledge-based economy, an improved water quality of the Baltic Sea or a more integrated transport system. Here, a stronger involvement of transnational and national actors towards a better preparation of future investments is encouraged.

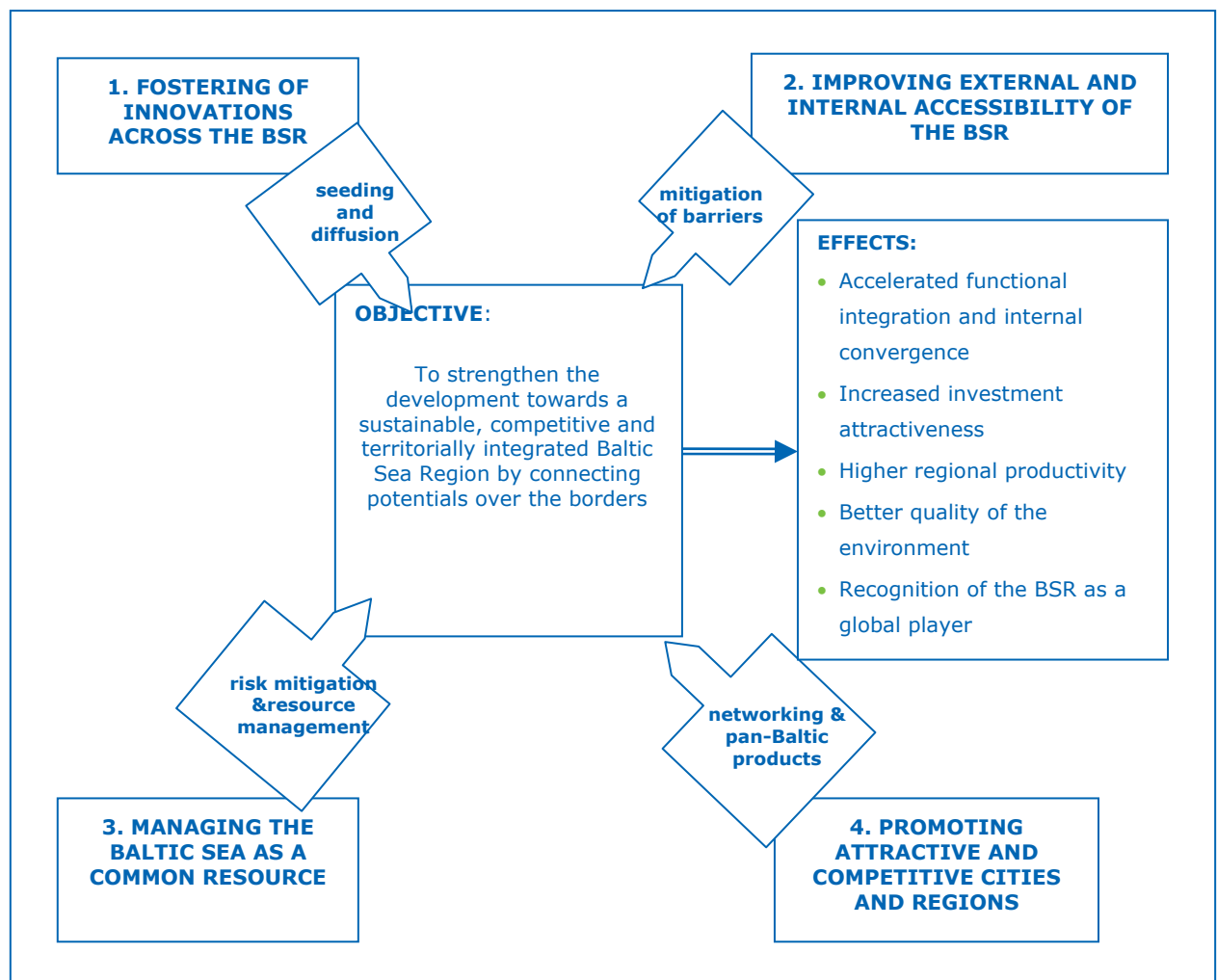
The Programme also tackles adaptation strategies to the development setting that cannot be changed in medium term, such as scattered settlements, low population density and harsh climate conditions in the northernmost territories. Further, the Programme responds to demographic processes, such as ageing and migration, and their resulting effects on the general business environment and the labour market situation. Last but not least - the Programme accentuates actions dedicated to management of the common asset for all countries involved in its implementation – that is the Baltic Sea.

As the Programme operates at the transnational level and promotes functionality of the Baltic Sea Region, its **overarching strategic objective is:**

*„To strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders“*

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Such a formulation, the Programme highlights the intention to act as an agent for boosting the socio-economic capital of individual territories by providing them with a framework to be bridged together. Through its thematic scope the Programme will on one hand contribute to smoother transfers of competence, flows of goods, passengers and information as well as diffusions of innovation over the national and regional borders within the Baltic Sea Region and on the other – will provide ground for common actions to improve Baltic Sea environment and to use its space and resources in a sustainable way. In effect of the Programme the connected potentials of individual territories will stimulate faster integration of the Baltic Sea Region into the global economy as well as its internal convergence, increased investment attractiveness, higher regional productivity, and better quality of the environment. Overall, in terms of socio-economic competitiveness (including environmental assets), the Programme-conducive actions will help acknowledge position of the Baltic Sea Region as a global player.



In order to implement the strategy and to realise the objective mentioned above, the Programme demonstrates **a specific focus in terms of geography and thematic range of co-operation as well as in terms of understanding of transnationality and good project quality.**

The action plan annexed to the Communication of the Commission on the EU Strategy for the Baltic Sea Region (COM(2009) 248 final, published on 10 June 2009, identifies a set of priority areas. Where it is appropriate, activities with relevance for the Baltic Sea Region Strategy shall be coordinated or joint activities shall be implemented within the framework of the relevant priority axis of this Operational Programme. Projects which might contribute to the realisation of the action plan should be duly taken into account in the selection process. Each year in its annual report the Operational Programme shall also describe its contribution to the Baltic Sea Strategy.

#### 4.1. Geographical focus

The primary geographical focus will be on tackling the existing divide between the Western and the Eastern BSR (including also the new German Länder). Apart from stimulating integration between the old and the new EU Member States, particular attention will be given to intensified co-operation with Russia and Belarus, facilitated through the ENPI funding. In that respect due consideration will be paid to specific collaboration needs within the framework of the Barents co-operation between Archangelsk Oblast, Komi Republic and Nenetsky Autonomous Okrug on one part and their counterparts from Norway, Sweden and Finland on the other. The Programme will also dedicate efforts to improvement of the BSR connectivity with other areas, e.g. with the North Sea or Black Sea.

Based on the fact that the Programme comprises two large areas - the Baltic Sea Region and the Barents area - it will continue to touch upon the North-South disparities. A particular challenge in that respect is co-operation of actors of both areas in joint projects and better mutual dissemination of knowledge and experience from the existing co-operation projects between the both areas.

An important aspect of urban-rural dimension will be addressed through acknowledgment of BSR metropolitan areas and cities as engines for socio-economic growth maintaining functional relations with their rural hinterlands.

#### 4.2. Thematic focus

The Programme features **horizontal issues** of:

- promotion of innovative approaches,
- ensuring sustainable environment,
- strengthening territorial cohesion,
- ensuring equal opportunities, including the gender perspective,
- public participation in transnational territorial development actions.

These horizontal issues underpin all thematic priorities and are requested to be addressed by project proposals irrespective of the source of EU funding in the Programme. These horizontal issues will be further addressed in the Programme Manual.

Further, small scale partnership projects requesting the ENPI funding for joint actions with Russia and Belarus in all thematic priorities have a possibility to support balanced partnerships between EU and partner countries in their co-operation and may involve broader public.

**The Programme is streamlined to four thematic priorities.** Within all priorities issues of transnational character relevant for the BSR are laid down, while supported activities are highlighted against those not favoured in the scope of the transnational co-operation (see chapter 6).

**The first priority** focuses on facilitating generation and diffusion of innovations across the BSR as a regional development factor. It is dedicated to core innovations in the field of natural and technical science but also to selected non-technical innovations, such as business services, design and other market-related skills. The priority looks at the performance of innovation sources and their links to SMEs, facilitation of transnational transfer of technology and knowledge as well as at a social basis for generation and absorption of new knowledge. In the context of co-operation with Russia and Belarus, actions may include a broader socio-economic development approach.

**The second priority** is dedicated to improvement of the external and internal accessibility of the Baltic Sea Region. The priority is focused on promotion and preparation of such joint transnational solutions in the field of transport and ICT, which overcome the persistent impact of functional barriers both to diffusion of innovation and traffic flows and thereby strengthen the sustainable economic growth and territorial cohesion of the Baltic Sea Region. The priority is also orientated to further integration within the strategic development zones spread along the transnational transport corridors in the BSR and to creation of new transnational links.

**The third priority** concentrates on environmental pollution of the Baltic Sea in a broader framework of a sustainable management of the sea resources. It supports operations aiming at limiting pollution inputs into and pollution impacts on the marine environment and puts special emphasis on enhanced maritime safety.

The priority also promotes economic management of open sea areas by means of best available technologies and practices. Attention is also given to an integrated development of offshore and coastal areas in the context of climate change tendencies and demographic changes in the BSR.

**The fourth priority** promotes co-operation of metropolitan regions, cities and rural areas in pursue of common potentials, which may enhance the Baltic Sea Region identity and its attractiveness for citizens and investors. It features relevant action programmes and policies at the BSR level, which attempt to make cities and regions the more competitive engines for economic development, to strengthen urban-rural partnerships and to guide the economic transformation of BSR areas with smaller and less dense settlements. The priority is also open for preparation of pan-Baltic strategies, action programmes, policies and subsequent investments in order to enhance competitiveness and territorial cohesion of the BSR. Exclusively for the sake of co-operation with Russian and Belarusian partners, the priority promotes joint actions dedicated to the social sphere



of regional and city development, to governance and capacity building in the public sector and to a broader public participation.

All four priorities have visible interlinkages. The first priority addresses human resource skills and organisational advantages of the Baltic Sea societies as a primary condition for a broad application of new knowledge in the BSR economy. In order to successfully spread the innovations across the BSR - good accessibility to people, services, knowledge and information as laid down in the second priority is necessary. In terms of geography, innovation tends to be concentrated in well accessible sites and development zones connecting larger cities. City-nested innovation and communication links between the cities - as well as rural hinterlands with their natural and cultural assets - affect the local and regional competitiveness (fourth priority). Finally, the Baltic Sea, to which the third priority is dedicated, stands as both the bridging and separating element in the contacts between various places. Its fragile sustainability depends upon environmentally friendly transport solutions, innovative approaches in sea-based branches of economy and wise management of the coastal and offshore areas, where the tourism and other activities stem from the area's natural and cultural assets.

### 4.3. Transnational and quality focus

The focus of the Programme allows a wide range of topics of transnational relevance to be tackled upon by the projects along the listed directions of support. A complementary selection tool in the Programme is the quality principles and requirements to be met by the project proposals.

Specific focus of the transnational programme requires that the projects should in first turn follow the **principle of transnationality**, which allows the programme to be distinguished from national, regional and cross-border programmes. Transnationality means:

- to ensure joint project development, management, financing and implementation (as laid down in chapter 9.5), and
- to address topics of importance for or having impact on the BSR development, and
- to develop transferable results in a transnational context, i.e. through a common process of actors of various countries, or
- to provide development proposals (investment strategies, programmes, concepts, action plans, feasibility studies) for a contiguous transnational territory (e.g. speeding up the creation of transport links and corridors and related development zones).

It should be noted that in relation to joint co-operation projects with Russia and Belarus the Programme will give special consideration to the need for smaller scale partnerships (e.g. in order to make the Programme more

easily accessible for less experienced actors from the partner countries). Smaller scale partnership is defined as the partnership compliant with the minimum formal requirement of the Programme with regard to the number of countries and partners involved. As referred to in chapter 9.5, the eligible partnership must include at least three beneficiaries from at least three different countries of the Programme area.

The projects should as much as possible apply an **integrated territorial approach**, which allows the Programme to be distinguished from sector-oriented programmes, such as LIFE+, Research Framework Programme or Marco Polo. This means that the proposals should consider territorial/regional conditions of envisaged actions and regard their implications and impacts on other sectors in the given territories. As far as possible, relevant actors from other sectors and various administrative levels should be involved directly or in a consultative way.

Further, future transnational projects in the BSR should demonstrate specific **quality requirements** to respond to the profile of the Programme. They include:

- **contribution to sustainable development** – the projects should relate to the Lisbon and Gothenburg strategies and respective strategies of Russia and Belarus by aiming at strengthening growth, competitiveness and employment, at securing social inclusion, as well as at protecting and improving the quality of the life and quality of natural environment on the territory in question. This means that the projects should pay attention to the most relevant of these aspects in the working methodology;
- **added value** – the projects should demonstrate an innovative approach to solving transnational problems and should avoid duplication of work and/or methodology. In accordance with that, the project owners should familiarise themselves with results of previous transnational projects within the framework of BSR Interreg IIC and IIIB programmes and be aware of parallel running initiatives;
- **competence raising** – the projects should see to it that through networking and exchange of good practice the institutions involved in the joint work increase their capacity in running sustainable development policies;
- **durability** – the projects should aim at producing results and establish structures, which exist beyond the project implementation period. In that sense the Programme funding should serve as a start-up financing towards durable and sustainable solutions; in practice, the projects should demonstrate a problem-solution orientation, that is a clear path from planning and studies to concrete large-scale investment projects they are expected to prepare or launch.

The Programme strongly supports **preparation of investments** of transnational relevance. In the ERDF funded part of the Programme such

investments (as defined further below) should as far as possible form an integral part of projects. Under ENPI investments can only be funded to a limited extent.

In light of the Programme focus and the quality requirements, the **transnational investments** are defined as follows:

Transnational investments come out in the course of the project in effect of a joint transnational work. Preparation, implementation and evaluation of such investments should be done in a clear transnational context. This context means that the project should either:

- follow a transnational physical or functional link (e.g. transport corridor, tourism route, network), the placement of which has been analysed from a transnational perspective and which demonstrates a socio-economic or environmental impact over the national border, or
- create a transferable practical solution ('blue-print') through a case study in one area, which is in the following milestones jointly evaluated by the project partners and transferred for testing in at least two other participating states.

Compared with the Interreg II C and Interreg III B programmes in the BSR, the projects should maintain the already achieved high levels of tangible and strategically relevant outcomes, while strengthening the pre-investment character and including of pilot investments. At the same time, more focus should be given to the creation of new business opportunities, transfer of competence and knowledge, establishment of durable networks, making practical solutions to attract potential investors and foreign direct investments, working out of pan-Baltic strategies and action programmes as well as joint implementation of project results (to be done by the project partners and by external actors through political agreements, improved procedures, instruments, organisation, administration, education and legislation). In the project application a significantly more precise and measurable description of project outputs should be secured.

Particular attention should be given to joint development and testing of **transferable results** (practical solutions, "blue prints", good practice), which could be applied to full scale projects in the relevant Convergence and Competitiveness programmes in order to increase value for EU money and allow benefits for the target groups other than the institutions participating in the original project. National authorities and managing authorities of Convergence and Competitiveness programmes are requested to assist in transfer of (wide applicable) project results.

All projects should foresee sufficient budget for transfer activities, preferably in all involved countries and should **disseminate project results** also through mass media. Apart from that, projects should highlight learning experience, which could be reflected (pursued or avoided) by similar future projects.

#### **4.4. Integrating the European Neighbourhood and Partnership Instrument**

Following the experience of the BSR Interreg III B Neighbourhood Programme on integrating two different political agendas and financing instruments of ERDF and Tacis CBC, substantial progress is envisaged for the period 2007 – 2013. The new approach will lead to a wide thematic and financial integration of both the transnational BSR Programme and the European Neighbourhood and Partnership Instrument (ENPI). This will allow the BSR Programme to better tackle the East-West divide and to better integrate areas of Belarus and Russia into the BSR development. It will also support a single decision-making as well as project development and implementation from one source.

As a consequence for the Programme, thematic issues of ENPI are integrated in all priorities. In order to make the ENPI support visible, all projects which receive support from ENPI are labelled as “ENPI-projects”. In addition, it is envisaged to market the performance and results of projects with especially high relevance for areas of Belarus and Russia as “ENPI flagship projects”. For the set-up of such projects, specific ENPI issues should be integrated, including the public participation, people-to-people contacts, and institutional and public capacity building.

#### **4.5. Strategic projects**

Experience of transnational co-operation has shown that the strategic relevance differs only gradually between projects and is not always attributed to such features as: size of projects, structure and quality of partnership. The Programme will therefore maintain a proper balance between small and larger projects and partnerships as well as top-down and bottom-up approaches in project generation. At the same time, the Programme puts more emphasis on issues of particular strategic relevance, intends to increase the share of respective projects and puts examples of these within each thematic priority.

A project has a particular strategic relevance for the Programme if it demonstrates the following features:

- it refers to a problem and develops solutions essential for the stable development of the whole BSR, as presented in chapter 2.3 (Issues of common concern) and 3.1 (SWOT analysis), and
- its geographical area or area of influence encompasses the whole of the BSR, and
- it has a strong focus on implementation, that is it contains infrastructural investments, pilot investments, a preparation stage for an investment funded through other sources or local demonstration actions, and

- it has a strong political backup at the national level, which takes responsibility for implementation of transnationally prepared investments and for endorsement of the policy recommendations.

All strategic projects may have an ENPI component.

Strategic projects feature **strong linkages to overall EU policies and strategies**. They shall support the development of **comprehensive and co-ordinated approaches towards national policies and programmes** to be designed in the coming years within the BSR countries as responses to EU and other global policies and strategies. They will prepare the ground for BSR- wide coordinated national programmes using, in particular, the opportunities created by the complementary – nationally distributed – EU structural and rural development funds in the most efficient way. Thus, the strategic projects will pave the way to develop the BSR into a model region on a global scale.

Such projects are characterised by a stronger involvement of national and transnational institutions and authorities in their design as well as their implementation. The partners or reference group members within strategic projects could therefore be national authorities responsible for developing and implementing the responses to the EU and global policies.

Stronger involvement of national authorities should not be understood as weakening of the role of regional and local authorities in the making of strategic projects. Strategic projects should always feature **policy development initiatives**, which are then filled with concrete steps on the ground. This requires clear **partnership between national/transnational authorities, regional/local authorities and organisations and social and business partners** (e.g. NGOs, associations of entrepreneurs, chambers of commerce, education and research facilities etc). In that partnership, national authorities cater for strengthening of the strategic character of the project, while the regional/local authorities and business and social partners develop concrete solutions. In such scheme, regional/local initiatives become integral parts of strategic projects as their case studies.

On the other hand, strategic projects can also be initiated and pursued by the regional and local authorities, provided they address issues of strategic relevance for the development of the Baltic Sea Region.

Further details are laid down in the Programme Manual as mentioned in chapter 7.

## **5. Positioning and complementarity of the Programme**

As emphasised, the BSR Programme roots its actions in the transnational experience accumulated in the Baltic Sea Region in the course of two preceding Interreg programmes. Parallel, however, it draws inspiration from the present challenges inscribed in the European policies, which shape its profile, strategy and focus.

### **5.1. Coherence with EU and national policy frameworks and programmes**

The European Commission's regulations governing transnational co-operation for 2007-2013 outline four main areas of intervention, which are set out in Article 6.2 of the ERDF Regulation, as follows: innovation; environment; accessibility; and sustainable urban development. In addition, all interventions are expected to contribute to the sustainable economic development of the transnational area and have a clear transnational dimension and impact. These requirements establish clear parameters for the Programme, but it is also important to place these themes within the wider context of the EU's overall development objectives.

#### **Lisbon and Gothenburg strategies**

In early 2005 the European Commission relaunched its Lisbon agenda, which concentrates on three main areas of action: making Europe a more attractive place to invest and work; knowledge and innovation for growth; and creating more and better jobs. The increased emphasis on the Lisbon agenda is also reflected in the implementation of the Structural Funds. In addition, the Gothenburg agenda from 2001 has also received renewed impetus. The agenda recognises "that in the long term, economic growth, social cohesion and environmental protection must go hand in hand".

The BSR Programme attempts to provide a territorial dimension to Lisbon and Gothenburg strategies by looking at geographical distribution of growth, innovation and employment processes in the Baltic Sea Region and by offering an area-wide platform for joint sustainable development actions between the countries.

The Programme aims to support the objectives of the Lisbon agenda especially through the content of priorities 1 and 4, which align to all three main areas of action. Furthermore, priorities 2 and 3 both contribute to the Lisbon objectives of 'Making Europe a more attractive place to invest and work' and 'Knowledge and innovation for growth'.

The Gothenburg Sustainable Development Strategy is addressed both through the overall objective of the Programme and through the specific content of priority 3, which has a strong focus on sustainability and which relates to the key themes in the Strategy explicitly associated with the

environmental perspectives. Further, environmental issues underpin all thematic priorities and shape selection of project proposals by means of the quality requirements (contribution to sustainable development). The Programme demonstrates also a linkage to the Commission Communication on Integrated Coastal Zone Management, adopted 7 June 2007 and following the evaluation of the EU ICZM Recommendation.

In order to ensure that EU funding is used and channelled in an optimum way to promote sustainable development, Member States and the Commission should coordinate to enhance complementarities and synergies between various strands of Community and other co-financing mechanisms, such as cohesion policy, rural development, LIFE+, Research and Technological Development, the Competitiveness and Innovation Programme, and the European Fisheries Fund.

### **Community Strategic Guidelines**

The new regulatory framework introduces a stronger strategic approach to Cohesion policy. The General Regulation foresees the adoption of strategy documents on both Community and Member State level.

In October 2006 the European Council adopted Community Strategic Guidelines (CSG) for 2007-2013 identifying Community priorities for support under Cohesion policy with a view to strengthening synergies with, and helping to deliver, the Lisbon and Gothenburg strategies. The Council Decision also addresses the territorial dimension of Cohesion policy. Concerning transnational co-operation the following guidance is given:

"In transnational areas there is a need to increase economic and social integration and cohesion. Transnational co-operation programmes seek to increase co-operation across Member States on matters of strategic importance. Support should therefore be given to actions, which seek to improve the physical interconnection of territories (e.g. investments in sustainable transport) as well as intangible connections (networks, exchanges between regions and between the parties involved). The actions envisaged include the creation of European transport corridors (particularly cross-border sections) and actions for the prevention of natural risks (e.g. fire, drought and flood), water management at river basin level, integrated maritime co-operation, promotion of sustainable urban development and R&D/innovation networks."

The Programme addresses the need for stronger territorial cohesion of the European Union set forth in the Community Strategic Guidelines for Cohesion by provision of a balance between the twin objectives of the growth and jobs agenda and territorial cohesion. The actions envisaged in the Programme are well in line with those mentioned in the CSG.

### **National Strategic Reference Frameworks for EU Member States**



According to the General Regulation, each Member State shall present a National Strategic Reference Framework (NSRF), which ensures that assistance from the Funds is consistent with the CSG. The NSRF shall constitute a reference instrument for preparing the programming of the Funds. The NSRF applies mainly to the Convergence objective and the Regional competitiveness and employment objective. It may also, if a Member State so decides, apply to the European territorial co-operation objective, without prejudice to the future choices of other Member States.

The overall strategy of the BSR Programme is well in line with the priorities of all NSRF's presented by the EU Member States in the Baltic Sea Region. In these documents the development of infrastructure in a sustainable manner and actions to raise the competitiveness of the region stand as key topics. Further, the balanced settlement system, employability and competitiveness of human resources, economic and social cohesion, connecting potentials and competencies, and reduction of administrative barriers are focus area for a number of the frameworks.

### **National strategies for the Non Member States**

The BSR Programme adheres to the Norwegian National Framework for Rural and Regional Policy (white paper no. 21 (2005-2006), where the objective of the rural and regional policy of Norway has been laid down as to sustain the current pattern of urban and rural settlements while facilitating economic development in all parts of the country. Within this framework the policy of the government of Norway is to muster the considerable capacity for growth throughout the country, stimulating business and industry, preserving and refining a well-functioning infrastructure while making better use of scientific knowledge and research.

The Baltic Sea Region Programme supports the implementation of the EU-Russia Strategic Partnership and notably the Road Map for Common Economic Space. In this context special emphasis is placed on the co-operation across the borders as a tool for territorial integration and economic development at the regional level.

The BSR Programme is compatible with the national strategies of Russia, namely: 'The concept for Regional Development of the Russian Federation' elaborated by the RF Ministry for Regional Development, and main provisions for the 'Strategy of socio-economic development of the North West Federal Okrug up to 2015', elaborated by the Office of the Plenipotentiary of the RF President in the North-West Federal Region. These two documents, in general, feature a balanced, sustainable economic development and forming of modern type of economic growth in the north-western part of the Russian Federation based on innovation transfer, co-operation on transport and energy networks, and high quality of human resources. Furthermore, the Programme adheres to such strategies of the North-West Russian regions, such as:



- Programme for St. Petersburg Social and Economic Development for 2005-2008, elaborated by St. Petersburg City Government, Committee on Economic Development, Industrial Policy and Trade
- Concept of social and economic development of St. Petersburg on the long-term perspective, elaborated by St. Petersburg City Government, Committee on Architecture
- Concept of Social and Economic Development of the Republic of Karelia in 1999-2002-2010, elaborated by Karelia Republic Government
- Strategy of economical development of the Murmansk region by 2015, elaborated by Murmansk Oblast Government
- Investment policy's priorities of the Government of the Leningrad Region
- Programme for Socio Economic Development of Pskov Region.

The BSR Programme also corresponds to the 'Socio-economic development programme of the Republic of Belarus for 2006-2010', the goal of which is to achieve continued improvements in the standard of living and quality of life for all Belarusians, strengthen the competitiveness of the national economy and build a state fit for the citizens. Its prioritised themes include, inter alia: health care system, innovation-driven economic development and increased energy and resource efficiency, social infrastructure in rural areas and the development of small and medium-sized cities.

### **ESDP and ESPON**

The Programme corresponds to the European Spatial Development Perspective and follows-up on the ESPON Programme by offering a comprehensive approach to tackling such issues as: urban and rural growth, innovation capacity, accessibility, migration and demographic changes, nature and culture management, climate change and territorial competitiveness. Their state of development is viewed upon at the BSR level and further elaborated in order to include the situation in the Programme eligible areas of Russia and Belarus.

At the same time, the Programme takes note of a notion of the "Territorial Agenda" of the European Union, which is currently under preparation. This agenda aims at translating the "Lisbon and Gothenburg strategies" to the territorial development of the European Union.

## **5.2. Coherence with the Northern Dimension Policy Framework and pan-Baltic strategies**

Within the Baltic Sea Region there is a long tradition of transnational co-operation, which strengthens the basis for collaboration between the

countries. By building on the experiences of successful collaboration and taking into account the perspectives outlined in complementary initiatives, the BSR Programme can ensure that added value is gained. The BSR IR IIIB programme document ([www.bsrinterreg.net](http://www.bsrinterreg.net)) contained an overview of relevant co-operation organisations in the Baltic Sea Region. Most of these are still relevant and some new ones, notably the Baltic Development Forum, could be added. These organisations have been consulted extensively during the programming process [see the introductory chapter] and most are expected to be active as project developers in the implementation phase. In this chapter a few co-operation frameworks with special relevance for the Programme's overriding goals and strategy are highlighted.

### **Northern Dimension**

With the endorsement of the Northern Dimension Policy Framework Document and the Political Declaration back to back with the EU-Russia summit held in Helsinki on 24 November 2006, the Northern Dimension policy entered a new phase. From having been an EU policy it is now a common policy between EU, Russia, Norway and Iceland. The new ND policy became effective from 1 January 2007 and will have a permanent nature in contrast to the previous Action Plans.

The new ND focuses increasingly on North West Russia, with its specific challenges and opportunities for the whole ND region. The Baltic Sea, the Kaliningrad oblast, as well as the extensive Arctic and Sub-arctic areas including the Barents Region, are priority areas for the ND policy.

The ND co-operation comprises not only co-operation between the four partners at a governmental level, but also co-operation at regional, sub-regional and local levels. The four northern regional councils, the Council of the Baltic Sea States, the Barents Euro-Arctic Council, the Nordic Council of Ministers and the Arctic Council, will have an important role. Belarus could be encouraged to participate in expert level co-operation in the ND framework.

The ND policy will aim at providing a common framework for the promotion of dialogue and concrete co-operation, strengthening stability, well-being and intensified economic co-operation, promotion of economic integration and competitiveness and sustainable development in Northern Europe.

Priority themes for dialogue and co-operation under the ND are: economic co-operation (incl. SMEs, innovation, transport and logistics, telecommunications and information technology); freedom, security and justice; external security; research, education and culture; environment nuclear safety and natural resources (incl. maritime safety and protection of the marine environment in the Baltic and Barents Seas); and social welfare and health care.

Northern Dimension activities are implemented by various actors and financed from different sources, including the existing and future EU financing instruments and programmes (notably the ENPI), national budgets, international regional organisations, international financial institutions (IFI), regional and local public organisations and other public bodies.

It is evident that the Baltic Sea Region Programme is very well in line with the new Northern Dimension policy. The whole Programme area (potentially also Belarus) is included in the ND area. This, together with the integrated ENPI/ERDF approach, will make the BSR Programme an important instrument for supporting the implementation of the ND policy, particularly in the context of transboundary co-operation. The Programme priorities cover many of the ND priority themes, particularly economic co-operation (incl. transport and logistics) and environment. The possible establishment of a Transport and Logistics Partnership may offer further synergies and co-operation possibilities.

In order to ensure that the potential synergies between the ND and the BSR Programme are fully utilised it is important to secure regular contacts and information between their respective implementation bodies. The practical arrangements for this will be worked out.

### **Pan-Baltic strategies**

The BSR Programme duly reflects pan-Baltic strategies, such as the ones of Baltic Development Forum, Baltic 21, Helcom and VASAB 2010. These are primarily aligned with one or two priorities in the Programme. Furthermore, the Programme priorities (especially priority 2 and 3) contribute to the creation of the physical infrastructure necessary for economic development, which is a common denominator for all regarded pan-Baltic strategies.

Taking into account that the BSR Programme comprises the geographically large and sparsely populated Barents area, the Programme also reflects the strategy and priorities of the Barents Euro-Arctic Council, particularly in priority 2.

## **5.3. Coherence with the EU sector policies**

Through the chosen priorities the Programme corresponds to relevant EU sector policies – yet in contrast with support programmes for given sector - it promotes actions conducive to integrated territorial development using a multi-stakeholder approach (engagement of various sectors and authority levels). As an example, a substantial basis for future projects seeking support within the priority of external and internal accessibility of the BSR are European transport and ICT policy documents (e.g. White Paper on European Transport Policy for 2010, TEN-T guidelines, documents on rail transport and interoperability and on more competitive public transport,

eEurope 2005, i2010 etc.). The taken perspective should, however, be much broader, depicting regional development background of the identified problems and showing territorial impact of the envisaged solutions. Another example is the EU 7<sup>th</sup> framework programme on research and technological development, which could be complemented through transnational territorial actions in the Baltic Sea Region. At the same time, transnational projects could prepare issues to be approached in more depth in the framework programme.

The Member States confirm that any state aid that might be provided under this Programme will either be in conformity with the 'de minimis rule' or with aid schemes implemented under one of the block exemption regulations or other exemption regulations or will be notified to the Commission in accordance with notification rules. More details will be provided in the Programme Manual.

### **5.4. Coherence with measures financed by the EAFRD, EFF and ESF**

The BSR Programme partly operates in the same sectors as the rural development programmes financed under the European Agricultural Fund for Rural Development (EAFRD), particularly axis 3 (The quality of life in rural areas and diversification of the rural economy) and axis 4 (Local Action Groups). The measures may include e.g. diversification into non-agricultural activities, support for business creation and development, encouragement of tourism activities, basic services for economy and rural population as well as conservation and upgrading of the rural heritage. Under axis 4, it is also possible to finance transnational co-operation projects in any of the sectors covered by the rural development programme. Furthermore, the measures under axis 3 and 4 are targeted not only to the farmers but to the whole rural population.

The major difference between the BSR Programme and actions eligible under the EAFRD is the magnitude and profile of operations. Most of the projects financed by the EAFRD programmes are implemented at local or regional levels and are targeted at benefit of local communities (farmers, forest owners, economic operators). For transnational co-operation projects financed by the EAFRD programmes the initiative comes from the local level (from so called Local Action Groups), while in the BSR Programme the initiative and ideas are introduced more from an overall BSR perspective. Moreover, the focus of the BSR Programme is on settlement structures of the rural areas and functional co-operation between towns and cities of different size (including metropolitan areas), which is not covered by EAFRD programmes.

On the other hand, the BSR Programme can bring value-added to the rural development programmes by identification, planning and implementation of activities targeting in a wider context. This gives possibility, in co-operation with the national, regional and local level, to find new solutions in problems

that are common in larger territories and that cannot be solved in local or national level alone.

In the least-favoured regions in the new Member States the BSR Programme may supplement actions co-financed by the new European Fisheries Fund (EFF), especially with regard to sustainable development of coastal fishing areas, which are in the process of economic decline. Contrary to European Fisheries Fund programmes, which promote socio-economic and sustainable development activities within territory of one Member State and only when related to the fisheries sector, the BSR Programme provides a broader transnational perspective and a multi-sectoral approach to the identified problems. In that sense joint transnational solutions in the BSR Programme shall not be of benefit merely for local fishery communities, but contribute to the socio-economic development of all BSR areas, which are in need of more diversified management of marine resources.

The BSR Programme also promotes actions of a similar character to the ESF, such as attraction of different social groups to innovation and environmental issues, transformation of BSR labour market policies and areas etc. These actions will, however, always be done in a transnational and regional development context. Projects directly supported under ESF could deepen this approach on local and regional ground but could also provide inputs to the BSR Programme towards transnational BSR strategies.

### **5.5. Coherence with other EU-funded programmes for socio-economic development**

In accordance with Article 9 of the General Regulation, it has been a clear intention to ensure coherence and complementarity of the Baltic Sea Region Programme 2007-2013 with other EU-funded programmes operating in the same geographical area. This includes a large number of programmes under the Structural Funds Convergence objective, Regional competitiveness and employment objective and the different strands of the European territorial co-operation objective as well as ENPI cross-border programmes.

At a general level the BSR Programme demonstrates clear features, which make it distinct from other integrated development programmes existing in the same BSR space. By nature of the transnational co-operation the Programme is positioned over regional socio-economic development and cross-border actions. It operates at the Baltic Sea Region level and features actions having pan-Baltic impact - contrary to the Convergence, Competitiveness and cross-border programmes, which are confined to administrative borders of respectively one region or a few regions adjacent to the state boundary.

### Convergence programmes and Regional Competitiveness and Employment programmes

The BSR Programme area will cover territories of several programmes under the Convergence and Competitiveness objectives. Their strategies should be consistent with the relevant National Strategic Reference Frameworks (see above) and consequently show complementarities with the BSR Programme.

Although the budgets and scope of the Convergence and Competitiveness programmes are far bigger than that of the BSR Programme, the latter can serve as a supplement by adding a transnational dimension to development work. On one hand the BSR Programme and projects will thus provide a transnational framework, in which regional development measures can be undertaken, on the other hand joint transnational projects can lead to more concrete and financially bigger follow-up projects to be financed through Convergence and Competitiveness programmes. This is particularly true for the development of infrastructure.

### Cross-border programmes

There will be altogether 13 **cross-border programmes** operating in the BSR Programme area **under the European territorial co-operation objective** with a total ERDF funding of over 1.2 billion euro. Most of them are bilateral and focus on the development of their particular cross-border region (see fig. 13).

However, in the 2007-2013 Programme period there will also be a number of larger multilateral cross-border programmes, which due to programme partnership, priorities and eligibility criteria could at least partly fund similar projects as the BSR Programme. This is particularly true for the Central Baltic programme and the South Baltic Area programme.

The Central Baltic programme comprises regions in Southern Finland, Central-Eastern Sweden, Estonia and Latvia. The envisaged programme priorities are "Safe and healthy environment", "Economically competitive and innovative region" and "Good living conditions" with the ERDF funding of 102 million euro. The programme may finance e.g. co-operation between several of the bigger cities in the programme region.

The South Baltic Area programme comprises coastal regions in Poland, Lithuania, Denmark, Germany and Sweden. The envisaged programme priorities are 'Economic competitiveness' and 'Attractiveness and common identity', with ERDF funding of 61 million euro.

Other programmes where overlaps may occur are: the Nord programme covering the Finnish, Swedish and Norwegian parts of the Barents region; Botnia-Atlantica building on the work carried out in the Kvarken Mittskandia programme, and the Öresund-Kattegat-Skagerrak programme comprising regions from Denmark, Sweden and Norway.

In addition to the programmes mentioned above, there will be seven **external cross-border programmes under the new European Neighbourhood and Partnership Instrument** with a total EU-funding (ERDF + ENPI) of 495 million euro operating in the eastern parts of the BSR Programme area. The operational modes of these programmes will be somewhat different from programmes under the European territorial co-operation objective with possible consequences for exchange of information and co-ordination of activities.

Cross-border programmes in the BSR focus on such economic, social and environmental issues, which are specific for a given area and which may result from a joint use of infrastructures and facilities. Given the increased territorial scope of such programmes especially in the South and Central Baltic, also more comprehensive strategies, like spatial and corridor development concepts, are envisaged. The BSR Programme will pay attention to the existence of those programmes and will make use of suited results through incorporating them into transnational strategies and actions. In the other direction, the BSR Programme will provide inputs for those programmes by setting a transnational framework for cross-border actions and by transferring proposals for concrete investments stemming from the transnational co-operation.

Projects that could potentially be financed under any of the cross-border programmes operating in the BSR should preferably not be financed from the Baltic Sea Region Programme. Thus, in order to become eligible for the BSR Programme the project should encompass partners from a wider geographical area than the one envisaged for the CBC co-operation. The BSR Programme will only support development actions for corridors and zones, which are not covered by cross-border programmes or go beyond the scope of cross-border co-operation, such as East-West corridors with neighbours in Belarus and Russia.

### **Other transnational programmes**

Attention will also be paid to complementarity with other transnational programmes, notably the East-Central Europe programme, the North Sea programme and Northern Periphery programme, which all partly overlap with the BSR Programme. For the East-Central Europe programme the overlapping areas include the whole of Poland and eastern parts of the German programme area, for the North Sea programme the whole of Denmark, western parts of the German programme area, south western parts of Sweden and whole of Norway, and for the Northern Periphery programme the northern parts of Finland, Sweden and North, Mid and West Norway.

As programme partnership and focus differ, there is no danger of double financing. On the other hand, there may be opportunities to complement BSR projects with projects of these neighbouring co-operation areas and/or to establish "cross-programme" projects similar to the Maritime Safety



Umbrella Operation during the 2000-2006 programming period. These opportunities will be explored when programmes have been approved and their profiles are better known.

### **Interregional co-operation, co-operation networks and exchange of experience**

In opposition to interregional programmes, the BSR Programme features a transnational scope of actions, regional development approach and pre-investment character of actions. The main value of interregional co-operation lies in Europe-wide exchange of experience and commonly developed solutions. The BSR Programme may use the interregional co-operation structures for disseminating its accumulated experience in such fields as: development of transport corridors, combating environmental pollution and eutrophication, maritime safety international tourism routes etc. In that respect especially important is channelling of the experience and best practice from BSR regional and urban networks as laid down in the 'Regions for Economic Change' EU policy tool. This encapsulates themes focused on economic modernisation and the renewed Lisbon agenda (such as bringing innovative ideas faster to the market, managing migration and facilitating social integration, moving to a low carbon economy and bringing e-governments to regions and businesses).

If regions in the Programme area are involved in the Regions for Economic Change initiative, the Managing Authority commits itself to:

- a) make the necessary arrangement to support innovative operations with transnational impact that are related to the results of the networks,
- b) foresee a point in the agenda of the Monitoring Committee at least once a year to discuss relevant suggestions for the Programme, and to invite representatives of the networks (as observers) to report on the progress of the networks' activities;
- c) describe in the Annual Report actions included within the Regions for Economic Change initiative.

Vice versa, results of interregional co-operation and the transfer of good experience within the framework of the aforementioned policy tool can contribute to formulation and implementation of transnational strategies and thus may provide inputs to the BSR development.

The URBACT programme will foster exchange of experience and transfer of knowledge and good practice between cities on different aspects of urban development in the framework of the cohesion policy. The focus of the BSR Programme is however on development of cities and regions in the transnational context and adjusted to the specific conditions and requirements of the Baltic Sea Region.



Special attention shall be given to the services provided by the INTERACT II programme. This EU-wide programme focuses on the good governance of territorial co-operation and provides needs-based support to stakeholders involved in implementing programmes under the European Territorial Co-operation objective. The target groups for INTERACT are primarily the authorities to be established according to Council Regulations 1083/2006 and 1080/2006 as well as other bodies involved in programme implementation. In order to ensure maximum benefit from the INTERACT programme for the implementing bodies of this programme, the use of INTERACT services and documentation as well as the participation in INTERACT seminars will be encouraged.

### **Concluding statements**

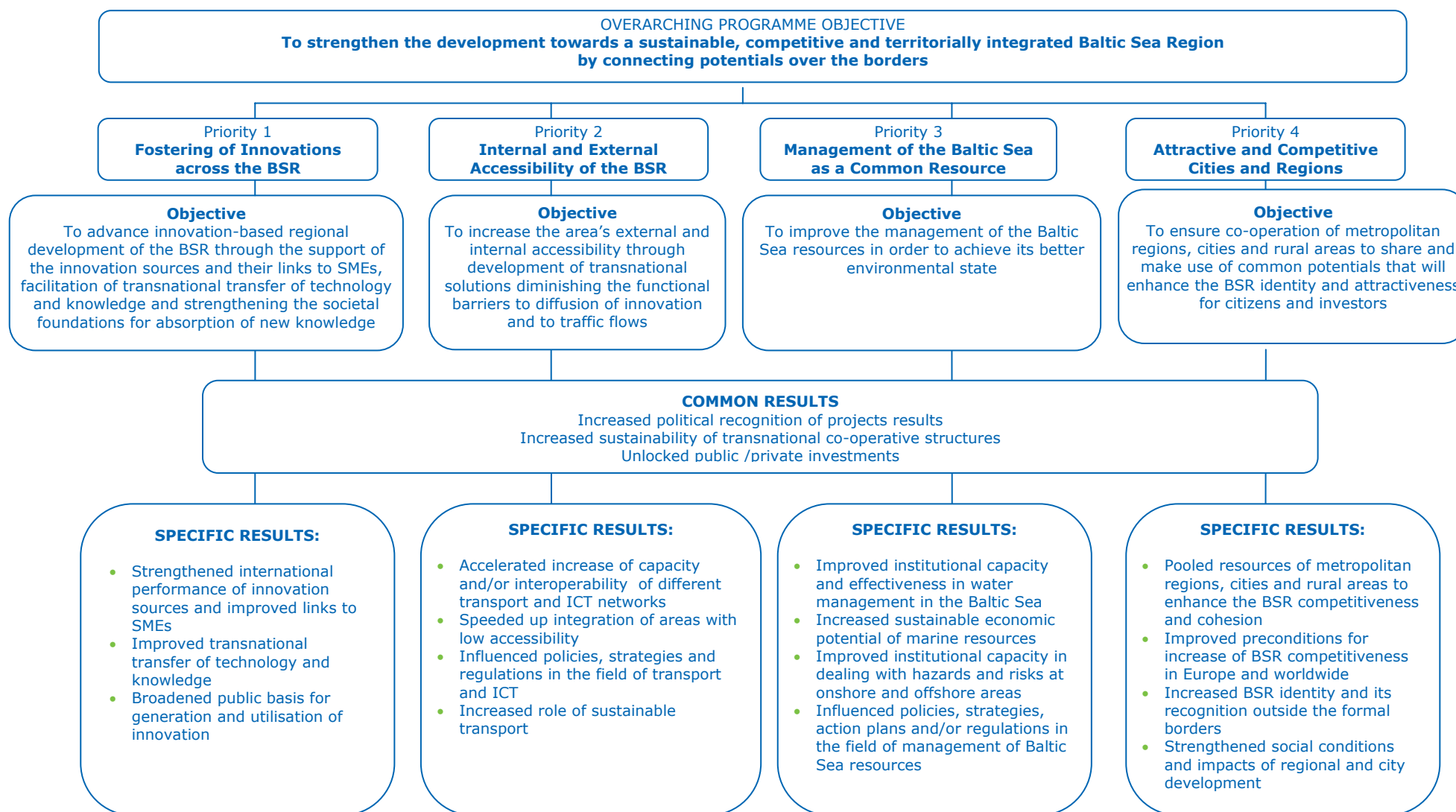
A substantial value of the BSR Programme lies hence in its complementarity to other programmes and initiatives. It may be regarded a useful tool in the planning and investment process, which starts with intensified human contacts and launching of the co-operation idea (e.g. supported by the cross-border programme) and ends with the concrete investment (e.g. supported by the Convergence programme) managed later by a public-private consortium (e.g. partly financed through the Marco Polo II programme). The BSR Programme adds an integrated territorial development approach to sector programmes and it supplements other regional programmes in the BSR area with a comprehensive view on the whole Baltic Sea Region. The BSR Programme intends to contribute to "region building" and to sharpen the specific profile of the Baltic Sea Region through strengthening potentials and diminishing weaknesses.

## **6. Priorities of the Programme**

The Programme is streamlined to four priorities whose objectives altogether contribute to the overarching Programme objective. Priorities chosen are justified against the background of the Community Strategic Guidelines and outcome of the contextual chapters number 2 and 3. The success of the Programme is measured through achievement of the expected common and specific results predefined for each priority. The common results can be accumulated at the Programme level.

The Programme's intervention logic is shown in a Chart 1 below and further explained in chapter 6.6

Further details on the Programme evaluation are laid down in chapter 12.3.



**Chart 1 The overview of programme objectives, priorities and expected results**

## 6.1. Priority 1: Fostering of innovations across the BSR

### 6.1.1. Orientation

Innovations are commonly described as successful production, assimilation and exploitation of novelty in the economic and social spheres. Today, this is largely associated with measures, by which regions and their economic actors adjust to the global economy. The ambition of the Programme is that innovations should support sustainable development and enhance especially performance of SMEs. In that context, the priority focuses on innovations in nature and technologic sciences and on their transfer to small and medium size enterprises. It also pays attention to selected non-technical innovations, such as business services, design and other market-related skills.

At the same time, the priority encourages the projects to link their activities to regional development instead of merely focusing on networking within their specific scientific/business sector. In its scope the priority does not only cater for better performance of the leading clusters but also nourishes promising bottom-up initiatives. Activities should also lead to attracting knowledge and technology-intensive foreign direct investments and take-up of relevant breakthrough technologies developed elsewhere. Improving the analytical basis on innovation issues, such as consistent data on clusters and cluster policies as well as knowledge flows and barriers to regional integration can be part of projects. Further, the projects may explore links to the so called creative industries, in which economic value is linked to cultural content. Creative industries bring together the traditional strengths of classical culture with the added value of entrepreneurial skills and the new knowledge-based electronic and communications talent.

For project partnerships with ENPI funding, both institutional and organisational support for SMEs beyond the fostering of innovations as well as broader approach to economic development may form part of the activities. This could include actions in the area of regional development, SME support, collaboration between chambers of commerce in establishing SME links and new market access, strategic development and training to enhance economic development.

A reference for projects in this priority in their efforts to address innovation issues in a transnational context and to expose their regional development dimension is given by the Interreg III B projects<sup>3</sup>, such as:

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<sup>3</sup> More information about all BSR Interreg III B NP projects mentioned in this programme document may be found on the websites [www.bsrinterreg.net](http://www.bsrinterreg.net) and [www.eu.baltic.net](http://www.eu.baltic.net).

- *Baltic Sea Virtual Campus* and *ScanBalt Campus* – which aim to establish e-learning structures and transnationally co-ordinated courses, transfer networks and durable institutions (e.g. the ScanBalt Academy as an expert/advisory council in the field of life sciences);
- *BBDN*, *FEM* and *B-SME* - which intend to found durable institutions (e.g. the Virtual Baltic Development Agency) as well as develop support products (training programmes), structures and networks to stimulate international activities of Baltic SMEs;
- *Connect BSR* and *Connect BSR+* - which target development of clusters according to the triple helix model, including the development of new companies, raising venture capital and developing a model solution (blue print) out of the experience gained so far.

Moreover, actors in innovative fields like mechatronics have made first steps in joining their forces towards SME support and regional development.

That experience was used - in addition to other analyses [21] - to formulate directions of the Programme support. It should be thoroughly examined by projects, further widened to other relevant fields and deepened in the directions given below.

The priority will not support research and laboratory projects dedicated barely to production of innovation as well as networking of scientists alone. The latter should be linked to supporting the SMEs sector in the context of regional development and particularly to application of scientific and technological inventions in business.

**Possible outcomes** of the activities envisaged under priority 1 are: strategies, action plans, good practice solutions, created new business opportunities, investment proposals and direct investments. **Investments** are expected especially in the field of:

- support structures for SMEs,
- technical infrastructure to improve performance of innovation sources (e.g. applied industrial research),
- educational infrastructure,
- new and broadly applicable technologies for SMEs.

For detailed overview of priority objectives, results and indicators please see chapter 6.6.

Categories of potential beneficiaries are included in chapter 9.1.1.

### 6.1.2. Areas of support

**The objective** of priority 1 is to advance innovation-based regional development of the BSR through the support of the innovation sources and

their links to SMEs, facilitation of transnational transfer of technology and knowledge and strengthening the societal foundations for absorption of new knowledge.

### 1. Providing support for innovation sources

- setting up of transnational structures (platforms, networks etc.) providing services to innovation sources in their international activities
- establishing of transnational structures for supporting generation of innovations towards the Region's leading technologies (e.g. environmental) and for SMEs
- stimulation of transnational interactions between enterprises, R&D institutions and public authorities towards commercialising the inventions and territorial expansion of clusters, notably in the E-BSR
- creation and application of good practise in the public support to the innovation sources and their links to SMEs (as exemplified by provision and sharing of appropriate technical and social infrastructure or improvement and use of employees skills)
- marketing of BSR capacities and success stories in international activities of the innovation sources, e.g. in the SMEs support

### 2. Facilitating the technology transfer and diffusion of knowledge across the BSR

- development of financial, organisational, legal and administrative support frameworks at the transnational level for technology transfer institutions
- creation of transnational structures and links (support arenas, networks of national centres etc.) for innovation, qualification and transfer of technology, dedicated, in particular, to better access of rural/peripheral areas of the BSR to knowledge-based economy and to better access of SMEs to knowledge and competence available in the BSR
- integration of SMEs into existing transnational co-operation clusters and promotion of specific SME-related co-operation networks in the BSR
- joint pilot implementation of transnationally relevant innovations in the BSR companies, notably in SMEs and craft firms (e.g. promotion and transfer of knowledge in alternative and renewable energy management patterns, environmentally sound and eco-efficient technology)
- harmonisation of national and regional level support schemes to technology transfer and diffusion of knowledge between the BSR countries

### 3. Strengthening the social capacity in generation and absorption of new knowledge

- strengthening the co-operation of educational facilities and structures in higher and further education or life-long learning for more efficient diffusion of knowledge across the BSR
- facilitation of networking and exchange of good practices across the BSR on education and other public policies, which shape the innovation environment
- preparation and implementation of strategies improving communication of various support organisations (e.g. acting for SMEs), actors, social groups etc. for the benefit of diffusion of knowledge across the BSR
- development of good practice and joint creation of pilot solutions on attracting people of different age, gender and profession to innovation issues and on promotion of entrepreneurship and spirit of innovation in the BSR
- provision of transnationally relevant solutions increasing absorption of knowledge (e.g. technical knowledge) among various age groups

#### 6.1.3. Examples of strategic projects

The approach applied in the priority and respective projects is of overall **strategic relevance** for the Programme. Specific strategic projects need to establish concrete framework conditions and pilot solutions at the BSR level concerning:

- A strategy on transfer of innovations to the SMEs (including establishment of transnational financial, organisational, legal and administrative support structures) followed by specific investments;
- Creation of transnational support structures for outstanding technologies in the BSR;
- Strategies and practical solutions on higher societal involvement to generation, utilisation and raising awareness for innovations (especially among less involved social and age groups);
- Strategies and actions to adapt the education and further education systems to support a sustainable and knowledge-based BSR development.



## 6.2. Priority 2: External and internal accessibility of the BSR

### 6.2.1. Orientation

The key challenge for the transnational co-operation in improving the external and internal accessibility of the Baltic Sea Region lies in addressing the transport imbalances and minimising the impact of barriers in smooth transport of goods and passengers. In the transnational perspective these obstacles include:

- Still existent missing links in the inland transport system of the BSR (e.g. secondary links providing access to TEN-T network, connections between TEN-T axes across the sea, extensions of the TEN-T axes eastwards);
- Low interoperability between various national transport networks due to different technical systems and administrative barriers (especially in shipping and rail transport);
- Lack of coherent inland waterway network easing traffic from the road arteries;
- Lack of operational system of the Baltic Sea Motorways able to concentrate freight flows on sea-based logistical routes, in order to reduce road congestion and to improve access to peripheral areas of the BSR;
- Unsatisfactory interregional air service, and an underused potential of many regional airports contrasting with already well developed and intense traffic between metropolitan areas, partly on account of low population density in some areas inhibiting provision of large-scale public transportation;
- Mismatch of goals between transport policies on various tiers of governance – and their incoherence with comprehensive regional development actions.

Accessibility and connectivity in the BSR may also be improved by actions in the field of information and communication technology (ICT). These should concentrate on opening the areas suffering from lack of market-run ICT installations to absorption of new technologies (both in terms of technical infrastructure and community response) and to harmonisation of domestic policies in that field.

Project proposals shall in their content build on findings and achievements of relevant BSR Interreg IIIB projects<sup>4</sup> as well as other projects in the field of transport and ICT. Bearing in mind the strategy of the Programme this means application of practical solutions to address the most acute bottlenecks and obstacles in transport flows. In that respect the following issues need to be regarded a point of departure:

- Developed multimodal solutions in transnational transport corridors (e.g. *SEBTrans-Link*, *North East Cargo Link*, *COINCO*, *Rail Baltica*, *East-West*);
- Prepared macro-scale strategies for transport investments to sustain socio-economic growth in the situation of limited accessibility (e.g. *STBR*, *STBR II*, *Baltic Gateway*, *Baltic Gateway+*, *InterBaltic*, *Baltic Tangent*);
- Prepared strategies for waterborne transport (e.g. *Intrasea*, *Baltic Master*), also with application of ICT tools (e.g. *BaSIM*);
- Solutions in logistics prepared for inclusion in site planning and regional development (e.g. *NeLoC*, *InLoC*, *LogVAS*);
- Competence rising in ICT for the benefit of regional growth (e.g. *Baltic Broadband*, *LogOn Baltic*).

In an effort to improve socio-economic situation and accessibility of territories adjacent to transport corridors, and especially of areas with a low growth potential, a concept of transnational development zones may be applied. This concept has been successfully practised in the Interreg II C and IIIB projects dealing with transport development (e.g. *STRING*, *Via Baltica* and *Via Baltica Nordica*, *SEB-Trans Link*, *South Baltic Arc* and others). The transnational development zones have reached different stages of territorial integration of areas with lower and higher growth potential along the concrete transport corridor, as specific interests have influenced the strategic-co-operation of each zone. Examples of co-operation fields are: regional development policies, innovation support, business development, city networking, making use of natural and cultural resources, institution building.

While continuing or broadening the pursued co-operation fields, the transnational development zone projects in the BSR Programme ought to strengthen the political and institutional framework for the co-operation between the areas of lower and higher growth potential along the concrete transport corridor. Such a framework should desirably be orientated towards creation of permanent structures for monitoring of trends in the

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<sup>4</sup> More information about all BSR Interreg III B NP projects mentioned in this programme document may be found on the websites [www.bsrinterreg.net](http://www.bsrinterreg.net) and [www.eu.baltic.net](http://www.eu.baltic.net).

socio-economic situation of the zone and provision of concrete investment proposals, with implementation of practical solutions to most burning problems still in the project lifetime. Establishing of a co-operation framework may also include testing of European instruments, such as European Economic Interest Grouping (EEIG) and European Grouping of Territorial Co-operation (EGTC). Concerning the complexity of joint efforts, political support and durability of co-operation, the experience of the *STRING* project might serve as a benchmark.

The priority favours a multi-stakeholder approach in the envisaged actions. The priority also allows for projects, which take an integrated and holistic approach as regards transportation needs. At the same time it **does not support**:

- isolated sector actions in the transport field (e.g. plain technical and documentary preparation of site investments) if these are not a part of a wider transnational strategy,
- preparation of transport development plans disregarding territorial conditions and socio-economic development trends,
- research work and tool-making in logistics, not bound to achieving better capacity in multimodal transport corridors and interoperability of transnational, national and regional networks.

**Possible outcomes** of the activities envisaged under priority 2 are: feasibility studies, action plans, practical solutions, investment proposals and direct investments. **Investments** are expected especially in the field of:

- transport links improving coherence and interoperability of national transport networks in the BSR,
- ICT solutions unlocking accessibility of peripheral and rural areas in the BSR,
- bottlenecks hampering integration of areas along a concrete transport corridor (transnational development zone).

The BSR Programme does not finance large scale transport infrastructure projects due to its limited budgetary volume; it may, however, provide for preparation of site investment plans. In principle, no transport investment plans financed from the Programme shall have an impact on Natura 2000 areas. If required, respective environmental assessments will be carried out.

For detailed overview of priority objectives, results and indicators please see chapter 6.6.

Categories of potential beneficiaries are included in chapter 9.1.1.

### 6.2.2. Areas of support

The objective of priority 2 is to increase the area's external and internal accessibility through development of transnational solutions diminishing the functional barriers to diffusion of innovation and to traffic flows.

#### 1. Promotion of transport and ICT measures enhancing accessibility and sustainable socio-economic growth

- Development and deployment of solutions to improve interoperability with regard to port-hinterland connections and links between transnational-national-regional networks (addressing worst cases, highlighting good examples and creating new ones)
- Planning and implementation schemes for the Baltic Motorways of the Sea as extensions and connecting sections of land-side transport corridors
- Action plans optimising air transport connections in the BSR in the context of sustainable development, economic growth and accessibility
- Preparation of investments in and raising quality of public transportation catering for better connectivity of disadvantaged areas (e.g. remote areas, areas with low and scattered population pattern etc.)
- Promotion, elaboration and testing of BSR-wide models of sustainable transportation alternatives, including the use of biofuels and improvement of public transportation systems in urban areas
- Preparation of investments to increase absorption of ICT in peripheral and rural areas and to counteract the territorial digital divide
- Provision, testing and territorial impact assessment of solutions in transport and ICT adjusted to low population density in the North and to increased demand for transport infrastructure and services in the South
- Capacity building and harmonisation of transport and ICT policies across countries and with translation to comprehensive regional development policies, supplemented with education actions
- Creating BSR-wide institutional arrangements for integrated policy and decision-making on transport, environment and health

#### 2. Actions stimulating further integration within existing transnational development zones and creation of new ones (aimed to better exploit socio-economic potential of the adjacent territories)

- Preparation of multimodal transport solutions (with particular attention to maritime, inland waterway and rail transport) aimed at combating bottlenecks and missing links along transnational transport corridors and allowing to transform them to transnational development zones
- Development of solutions safeguarding stability of development zones identified and investigated under Interreg IIC and IIIB (joint transnational development programmes and thematic strategies, establishment of institutionalised structures for monitoring and counselling on investments, elaboration of common brand products etc.)
- Elaboration, testing and dissemination of models and tools for efficient management of transnational development zones

### 6.2.3. Examples of strategic projects

- Preparation and implementation of a BSR multimodal transport strategy with clarification of specific potentials and limits of various transport modes with regard to goods and passengers; the strategy shall include balanced development of transport and logistic systems of the partner countries and EU BSR regions
- Constructing and exercising of a comprehensive concept for the Motorways of the Sea in the BSR, taking into consideration environmental aspects, regional development needs and the work done so far in the sub-areas (South Baltic Sea area, Gulf of Finland, Bothnia Bay etc.)
- Preparation and pilot implementation of measures allowing for extension of existent transnational development zones eastwards as well as creation of new ones along connection nodes between the TEN-T and the network of pan-European transport corridors in Russia and Belarus

## 6.3. Priority 3: Management of the Baltic Sea as a common resource

### 6.3.1. Orientation

The priority focuses on joint transnational solutions to address the pollution of the Baltic Sea and the sustainable management of the sea as a common resource by means of the best techniques available. The goal of the Programme intervention in that respect is to support operations aiming at both limiting pollution inputs into the marine environment and at minimising the pollution impacts on the marine environment.

The priority upholds an effort to create cross-sector dialogue between agriculture and environment ministers of the member countries of the Council of the Baltic Sea States on how to achieve a good environmental status of the Baltic Sea and supports the HELCOM Baltic Sea Action Plan to be adopted by the ministers of environment of the HELCOM Member States in November 2007. It also draws inspiration from and aims to contribute to the recently published Commission's Green Paper on the Future Maritime Policy of the Union [5]. The priority is open for actions as well as investments of a size appropriate to the Programme, which are well in line with the above governmental agreements.

The EU Marine Strategy Directive obliges the Member States to create national management plans on reaching a good ecological status of the marine environment. Essential is their appropriate co-ordination and exchange of knowledge at the transnational level. This may lead even to joint implementation of transnationally relevant parts of these plans. Consequently, efficient co-operation should be encouraged between national and regional governance tiers in the BSR to streamline various initiatives at the transnational level, e.g. Local Agendas 21, national plans and actions agreed in already established governmental co-operation structures such as the HELCOM. The draft HELCOM Baltic Sea Action Plan (BSAP) identifies four key areas: eutrophication, pollution by hazardous substances, risks related to maritime activities and biodiversity with nature protection. Environmental targets and concrete actions to reach them will be developed for each area. The BSAP will serve as an instrument to implement the Marine Strategy Directive.

To address pollution of the sea, action is needed both on land (on-shore) and at sea (off-shore).

On-shore, comprehensive multi-sectoral planning should be applied to sustainable management of fresh water resources, with special attention to improvements in the management of waste water and transboundary waters, inter alia in compliance with the Urban Waste Water Treatment Directive (91/271/EC). This should lead to enhanced efficiency of water treatment systems in use, limited impacts of diffuse sources of pollutions, alleviation of water usage and water purification problems in the areas facing drinking water deficits or in areas characterised by low population density etc.). Improvement proposals should build on the achievements of such BSR Interreg IIIB projects as *Bernet*, *Bernet-Catch*, *Trabant* and *Watersketch*. In the coastal zones special attention should be given to conflict resolution as well as to the environmental, social and economic threats associated with natural hazards and climate change. Improvement proposals should build on the achievements of such BSR Interreg IIIB projects as *Coastman*, *Seareg* and *Astra*.

Off-shore, there is an urgent need to reconcile the interests of various stakeholders and sea users with the availability of different sea resources and the good ecological status of the marine environment. The first step towards such reconciliation should be a sensitivity mapping of actual

problems in using the sea space. An initial attempt has been made in the BSR (Interreg IIIB *Balance* project) and further steps should be encouraged.

Concerning prevention and response to pollution originating from marine transport, some successful examples of good practice call for more synchronised and joint efforts in improving the BSR efficiency in maritime safety. The awareness at regional and local level of prevention and response in case of disasters (natural or man-caused) has grown and should be the basis for the establishment of joint preparedness and response systems at transnational level (e.g. built on experience made in Interreg IIIB projects: *Eurobaltic*, *Eurobaltic II* and *Baltic Master*). Such efforts should result in joint international contingency plans for given areas of the Baltic Sea, as such plans have been proven effective in order to minimise the impacts of maritime accidents and catastrophes (UK, USA, etc.).

The result of the above mentioned actions is the integration of efforts towards a cleaner and better managed Baltic Sea on land and at sea. The findings of a number of transnational initiatives on integrated coastal zone management (e.g. BSR Interreg III B *Baltcoast* project) have revealed the urgent need for common and environmentally friendly standards in on-shore and off-shore planning of the marine space. The methods used in territorial development of land areas could be extended to the planning of marine space. This would require the usage of multi-sectoral co-ordination instruments going beyond the mere balancing of the interests of two sectors. Therefore, another direction of support is addressing the removal of obstacles in the present legislative systems. This includes e.g. barriers to the implementation of the HELCOM recommendations, requirements put forward by the future HELCOM Baltic Sea Action Plan and constraints in fulfilling Local Agendas 21.

**Possible outcomes** of activities under priority 3 are joint strategies and policy approaches, action plans, examples of good practice solutions, concrete investment concepts (feasibility studies preceded by specification of land-based pollution sources) as well as direct investments. **Investments** are envisaged especially towards improvement of marine safety (e.g. technical equipment of rescue ships, enhancing effectiveness of reaction in case of accidents etc.) as well as aiming at the reduction of land-based pollution.

No support is given to projects limited to collection and processing of data. Local and regional activities of pure cross-border character as well as isolated sector actions are not encouraged either.

### 6.3.2. Areas of support

**The objective** of priority 3 is to improve the management of the Baltic Sea resources in order to achieve its better environmental state.

For detailed overview of priority objectives, results and indicators please see chapter 6.6.

Categories of potential beneficiaries are included in chapter 9.1.1.

1. Water management with special attention to challenges caused by increasing economic activities and climate changes

- Actions and strategies to improve water management in the Baltic Sea and its catchment area (public awareness campaigns on the importance of reduced land-based pollution, water quality, water supply and flood protection)
- New technologies and solutions for water treatment based on the pooling of existing experience in the BSR
- Identification of weak links/bottlenecks in the water treatment systems currently in use in order to increase their efficiency (e.g. aiming to reduce phosphate concentration in the existing systems), followed by concrete investments
- Actions to prevent transboundary pollution, including nuclear radiation, and to promote environmental management and standards
- Actions, action plans, strategies and legislative frameworks for improved water management in order to minimise impacts of climate change
- Actions and solutions for improved protection of valuable marine resources (e.g. joint testing of newly developed protection measures)

2. Economic management of open sea areas and sustainable use of marine resources

- Strategies, actions and investments for sustainable use of marine resources including introduction of best available technologies and practices, e.g. in the field of advanced technologies in marine culture (aquaculture), exploitation of gas hydrates, offshore wind energy, fish breeding, use of biomass, exploration of underwater tourism potentials etc.
- Actions oriented towards sensitivity mapping of the Baltic Sea space resulting in visualisation of investigated potential of marine resources as well as in detection of possible conflict areas

3. Enhanced maritime safety

- Application of strategies, tools and methods to minimise environmental risks resulting from both natural hazards and human activities (marine transport, sea-bottom pipeline transport, tourism, fisheries, etc.)



- Actions and investments to enhance preparedness and response on the sea in case of accidents or spills (contingency planning, equipment on ships, harmonisation of legislative frames, principles, rules and regulations)
- Joint strategies and actions to increase reliability of maritime transport in the Baltic Sea (e.g. ice breaking, safer transport of dangerous goods)

#### 4. Integrated development of off-shore and coastal areas

- Harmonisation of national management plans on marine environment and joint transnational implementation of their relevant parts
- Streamlining of national efforts towards development of the off-shore planning standards
- Development and implementation of integrated coastal zone management aiming at competence building at regional and national level
- Preparation of scenarios, adaptation strategies and intervention plans towards mitigation of impacts of climate change on coastal areas

### 6.3.3. Examples of strategic projects

Actions and investments in support of the BSAP, especially regarding minimising the risks related to maritime transport (e.g. establishing the ship routines in the Baltic Sea as a PSSA) and eutrophication;

Strategies and co-ordinated actions (joint intervention/contingency plan) to improve maritime safety and minimise damages in case of accidents;

Adaptation strategy for the coastal zones covering the substantial area of the BSR (e.g. Central Baltic Sea area) to minimise risks resulting from natural hazards;

Joint actions and standards (including legislation) to minimise conflicts and ensure integrated development of coastal zones and off-shore areas.

## 6.4. **Priority 4: Promoting attractive and competitive cities and regions**

### 6.4.1. Orientation

The priority features the policy making for sustainable urban and regional development in the BSR through transnational actions of various

government tiers built on specific assets and conditions of the BSR development (see chapter 3). This makes the BSR Programme distinguishable from other Community aid programmes and initiatives (e.g. URBACT or Objective 1 measures dedicated to integrated rural development). The priority concentrates on making the BSR cities and regions more competitive at the European scale both by hard (e.g. investments) and soft measures (e.g. marketing, enhancement of environmental quality, synergy between activities of public and private actors). It also gives room for preparation of pan-Baltic strategies, action programmes, policies and subsequent investments in order to enhance BSR competitiveness and territorial cohesion.

The thematic scope of the priority respects the findings of the ongoing and completed Interreg III B projects<sup>5</sup>, such as:

- *BaltMet Inno, Baltmet Invest, Metropolitan Areas+* - in addressing the global dimension of city co-operation (formation of a global integration zone),
- *Connect BSR or BalMet Inno* - in developing policies on good environment for business growth,
- *Defris, MECIBS, PIPE, Rural Development Connection, BSR-Health, SEBCo* - in counteracting development gap between highly urbanised regions and more rural areas in provision of innovation-demanding business services,
- *Rural Hinterland and ASAP* - in formulating strategies and policies for urban-rural relations,
- *S-MAN 2000, BIRD, Coastsust, Advantage Hardwood and Baltic Forest* - in seeing the nature as important capital for economic activities in cities and regions,
- *EuRoB* - in building transnational tourist products on the vast cultural heritage of the BSR,
- *Baltic Cruise, SuPortNet, Maritour* - in launching marketing campaign based on the BSR assets.

The efforts made so far need to be continued and strengthened. The priority thus promotes joint actions of the cities at the transnational level, urban-rural co-operation, development of settlement patterns in the context of demographic changes and migration, joint solving of social problems and management of key BSR assets and resources. Natural and cultural heritage is seen as an environment for those efforts and as a linking

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<sup>5</sup> More information about all BSR Interreg IIIB NP projects mentioned in this programme document may be found on the websites [www.bsrinterreg.net](http://www.bsrinterreg.net) and [www.eu.baltic.net](http://www.eu.baltic.net).

element to promote a common identity e.g. through respective tourist products.

The priority supports regional and local products, as well as restoration and regeneration of local sites only as part of a transnational approach promoting the BSR competitiveness and cohesion and resulting in preparation and BSR-wide dissemination of good practice. Specifically for the sake of co-operation with Russia and Belarus, the priority promotes partnerships in the areas of governance, capacity building and broader public involvement. This should improve efficiency and capacity of local and regional authorities and enhance public participation in transnational territorial development and implementation of cross-sectoral strategies. Not welcome are merely sectoral strategies for sustainable use and management of nature resources, which do not stimulate economic development of the BSR and which barely stick to technical aspects (e.g. pure nature conservation, monitoring or assessment of the state of environment, forest cultivation technologies etc.).

For urban-rural partnership and for city co-operation concrete transferable examples and transnationally co-ordinated action plans and investment strategies are encouraged, while excluded are projects, in which either:

- each partner concentrates on local actions, where there is no synergy out of co-operation, or
- involvement of the private sector is neglected, as the project intends merely to improve performance of the public sector and not local and regional development in reality,
- the focus is mainly on exchange of experience between the project partners, without any attempt to jointly develop, test and afterwards disseminate good transnational solutions, including implementation of pilot investments (which may lead to duplication of actions eligible under the interregional co-operation programme), or
- the partnership is limited to city governments only without involvement of regional or national level (which may lead to duplication of actions eligible under URBACT), or
- the project benefits at BSR level are not evident and limited to small geographical areas (the reason is that priority 4 aims at enhancement of the BSR identity and its attractiveness for citizens and investors).

**Possible outcomes** of activities under priority 4 include: joint strategies and policy approaches, action plans, example and good practice solutions, created new business opportunities, investment proposals and direct investments. **Investments** are envisaged especially in the field of business services at the BSR level, with particular attention to economic development, use of bio-mass and energy saving. They are also expected in activities promoting increased attractiveness of natural and cultural

business environment and improved social cohesion. Investments can only be funded at a small scale from ENPI.

### 6.4.2. Areas of support

**The objective** of priority 4 is to ensure co-operation of metropolitan regions, cities and rural areas to share and make use of common potentials that will enhance the BSR identity and attractiveness for citizens and investors.

For a detailed overview of priority objectives, results and indicators please see chapter 6.6.

Categories of potential beneficiaries are included in chapter 9.1.1

#### 1. Strengthening metropolitan regions, cities and urban areas as engines of economic development

- Joint actions of cities and regions to improve and implement relevant action programmes and policies at the BSR level, which deal with economic development (e.g. entrepreneurship and SME policies, attraction of foreign direct investment, promotion of knowledge economy, corporate decision-making, business environment quality, labour productivity, preservation of urban environment as a development asset, strengthening of civil society as important developmental factor, employment strategies etc.)
- Preparation of investments and joint practical solutions to improve the supply of high quality socio-economic services at the BSR level (in e.g. sectors of health, public transportation, education, employment etc.)
- Implementation of action plans guiding the economic transformation of BSR areas with smaller and less dense settlements - in partnerships composed of regional and national authorities as well as private and social actors
- Preparation of practical solutions at the BSR level to improve economic relations among and between metropolises and small and medium-sized cities
- Creation of urban-rural partnerships tackling common development problems (e.g. suburbanisation, increased commuting, joint energy savings, alternative and renewable energy management, solutions to link urban and rural tourism etc.) and building capacity in a joint manner

#### 2. Strategic support for integrated BSR development and socio-economic and territorial cohesion

- Development and implementation of common adaptation strategies for rural areas in need of conversion (with focus on settlement structures) to maintain and increase employment opportunities
- Preparation and implementation of cross-sectoral and territorial development strategies at the pan-Baltic level to guide socio-economic transformation of the Region (e.g. on branding of the BSR, transformation of settlement structures in the rural areas, afforestation, strengthening sustainable use and management of natural and cultural resources, development of networks of protected areas, management of transnational labour markets, etc.)
- Preparation and implementation of joint strategies for energy saving and cleaner production and on public procurement for environmentally performing goods and services
- Preparation and implementation of marketing strategies and efforts on BSR strongholds in business and business environment (infrastructure, culture, nature) including conclusions on necessary improvements
- Preparation and implementation of transnational adaptation strategies, actions and models addressing demographic change and migratory processes
- Preparation and implementation of joint strategies for social, economic and environmental rehabilitation of industrially degraded areas
- Development of BSR tourist products based on the area's cultural heritage and natural assets (e.g. planning and launching of transnational tourism routes, promotion of BSR eco-tourism, rural tourism etc.)

### 3. Strengthening social conditions and impacts of regional and city development

The areas of support given below are dedicated to extension of co-operation networks between actors representing the EU Member States, Norway and the eligible areas in Russia and Belarus. Project proposals addressing these areas of support should always include Russian and/or Belarusian partners.

- Joint actions in the field of public health to counteract major communicable diseases and to address social and environmental factors of health problems
- Joint actions to increase security and promote rescue assistance in case of natural disasters
- Joint actions securing good governance practice in the public domain and better involvement of public actors in transnational territorial development and implementation of cross-sectoral strategies
- Joint actions counteracting social exclusion of immigrants, disabled persons and other groups vulnerable to segregation or social problems

#### **6.4.3. Examples of strategic projects**

- strategic concept and key actions to ensure integrated territorial development of the BSR,
- marketing strategy for the BSR to attract investors, tourists and skilled individuals,
- strategies addressing the demographic change and migration processes in the BSR,
- promotion of the Baltic bio-energy potential and use of bio-mass,
- strategy and subsequent investments on energy saving,
- strategy and practical solutions for integrated management for urban-rural areas,
- strategies to improve living conditions for disadvantaged groups of population.

#### **6.5. Priority 5: Technical Assistance**

In compliance with Article 46 of the General Regulation and Article 33 of the CBC Regulation, Technical Assistance (TA) from the ERDF, Norwegian and ENPI funds is used to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme, as well as financing activities to reinforce the administrative capacity for implementing the funds. This includes activities such as meetings of the

Programme's Monitoring Committee and activities of the Managing Authority, Certifying Authority, Joint Technical Secretariat and support to the Audit Authority. The majority of Technical Assistance funds will be used to finance the operation of the Joint Technical Secretariat carrying out the main tasks related to implementing the BSR Programme. Technical Assistance will also cover costs related to information activities and dissemination of results. Furthermore, Technical Assistance funds will support actions to inform the citizens of the Programme area about the benefits of transnational co-operation. It will also cover other costs such as evaluation and installation of computerised systems for management, monitoring and evaluation.

In accordance with Article 46 of Council Regulation (EC) No 1083/ 2006, the limit for Technical Assistance is set at 6% of the total amount allocated under the European Territorial Co-operation objective.

In compliance with Article 33 of the CBC Regulation, Technical Assistance (TA) from the ENPI funds shall cover costs related to the implementation of the ENPI funds allocated to the Operational Programme. It is primarily used to finance costs of staff assigned to the Programme. Within the framework of the ENPI TA made available to the Programme, and subject to approval of the TA plan by the Monitoring Committee, the Managing Authority will employ qualified staff to ensure sound management of the Programme in relation to the volume, content and complexity of the operations planned. It is envisaged to allocate at least 1.5 staff to the Managing Authority/Joint Technical Secretariat to operate a separate ENPI accounting and reporting system, and to fulfil ENPI specific functions of the Managing Authority as laid down in chapter 8.3.1. ENPI TA shall cover administrative costs for Programme management, subcontracting expenditure and costs deriving directly from requirements imposed by the CBC Regulation and the Programme (e.g. audit costs at Programme level, setting up and maintaining computerised management and accountancy tools).

In accordance with Article 18 of the CBC Regulation, the limit for Technical Assistance from the ENPI is set at 10 % of the total ENPI amount allocated to the Programme.

Further details on financing of Technical Assistance are included in the financial plan of the BSR Programme.

## 6.6. System of indicators for the Programme

The system of indicators to measure achievements of the Programme is based on a set of expected results, predefined by the Programme and accompanied by respective outputs (see table A below, Chart 1 in chapter 6 as well as tables 1-4 at the end of this chapter). The expected results are of two types: *common and specific*. *Common results* are stipulated for all priorities and can be accumulated at the Programme level. *Specific results* are defined for each priority separately. All approved projects have to

contribute to at least one of the common results and one of the specific results. Programme targets are expressed as a minimum expected number of projects contributing to the given result. Programme impacts have not been defined.

The system of indicators consists of result and output indicators and operates at two levels: at the Programme level and at the project level. At the Programme level the result indicators are the numbers of projects addressing the given result; at the project level the result indicators are defined and quantified by the projects themselves.

### 6.6.1. Structure of the system of indicators

The structure of the system is presented in the table below:

Overview of the system of the indicators for the Programme

Objective		Results	Programme targets	A - Result indicators at the Programme level B - Result indicators at the project level	A - Output indicators at the Programme level B - Output indicators at the project level
Programme objective	Priority objective	<b>COMMON RESULTS</b>	Minimum number of projects aiming at the given result	A- The number of projects aiming at given result B - to be defined and quantified by the project	Fixed output indicators at both A&B levels, for example: Number of politicians directly involved in project activities or Amount (EUR) of public/private investments realized with Programme's funding within the project lifetime
		<b>SPECIFIC RESULTS</b>	Minimum number of projects aiming at the given result	A- The number of projects aiming at given result B - to be defined and quantified by the project	A- Number of tools/ methods/model solutions developed/tested in order to achieve addressed result B - to be further specified and quantified by the project

Below the definition of an each component of the system is given:

- **Objectives** - consist of the Programme overarching objective and specific objectives at a priority level.
- **Results** - the main immediate effects of Programme/project actions anticipated under the addressed fields of interventions. The results are either common (the same for all priorities) or specific (different for each priority). In addition, the projects may define their own expected results, correspondent to the project specificity. These are so-called additional results.
- **Programme targets** – the aimed minimum number of projects addressing each result.



- **Outputs** - immediate products delivered by the projects (e.g. pilot investments, tools, methods, model solutions, events).

### Indicators:

- **Result indicators at the Programme level** - the number of projects successfully addressing the given result.
- **Result indicators at the project level** – indicators that are defined and quantified by the projects; they measure how the addressed specific results are achieved by a project.
- **Output indicators** - measure the number of outputs addressing each of expected result. They are defined by the Monitoring Committee (MC) and further specified and quantified by the projects.

More detailed definitions, as well as examples of outputs and indicators, are provided in the Programme Manual.

### 6.6.2. Programme level

The specific feature of transnational programmes was taken into consideration while designing the system of indicators for the Programme. It follows conclusions of the evaluators of the preceding Interreg IIIB programme that it is very difficult to define the targets of such a programme in exact figures and even more difficult to distinguish programme impacts from the impacts of other programmes or other factors influencing regional development. Therefore, the impacts of the present Programme have not been defined. Instead, in order to acquire knowledge on first tangible effects of the Programme and to set a ground for the successive programming period, a preliminary evaluation of impacts should be carried out 2 years after finalisation of half of the approved projects, respective of the actual commitment and spending timetables for the Programme funds.

As mentioned above, at the Programme level *targets* for expected results have been set for each priority. They are expressed as a minimum number of projects addressing each result. Thus the achievement of the results is measured by the number of successful projects<sup>6</sup> addressing the given result (*A - result indicator at the Programme level*, see table A and tables 1-4). Progress in achieving these targets is subject to the Programme monitoring and potential pro-active measures. The baseline for all targets is zero at a Programme start.

The result indicators are accompanied by *output indicators* measuring the number of outputs addressing each of the expected results. The output indicators for the common results are defined precisely (e.g. number of

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<sup>6</sup> *Successful project is a project that has achieved its goal; the achievement is measured by the indicator defined by the project, see further explanations in the text*

open public events with politicians' participation). The outputs for specific results are predefined as: tools, methods and model solutions (further characteristic/definition of these is given in the Programme Manual). Yet, the quantitative targets for outputs at the Programme level have not been set.

In addition to the indicators related to common and priority specific results of the Programme, the following supplementary indicators are measured at the Programme level (see the table below).

Indicators	Target by 2013
<i>For monitoring of the Programme environmental impacts</i>	
Number of approved projects focusing on renewable energy	5
Number of approved projects focusing on energy efficiency	3
Number of approved projects focusing on challenges related to climate change	10
Number of approved projects having a positive effect on the environment in the BSR	45 or 60 % of approved projects
Number of approved projects improving waste management services	5
Number of approved projects preventing risks	12
Number of approved projects on co-operation between rescue services	5
Number of approved projects focusing on improved water quality of the Baltic Sea	5
<i>For monitoring of the degree of transnational co-operation</i>	
Number of approved projects respecting all four criteria of transnational co-operation: joint development, joint implementation, joint staffing, joint financing (see chapter 9.5)	60 % of all approved projects
Number of approved projects respecting three out of four criteria of transnational co-operation: joint development, joint implementation, joint staffing, joint financing	No target set
<i>For monitoring of other Programme impacts</i>	
Number of approved projects involving universities/higher education organisations	35
Number of approved projects involving technology institutes and SMEs	20
Number of approved projects improving transport links across national borders	10
Number of approved projects promoting female entrepreneurship	5

### 6.6.3. Project level

As mentioned above, all projects must address at least one common result and at least one priority specific result.

The achievement of the common results at the project level is measured through the achievement of the targeted values of outputs predefined (fixed) by the Programme. The projects are asked to give target values for predefined outputs related to the given common result already in the application stage.

Due to the very specific nature of the transnational programmes, indicators for measuring the achievement of the anticipated specific result have not been predefined (*B - result indicator at the project level*, see table A and tables 1-4). Instead, the projects are asked to define these indicators themselves also in the application stage. The projects may either choose an

indicator from the examples given in the Programme Manual or define one of their own. These indicators should clearly (using convincing data) measure the expected change towards the result addressed by the project. The indicator (-s) defined by the project for the addressed priority specific result is (are) used by the Programme managing bodies to measure a project's successfulness. The projects are also asked to give a baseline and target values for their indicators, whenever possible. All projects are asked to further specify outputs related to the chosen specific result and quantify them (precise output indicators for specific results).

The system of indicators requires that in the application stage each project is firstly asked to choose which at least one of the common and priority specific results it is addressing. Secondly, the project is asked to concretise how the chosen (selected) result(-s) will be achieved by the project. Thirdly, the project is asked to define the corresponding indicators for selected priority specific results and set the values for them. Then the project is asked to quantify outputs related to the selected specific result(-s). The project has to be able to show how it is collecting the relevant data needed for using these chosen indicators. Each project is expected to carry out a relevant survey in order to measure its results achievement.

The Programme leaves room also for innovative approaches by the projects. Therefore, projects may define also an additional expected result and an indicator for it in correspondence with the project specificity. This additional result must however be in line with the objective of the priority. Approving and implementing projects outside the scope of the expected results of each priority may be regarded as additional benefit for the Programme.

### **6.6.4. Monitoring and evaluation of the Programme achievements**

The Programme has a system for the collection of all respective information in order to monitor and evaluate Programme achievements. The system is based on a Programme database containing all the information of the projects' expected results and indicators given in the Application form as well as the information collected regularly from the projects through the Progress Reporting Forms. Thus, the projects themselves are the main source of information. All the data concerning the starting situation of a project as well as the chosen expected results, outputs and the related indicators are included in the Application form, which is uploaded in the database as soon as the project has been approved. The data on the progressive fulfilment of the result and output targets of the projects is collected regularly from the projects through the standardised progress reporting forms. These progress reports are uploaded in the database as well. Collected data overview on all the indicators can be generated at any stage of the Programme implementation through the database. This system can be developed further according to the needs that may come up during the Programme implementation. For example additional information may be collected from the stakeholders through specific questionnaires.

The result and output indicators at the Programme and the project level are monitored by the Programme managing bodies (Monitoring Committee, Managing Authority and Joint Secretariat) during the Programme/projects implementation. Due to the fact that the targets are defined for each priority separately, the monitoring of the results' achievement is also done for each priority separately. However, the information on achieved results collected for each priority may be aggregated at the Programme level (e.g. total number of projects, total amount of private funds in the Programme etc.). The actual data on indicators for specific results defined and quantified by the projects are not accumulated at the Programme level. This is not feasible i. a. because of the lack of standardisation of the measurements. Instead, the information on the fulfilment of common and specific results at priority level is collected as following: for each expected result the number of projects that have successfully contributed to this particular result is counted. In addition, the descriptions on how the project managed to fulfil the priority specific results are collected from all projects. The descriptions are qualitatively analysed e. g. as part of the mid-term and ex-post evaluation.

The achieved results and outputs, expressed by means of quantified indicators, are used for the purposes of the internal Programme evaluation, of reporting the Programme achievements as well as for marketing purposes (e.g. reporting to the Commission, presenting the information on state of the Programme implementation at the Programme website, releasing brochures etc.).

The target values reflect the overall performance of the Programme and projects, including the contribution of the ERDF, ENPI (when appropriate) and the own-co-financing of project partners.

Table 1. Overview of PRIORITY 1 objectives, results and indicators

Programme objective	Priority objective	Results	Programme targets	A - Results indicators at the Programme level B - Result indicators at the project level	Output indicators
To strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders	To advance innovation-based regional development of the BSR through the support of the innovation sources, facilitation of transnational transfer of technology and knowledge and strengthening the societal foundations for absorption of new knowledge	<b>COMMON RESULTS</b> Increased political recognition for transnational solutions for innovation based regional development	At least 16 projects with politically recognised and promoted results	A - Number of projects with politically recognised and promoted results	Number of politicians directly involved in project activities
					Number of open public events with politicians participation
					Number of political statements to be endorsed, resulting from project activities and signed within the project lifetime
		Increased sustainability of co-operative structures for supporting innovations and knowledge transfer	At least 6 projects creating sustainable co-operative structures based on official agreements	A - Number of projects creating sustainable co-operative structures based on official agreements	Number of established transnational co-operative structures based on official agreements (networks, platforms, fora, councils etc)
		Unlocking public /private investments supporting innovation based regional development	At least 8 projects unlocking public /private investments	A - Number of projects unlocking public /private investments	Amount (EUR) of public/private investments realised with Programme's funding within the project lifetime
					Amount (EUR) of public/private investments realised with other than Programme's funding within the project lifetime
		<b>SPECIFIC RESULTS</b> Strengthened international performance of innovation sources and improved links to SMEs	At least 5 projects with recognised support to innovation sources	A - Number of projects with recognised support to innovation sources B – examples are provided in the Programme Manual	Number of tools/methods/model solutions developed/tested aiming at strengthening performance of innovation sources
		Improved transnational transfer of technology and knowledge	At least 5 projects facilitating transnational technology and knowledge transfer	A - Number of projects facilitating transnational technology and knowledge transfer B – examples are provided in the Programme Manual	Number of tools /methods/model solutions developed/tested facilitating the transnational transfer of technologies and knowledge
		Broadened public basis for generation and utilisation of innovation	At least 5 projects increasing the involvement of broader public in innovation generation and absorption	A - Number of projects increasing the involvement of broader public in innovation generation and absorption B – examples are provided in the Programme Manual	Number of tools /methods/model solutions used to increase involvement of broader public in innovation generation and absorption

Table 2. Overview of PRIORITY 2 objectives, results and indicators

Program me objective	Priority objective	Results	Programme targets	A - Results indicators at the Programme level B - Result indicators at the project level	Output indicator
To strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders	To increase the area's external and internal accessibility through development of transnational solutions diminishing the functional barriers to diffusion of innovation and to traffic flows	<b>COMMON RESULTS</b> Increased political recognition for transnational solutions improving BSR area's external and internal accessibility	At least 10 projects with politically recognised and promoted results	A - Number of projects with politically recognised and promoted results	Number of politicians directly involved in project activities
					Number of open public events with politicians participation
					Number of political statements to be endorsed, resulting from project activities and signed within the project lifetime
		Increased sustainability of co-operative structures aiming at improvement of accessibility in the BSR	At least 4 projects creating sustainable co-operative structures based on official agreements	A - Number of projects creating sustainable co-operative structures based on official agreements.	Number of established transnational co-operative structures based on official agreements (networks, platforms, fora, councils etc)
		Unlocking public /private investments in transport and ICT	At least 10 projects unlocking public /private investments	A - Number of projects unlocking public /private investments	Amount (EUR) of public/private investments realised with Programme's funding within the project lifetime
					Amount (EUR) of public/private investments realised with other than Programme's funding within the project lifetime
		<b>SPECIFIC RESULTS</b> Accelerated increase of capacity and/or interoperability of different transport and ICT networks	At least 9 projects accelerating an increase of capacity and/or interoperability different transport and ICT networks	A - Number of projects accelerating an increase of capacity and/or interoperability of different transport and ICT networks B – examples are provided in the Programme Manual	Number of tools/methods/model solutions developed/tested aiming at increase of capacity and/or interoperability of different transport and ICT networks
		Speeded up integration of areas with low accessibility	At least 6 projects improving preconditions for integration of areas with low accessibility	A - Number of projects speeding up integration of areas with low accessibility B – examples are provided in the Programme Manual	Number of tools/methods/model solutions developed/tested aiming at integration of areas with low accessibility
		Influenced policies, strategies and regulations in the field of transport and ICT	At least 3 projects clearly influencing policies, strategies or regulations in the field of transport and ICT	A - Number of projects clearly influencing policies, strategies or regulations in the field of transport and ICT B – examples are provided in the Programme Manual	Number of tools/methods/model solutions developed/tested towards influencing the national policies, strategies or regulations.
		Increased role of sustainable transport	At least 5 projects increasing the role of sustainable transport	A - Number of projects increasing the role of sustainable transport B – examples are provided in the Programme Manual	Number of tools/methods/model solutions developed/tested for increasing the role of sustainable transport

Table 3. Overview of PRIORITY 3 objectives, results and indicators

Program me objective	Priority objective	Results	Programme targets	A - Results indicators at the Programme level B - Result indicators at the project level	Output indicator
To strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders	To improve the Baltic Sea resources management in order to achieve its environmental state	<b>COMMON RESULTS</b> Increased political recognition for transnational solutions improving Baltic Sea resources management	At least 18 projects with politically recognised and promoted results	A - Number of projects with politically recognised and promoted results	Number of politicians directly involved in project activities
					Number of open public events with politicians participation
					Number of political statements to be endorsed, resulting from project activities and signed within the project lifetime
		Increased sustainability of co-operative structures aiming at improved management of the Baltic Sea	At least 5 projects creating sustainable co-operative structures based on official agreements	A - Number of projects creating sustainable co-operative structures based on official agreements	Number of established transnational co-operative structures based on official agreements (networks, platforms, fora, councils etc)
		Unlocking public /private investments aiming at improved of the Baltic Sea management	At least 9 projects unlocking public /private investments	A - Number of projects unlocking public /private investments	Amount (EUR) of public/private investments realised with Programme's funding within the project lifetime
					Amount (EUR) of public/private investments realised with other than Programme's funding within the project lifetime
		<b>SPECIFIC RESULTS</b> Improved institutional capacity and effectiveness in water management in the Baltic Sea	At least 3 projects improving institutional capacity and effectiveness in water management in the Baltic Sea	A - Number of projects improving institutional capacity and effectiveness in water management in the Baltic Sea B – <i>examples are provided in the Programme Manual</i>	Number of tools/ methods/model solutions developed/tested aiming at improving institutional capacity and effectiveness in water management in the Baltic Sea
		Increased sustainable economic potential of marine resources	At least 4 projects increasing sustainable economic potential of marine resources	A - Number of projects increasing sustainable economic potential of marine resources B – <i>examples are provided in the Programme Manual</i>	Number of tools/ methods/model solutions developed/tested aiming at increasing the potential of marine resources
		Improved institutional capacity in dealing with hazards and risks at onshore and offshore areas	At least 7 projects improving institutional capacity in dealing with hazards and risks at onshore and offshore areas	A - Number of projects improving institutional capacity in dealing with hazards and risks at onshore and offshore areas B – <i>examples are provided in the Programme Manual</i>	Number of tools/ methods/model solutions developed/tested aiming at improving institutional capacity in dealing with hazards and risks at onshore and offshore areas
		Influenced policies, strategies, action plans and regulation in the field of management of Baltic Sea	At least 5 projects influencing policies, strategies and regulation in the field of management of Baltic Sea resources	A - Number of projects clearly influencing policies, strategies, action plans and regulation in the field of management of Baltic Sea resources B – <i>examples are provided in the Programme Manual</i>	Number of tools/ methods/model solutions developed/tested towards influencing Baltic Sea resources management policies, strategies, action plans and regulations



Table 4. Overview of PRIORITY 4 objectives, results and indicators

Program me objective	Priority objective	Results	Programme targets	A - Results indicators at the Programme level B - Result indicators at the project level	Output indicator
To strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders	To ensure co-operation of metropolitan regions, cities, and rural areas to share and make use of common potentials that will enhance the BSR identity and attractiveness for citizens and investors	<b>COMMON RESULTS</b> Increased political recognition for transnational solutions aiming at enhancement of the BSR identity and attractiveness	At least 12 projects with politically recognised and promoted results	A - Number of projects with politically recognised and promoted results	Number of politicians directly involved in project activities
					Number of open public events with politicians participation
					Number of political statements to be endorsed, resulting from project activities and signed within the project lifetime
		Increased sustainability of co-operative structures aiming at enhancement of the BSR identity and attractiveness	At least 7 projects creating sustainable co-operative structures based on official agreements	A - Number of projects creating sustainable co-operative structures based on official agreements	Number of established transnational co-operative structures based on official agreements (networks, platforms, fora, councils etc)
		Unlocking public /private investments aiming at enhancement of the BSR identity and attractiveness	At least 5 projects unlocking public /private investments	A - Number of projects unlocking public /private investments	Amount (EUR) of public/private investments realised with Programme's funding within the project lifetime
					Amount (EUR) of public/private investments realised with other than Programme's funding within the project lifetime
		<b>SPECIFIC RESULTS</b> Pooled resources of metropolitan regions, cities and rural areas to enhance the BSR competitiveness and cohesion	At least 4 projects aiming at pooling resources of metropolitan regions, cities and rural areas to solve common development problems	A - Number of projects aiming at pooling resources of metropolitan regions, cities and rural areas to enhance the BSR competitiveness and cohesion B – examples are provided in the Programme Manual	Number of tools/ methods/model solutions developed/tested aiming at pooling resources of metropolitan regions, cities and rural areas to enhance the BSR competitiveness and cohesion
		Improved preconditions for increase of BSR competitiveness in Europe and worldwide	At least 4 projects improving preconditions for increase of BSR competitiveness in Europe and worldwide	A - Number of projects improving preconditions for increase of BSR competitiveness in Europe and worldwide B – examples are provided in the Programme Manual	Number of tools/ methods/model solutions developed/tested improving preconditions for increase of BSR competitiveness in Europe and worldwide
		Increased BSR identity and/or its recognition outside the formal borders	At least 4 projects increasing identity and/or recognition of the BSR	A - Number of projects increasing identity and/or recognition of the BSR B – examples are provided in the Programme Manual	Number of tools/ methods/model solutions developed/tested increasing identity and/or recognition of the BSR
		Strengthened social conditions and impacts of regional and city development	At least 4 projects strengthening social conditions and impacts of regional and city development	A – Number of projects strengthening social conditions and impacts of regional and city development B – examples are provided in the Programme Manual	Number of tools/ methods/model solutions developed/tested strengthening social conditions and impacts of regional and city development

## Part II: Implementing provisions

### 7. Introduction

With regard to the implementation of the Baltic Sea Region Programme 2007-2013, the EU Member States Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden as well as the Non Member States Norway, Russia and Belarus, have agreed to build on their experience jointly gained in 2000 – 2006 during the implementation of the predecessor programme, the “Baltic Sea Region INTERREG III B Neighbourhood Programme”.

The implementation structure of the predecessor programme consisted of

- a Monitoring Committee;
- three Steering Committees, one for the INTERREG III B priorities of the programme, one for the INTERREG III A priority Estonia-Latvia-Russia (“priority North”), and one for the INTERREG III A priority Latvia-Lithuania-Belarus (“priority South”);
- a single Managing Authority and a single Paying Authority; both functions had been designated to the Investitionsbank Schleswig-Holstein in Kiel, Germany
- a Joint Secretariat led by one programme director with offices in Rostock (operated by Investitionsbank Schleswig-Holstein), in Riga (operated since 1<sup>st</sup> June 2004 by the State Regional Development Agency of Latvia), and – by 31 December 2005 – in Karlskrona (operated by the Baltic Institute of Sweden);
- national sub-committees of the Monitoring Committee and Task Forces, set up both by the Monitoring Committee and the Steering Committees;
- a Financial Control Group established to organise sample checks on operations in accordance with chapter IV of Commission Regulation (EC) No 438/2001 of 2 March 2001.

Due to the change of the programme in 2004 towards a Neighbourhood Programme and the allocation of Tacis funding to the programme, also the European Commission got involved in the implementation of the predecessor programme through its delegations in Moscow and Kiev, responsible for Russia respectively Belarus. For the administration of Tacis Technical Assistance funding allocated to the predecessor programme, in 2005 and 2007 the European Commission entered into Service Contracts for European Community external actions with a consortium, composed of the Investitionsbank Schleswig-Holstein and the State Regional Development Agency of Latvia. To implement these contracts, two full time Tacis experts,

one for Russia, one for Belarus, were employed by the State Regional Development Agency of Latvia based on agreements with Investitionsbank Schleswig-Holstein. Furthermore, based on a Subcontract with Investitionsbank Schleswig-Holstein, the Leontief Centre, International Centre for Social and Economic Research, located in St. Petersburg, Russia, employed three Russian experts to run Info points of the programme which were opened in St. Petersburg and Pskov, Russia.

The implementation structure of the new Baltic Sea Region Programme 2007 – 2013 is built on the structures of the predecessor programme, but is also further developed. Thus, its implementation shall be based on the principle of continuity.

It is complying with the implementing provisions laid down in Article 12(8) of Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999 (OJ L 210, 31.7.2006, p. 1) (hereinafter referred to as “**ERDF Regulation**”).

The implementation structure is also set up to administer the Programme as an integrated Programme bringing together the sea-basin approach of the European Neighbourhood and Partnership Instrument (hereinafter referred to as **ENPI**) and the concept of transnational co-operation as part of the Structural Funds objective “European territorial co-operation”.

As agreed by the Member States participating in the Programme, the Non Member States Norway, Russia and Belarus, as well as European Commission services involved in the development of the implementation structure and the implementation procedures of the Programme, the Programme shall first and foremost be administered according to the ERDF Structural Funds rules. For the purposes of this programme document, therefore, the implementing provisions provided in the following chapters shall, in principle, apply to the implementation of ERDF funding, Norwegian funding and ENPI funding allocated to the Programme, unless specified otherwise.

Taking into account the principles of European Neighbourhood and Partnership Policy and experiences gained with the involvement of Russia and Belarus in the Baltic Sea Region INTERREG III B Neighbourhood Programme, efforts will be made to stronger involve Russia and Belarus in the Programme, also in terms of implementation of the Programme. In line with this objective, ENPI funding allocated to the Programme will be devoted to co-finance Russian and Belarusian participation in the Programme.

Based on the experiences gained in the predecessor programme with an active support of project generation and implementation provided, i.a. by the Joint Secretariat, the pro-active approach is strengthened in the Baltic Sea Region Programme 2007-2013 as outlined below.

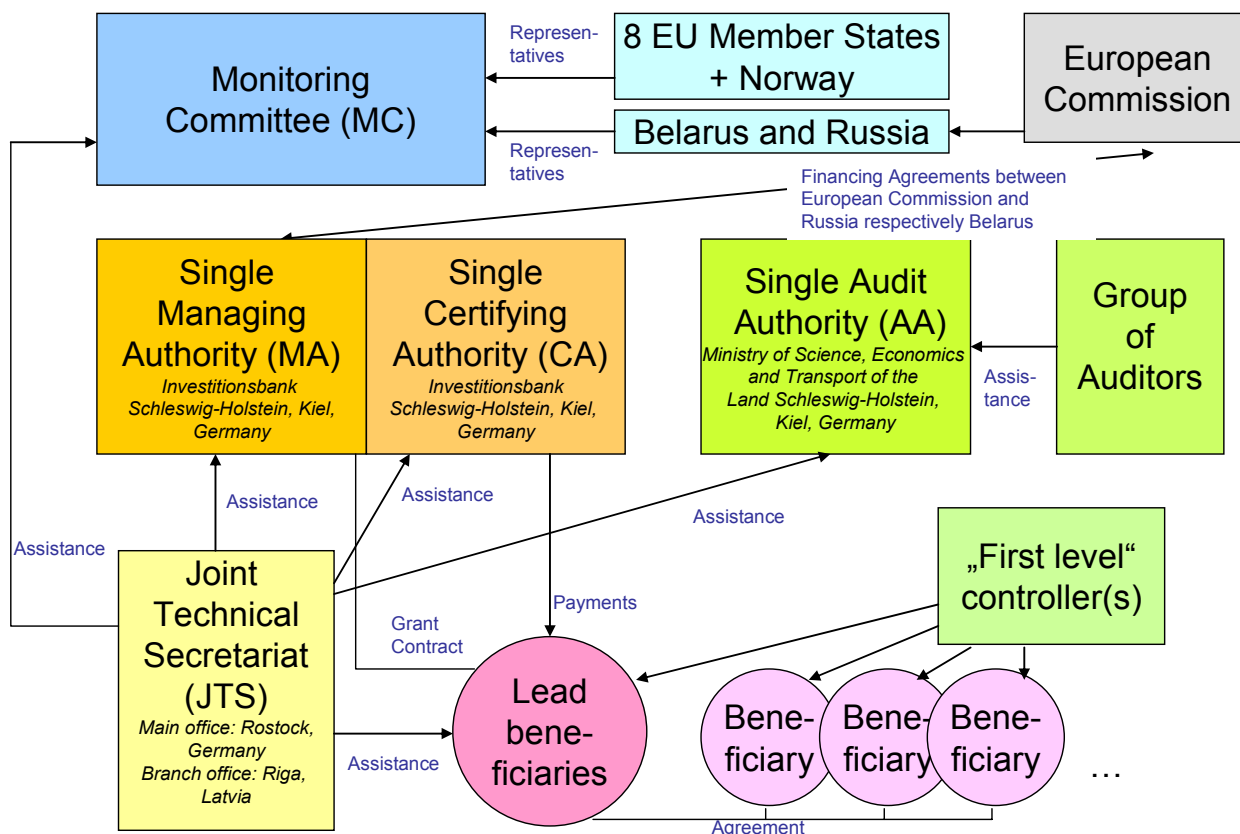
This Programme shall be implemented and administered in the English language only.

More detailed provisions on implementation of the Baltic Sea Region Programme 2007 – 2013 supplementing the rules as laid down in the following chapters of this programme document, shall be included in a **Programme Manual**. The Programme Manual shall be adopted by the Monitoring Committee, preferably at its first meeting. It shall contain a more detailed description of the Programme priorities, rules to determine the eligibility of expenditures of projects financed by this Programme and applicable in the entire Programme area, guidelines on Programme management, and guidelines on management of operations. The provisions of the Programme Manual shall be binding both to the bodies implementing the Programme (cf. chapter 8) and to the lead beneficiaries/other beneficiaries (cf. chapter 9.1.) of the Programme.

## 8. Bodies implementing the Programme

Several bodies are implementing the Programme. The following chart illustrates the implementation structure as described below.

### Baltic Sea Region Programme 2007 - 2013 Structure for implementing ERDF, Norwegian and ENPI funding



### 8.1. Monitoring Committee

In accordance with Article 63 of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (OJ L 210, 31.7.2006, p. 25), hereinafter referred to as **"General Regulation"**, the Member States participating in the Programme will set up a joint Monitoring Committee, in agreement with the Managing Authority and the Non Member States Norway, Russia, and Belarus, within three months from the date of the notification to the Member States of the decision approving the Programme.

This Committee shall also be set up as Joint Monitoring Committee in terms of Articles 11 and 12 of Commission Regulation (EC) No 951/2007 laying down implementing rules for cross-border co-operation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down provisions establishing a European Neighbourhood and Partnership Instrument (OJ L 210, 10.8.2007, p. 10), hereinafter referred to as “**CBC Regulation**”.

### **8.1.1. Tasks of the Monitoring Committee**

In accordance with Article 65 of the General Regulation, the Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the Programme, in accordance with the following provisions:

- a) it shall consider and approve the criteria for selecting the operations financed within six months of the approval of the Programme and approve any revision of those criteria in accordance with programming needs;
- b) it shall periodically review progress made towards achieving the specific targets of the Programme on the basis of documents submitted by the Managing Authority;
- c) it shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 48(3) of the General Regulation;
- d) it shall consider and approve the annual and final reports on implementation referred to in Article 67 of the General Regulation;
- e) it shall be informed of the annual control report, and of any relevant comments the European Commission may make after examining that report;
- f) it may propose to the Managing Authority any revision or examination of the Programme likely to make possible the attainment of the Funds' objectives referred to in Article 3 of the General Regulation or to improve its management, including its financial management;
- g) it shall consider and approve any proposal to amend the content of the European Commission decision on the contribution of the Funds.

Furthermore the Monitoring Committee shall

- adopt the Programme Manual as defined in chapter 7. Its approval must be obtained before any substantial adjustment is made;
- approve the application package before the first call for applications is launched by the Joint Technical Secretariat (cf. chapter 9.3). The Committee shall be informed about amendments made to this

application package by the Joint Technical Secretariat henceforth and may comment on it;

- give advice to proposals for operations prepared by applicants and submitted to the Committee by the Joint Technical Secretariat;
- select operations for funding; project-selection committees as referred to in Article 13(d) and Article 15(2)(f) of the CBC Regulation shall not be appointed.
- approve the use of the Technical Assistance budget and the work programme of the Managing Authority/Joint Technical Secretariat;
- approve the action plan to support the national sub-committees referred to in chapter 8.2.;
- decide on the execution of evaluations as referred to in Article 48(3) of the General Regulation to be financed from the budget for Technical Assistance (Article 47(4) of the General Regulation);
- approve the communication plan as defined in Article 2(2) of Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (OJ L 45, 15.2.2007, p. 3; hereinafter referred to as **"Implementing Regulation"**) and drawn up by the Managing Authority before it is sent to the European Commission; the same applies in case of any major amendments to the communication plan;
- confirm the draft description of the management and control systems of the Programme as required by Article 71(1) of the General Regulation and Articles 21-24 of the Implementing Regulation before it is submitted to the European Commission by the Audit Authority (cf. chapter 8.5.1);
- approve adjustments to the Programme's financial table as defined in Article 7(1) of the CBC Regulation;
- examine any contentious cases of recovery brought to its attention by the Managing Authority (Article 13(h) of the CBC Regulation);
- check that ENPI funds are used in accordance with the rules and principles governing Programme management (Article 14(2) of the CBC Regulation);
- fulfil any other function of the Joint Monitoring Committee as laid down in the CBC Regulation which is not explicitly mentioned or already covered by the aforementioned tasks.

Finally, the Monitoring Committee may

- decide to set up task forces in order to support the implementation of the Programme; detailed rules on the establishment of task forces shall be laid down in the Committee's rules of procedure.

### **8.1.2. Composition of the Monitoring Committee, chairmanship, decision making**

In accordance with Article 14(3) of the ERDF Regulation, each Member State participating in the Programme shall appoint representatives to sit on the Monitoring Committee within 30 days of the European Commission's approval of the Programme. This rule shall also apply to the Non Member States Norway, Russia and Belarus.

The Monitoring Committee shall have a limited number of representatives from both national and regional level of both the Member States participating in the Programme and the Non Member States Norway, Russia, and Belarus, to ensure efficiency and broad representation. Broader involvement of the regional and local level, as well as economic and social partners and non-governmental organisations will be secured through national sub-committees established in all participating states (see chapter 8.2); herewith adequate participation of the civil society in the implementation of the Programme is ensured (Article 11(2) of the CBC Regulation).

Representatives shall be appointed on a functional basis and not a personal basis (Article 11(1) of the CBC Regulation).

The Committee shall be composed of

- maximum 3 representatives of each Member State participating in the Programme (including, as a minimum requirement, a representative of the national authority responsible for financing the Programme);
- maximum 3 representatives of each non Member State participating in the Programme (including, as a minimum requirement, a representative of the national authority responsible for financing and/or coordinating transnational co-operation);
- one representative of the Åland islands.

At its own initiative or at the request of the Monitoring Committee, representatives of the European Commission shall participate in the work of the Monitoring Committee in an advisory capacity (Article 64(2) of the General Regulation). Representatives of the Managing Authority, the Certifying Authority, and, where appropriate, the Audit Authority, shall also participate in the work of the Monitoring Committee in an advisory capacity. The Joint Technical Secretariat shall assist the work of the Monitoring Committee; in this respect it shall act as secretary of the Committee as defined in Article 11(1) of the CBC Regulation.



The Monitoring Committee shall be chaired by representatives of the Member States participating in the Programme. Co-chairmanship may also be taken by representatives of the partner States Norway, Russia, and Belarus. Applying a rotation principle, chairmanship and co-chairmanship shall change annually. The order of chairmanship and co-chairmanship will be determined in the Committee's rules of procedure.

Decisions by the Monitoring Committee shall be made by consensus among the national delegations of both the Member States participating in the Programme and the Non Member States Norway, Russia and Belarus (one vote per delegation); Article 12(2), sentences 2 and 3, of the CBC Regulation shall not be applied. Meetings of the Monitoring Committee shall be held at least twice a year. Decisions may be taken via written procedure.

Minutes shall be drawn up after each meeting of the Monitoring Committee.

Details on composition, chairmanship and decision making in the Monitoring Committee will be determined in the rules of procedure of the Committee.

### **8.1.3. Rules of procedure of the Monitoring Committee**

At its first meeting after the European Commission's approval of the Programme, the Monitoring Committee shall draw up its rules of procedure and adopt them in agreement with the Managing Authority in order to exercise its missions in accordance with the General Regulation, the ERDF Regulation and the CBC Regulation.

## **8.2. National sub-committees**

The involvement of regional and local authorities, economic and social partners, and non-governmental organisations including environmental organisations, in the implementation of the Programme is of great importance.

For this reason each participating State shall establish a national sub-committee in accordance with its institutional structure in order to involve these authorities, partners and organisations. Each State shall inform the Joint Technical Secretariat about the setting up of a national sub-committee and provide information about its composition, chairman, availability and, where applicable, its rules of procedure.

National sub-committees shall be used to disseminate information about the Programme and to support generation and development of operations in the states participating in the Programme. These activities shall not be financed by Technical Assistance. For the purpose of disseminating information about the Programme and supporting generation and development of operations, close links shall be established between the chairmen/secretaries of the national sub-committees and the Joint Technical Secretariat.

Moreover national sub-committees may advise the respective national delegations of the States represented in the Monitoring Committee. In doing so, they shall keep applications for funding and the respective assessment in confidence until the Monitoring Committee formally decided to approve or to reject the respective application.

Subject to the accessibility of technical assistance and human resources in the Joint Technical Secretariat, the Joint Technical Secretariat will organise training and support measures to improve the effectiveness of the national sub-committees. These measures may include: specific workshops, targeted information tools, support to events organised by the national sub-committees. In this respect, the Joint Technical Secretariat will draw up an action plan to be approved by the Monitoring Committee.

### **8.3. Managing Authority**

#### **8.3.1. Functions of the Managing Authority**

In accordance with Article 60 of the General Regulation and Articles 14(1), 15 of the ERDF Regulation, a single Managing Authority shall be responsible for managing and implementing the Programme in accordance with the principle of sound financial management and in particular for:

- a) ensuring that operations are selected for funding in accordance with the criteria applicable to the Programme and that they comply with applicable Community and national rules for the whole of their implementation period.
- b) For the purposes of the selection and approval of operations under Article 60(a) of the General Regulation, the Managing Authority shall ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, and the financial and other information to be kept and communicated. It shall satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken by the Monitoring Committee (Article 13(1) of the Implementing Regulation); rules specifying how the Managing Authority shall carry out this duty in practice shall be laid down in the Programme Manual (cf. chapter 7).
- c) satisfying itself that the expenditure of each beneficiary participating in an operation has been validated by the controller referred to in Article 16(1) of the ERDF Regulation (Article 15(1) of the ERDF Regulation); Article 60(b) of the General Regulation as well as paragraphs 2 – 5 of Article 13 of the Implementing Regulation do not apply.
- d) ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the

Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected; the accounting records of operations and the data on implementation shall include the information set out in Annex III to the Implementing Regulation. The Managing Authority, the Certifying Authority, the Audit Authority and bodies referred to in Article 62(3) of the General Regulation shall have access to this information (Article 14(1) of the Implementing Regulation);

- e) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- f) ensuring that the evaluations of operational programmes referred to in Article 48(3) of the General Regulation are carried out in accordance with Article 47 of the General Regulation;
- g) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90 of the General Regulation. In this regard, Articles 15 and 19 of the Implementing Regulation shall be observed;
- h) ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- i) guiding the work of the Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the Programme to be monitored in the light of its specific goals;
- j) drawing up and, after approval by the Monitoring Committee, submitting to the European Commission the annual and final reports on implementation in accordance with Article 67 of the General Regulation and Article 11(2) of the Implementing Regulation;
- k) ensuring compliance with the information and publicity requirements laid down in Article 69 of the General Regulation and chapter II, Section 1, of the Implementing Regulation.

Furthermore the Managing Authority shall:

- set up a Joint Technical Secretariat (Art. 14(1) of the ERDF Regulation) as defined in chapter 8.7;
- lay down the implementing arrangements for each operation in agreement (grant contract) with the lead beneficiary (Article 15(2) of the ERDF Regulation);
- in collaboration with the Monitoring Committee, carry out monitoring by reference to financial indicators and the indicators referred to in

Article 12(4) of the ERDF Regulation specified in the Programme (Article 66(2) of the General Regulation);

- in collaboration with the European Commission, annually examine the progress made in implementing the Programme, the principle results achieved over the previous year, the financial implementation and other factors with a view to improving implementation (Article 68(1) of the General Regulation);
- inform the Monitoring Committee of the comments made by the European Commission after the annual examination of the Programme as defined in Article 68 of the General Regulation (Article 68(2) of the General Regulation);
- confirm the selection of operations outside the eligible area as referred to in Articles 21(2) and 21(3) of the ERDF Regulation (Article 21(4) of the ERDF Regulation);
- in collaboration with the Audit Authority, draw up the description of the management and control systems of the Programme as defined by Article 71(1) of the General Regulation and Articles 21-24 of the Implementing Regulation.

The single Managing Authority as defined in Article 59(1)(a) of the General Regulation and Article 14(1) the ERDF Regulation shall also fulfil the operational management functions of a joint managing authority as defined in Article 10 of Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership instrument (OJ L 310, 9.11.2006, p. 1; hereinafter referred to as "**ENPI Regulation**") and the CBC Regulation. In particular the Managing Authority is entrusted to

- make adjustments to the Programme ENPI financial table as defined in Article 7(1) of the CBC Regulation, with the prior approval of the Monitoring Committee, and to inform the European Commission of any such changes;
- countersign the financing agreements established between the European Commission and Belarus, and Russia, respectively (Article 10(1) of the CBC Regulation);
- ensure that decisions of the Monitoring Committee comply with regulations and provisions in force (Article 13, last para., of the CBC Regulation);
- appoint an authorising officer in accordance with Article 14(5) of the CBC Regulation;
- put in place procedures to ensure that ENPI expenses declared under the Programme are genuine and legitimate and establish reliable computerised accounting, monitoring and financial information systems (Article 14(7) of the CBC Regulation);

- respect the conditions and payment deadlines for the grant contracts that it will sign with third parties. Using appropriate verification procedures, it shall ensure that the funds paid under the grant contract are used only for the purposes for which they were granted (Article 14(8) of the CBC Regulation);
- without delay notify the European Commission and the Monitoring Committee of any change in its procedures or its organisation, or any circumstance likely to affect Programme implementation (Article 14(9) of the CBC Regulation);
- fulfil the functions determined in Article 15 of the CBC Regulation. However, the following deviations shall apply:
  - The task stipulated in Article 15(2)(a) will be fulfilled by the Joint Technical Secretariat.
  - The task stipulated in Article 15(2)(b) will be fulfilled by the Certifying Authority.
  - The annual financial reports referred to in Article 15(2)(c) will be drawn up by the Certifying Authority.
  - The audit programme referred to in Article 15(2)(d) and Article 29 of the CBC Regulation will be implemented by the Audit Authority (cf. chapter 8.5.1 of this Programme);
  - As a Strategic Environmental Assessment (SEA) under the Directive 2001/42/EC has been carried out (cf. chapter 12.2), no separate environmental impact assessment studies at Programme level as referred to in Article 15(2)(j) shall be carried out by the Managing Authority;
- submit to the European Commission each year, by 30 June at the latest, an annual report on implementation of the external component of the Programme (ENPI funding) in accordance with Article 28 of the CBC Regulation. This report shall be part of the annual report on implementation as defined in Article 67 of the General Regulation. The first report according to Article 28 of the CBC Regulation shall be submitted by 30 June of the second year of the Programme. A final report on implementation of the external component of the Programme as defined in Article 32 of the CBC Regulation shall be submitted to the European Commission by 30 June 2016 at the latest;
- call upon an independent public body or contract an independent approved auditor as defined in Article 31(1) of the CBC Regulation to carry out each year an ex-post verification of the revenue and expenditure presented by the Certifying Authority in its annual financial report (Article 31(1), 31(2) of the CBC Regulation);
- send the external audit report referred to in Article 31(3) of the CBC Regulation to the European Commission and to the Monitoring

Committee as an annex to the annual report referred to in Article 28 of the CBC Regulation;

- implement information and visibility actions relating to the Programme in accordance with Article 42 of the CBC Regulation;
- keep all documents referred to in Article 45 of the CBC Regulation for a period of seven years from the date of payment of the balance for the Programme.
- submit to the European Commission (Directorate General EuropeAid) for approval a description of management and control systems for ENPI funds allocated to the Programme, including the requisite computerised management and accountancy tools and financial circuits, in accordance with Article 5(2)(f) of the CBC Regulation concerning issues which are not covered by this programme document and by the description of the management and control systems of the Programme as defined by Article 71(1) of the General Regulation and Articles 21-24 of the Implementing Regulation. This submission will take place at the latest within twelve months of the approval of the Programme by the European Commission.

In accordance with Article 59(3) of the General Regulation, the Managing Authority shall carry out its tasks in full accordance with the institutional, legal and financial systems of the Federal Republic of Germany.

The MA shall be funded from the Technical Assistance budget. Tasks of the MA which are related to the implementation of ENPI funding shall solely be financed by ENPI Technical Assistance as defined in the CBC Regulation and chapter 15 of this Programme.

### **8.3.2. Designation of the Managing Authority**

In agreement with the Non Member States Norway, Russia and Belarus, the Member States participating in the Programme decided to designate the

Investitionsbank Schleswig-Holstein, Kiel, Germany,

to fulfil the functions of the Managing Authority.

In accordance with Article 59(3) of the General Regulation, the Member States participating in the Programme will lay down rules governing their relations with the Managing Authority and its relations with the European Commission. For this purpose, each Member State participating in the Programme will make an agreement with the Managing Authority of identical type and wording.

With regard to the participation of Norway in the Programme with own funding, a special agreement shall be made between the Managing Authority and Norway.

In accordance with Article 9(8) of the ENPI Regulation and the CBC Regulation, the Managing Authority set up at Investitionsbank Schleswig-Holstein could countersign the financing agreements which will be made between the European Commission and Russia, and Belarus, respectively, after adoption of the Baltic Sea Region Programme 2007 – 2013. The European Commission will inform the Managing Authority about the progress of the respective negotiations in due time as far as legal provisions necessary for the implementation of the Programme (Article 9(8) of the ENPI Regulation) are concerned.

### **8.4. Certifying Authority**

#### **8.4.1. Functions of the Certifying Authority**

In accordance with Article 61 of the General Regulation and Articles 14(1), 17(2) of the ERDF Regulation, a single Certifying Authority of the Programme shall be responsible in particular for:

- a) drawing up and submitting to the European Commission certified statements of expenditure and applications for payment in accordance with Articles 78, 79(2), 81(1), 82(2), 89(1)(a) of the General Regulation and Articles 20(1), 20(3) of the Implementing Regulation,
- b) certifying that:
  - i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents,
  - ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the Programme and complying with Community and national rules;
- c) ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- d) taking account for the certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- e) maintaining accounting records in computerised form of expenditure declared to the European Commission;
- f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the

European Union, prior to the closure of the Operational Programme by deducting them from the next statement of expenditure.

Furthermore the Certifying Authority shall be responsible for

- receiving the payments made by the European Commission (pre-financing, interim payments and payment of the final balance as defined in Article 76(2) of the General Regulation; initial payment and annual corresponding payments as defined in Article 24 of the CBC Regulation), receiving the payments made by Norway and making payments to the lead beneficiaries (Article 14(1) of the ERDF Regulation);
- receiving the payments made by the Member States participating in the Programme and Norway to co-finance the Technical Assistance budget;
- at the latest by 30 April each year, sending the European Commission a provisional forecast of its likely applications for payment for the current financial year and the subsequent financial year (Article 76(3) of the General Regulation);
- posting any interest generated by the pre-financing (Article 82(1) of the General Regulation) to the Programme, being regarded as resource for the Member States participating in the Programme in the form of a national public contribution. It shall be declared to the European Commission at the time of the final closure of the Programme (Article 83 of the General Regulation);
- sending requests for interim payments, as far as possible, on three separate occasions a year. For a payment to be made by the European Commission in the current year, the latest date on which an application for payment shall be submitted is 31 October (Article 87(1) of the General Regulation);
- ensuring that the lead beneficiaries receive the total amount of the public contribution as quickly as possible and in full. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the lead beneficiaries (Article 80 of the General Regulation);
- without prejudice to the Member States' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, ensuring that any amount paid as a result of an irregularity is recovered from the lead beneficiary (Article 17(2) of the ERDF Regulation);
- by 31 March each year as from 2008, sending to the European Commission a statement on withdrawn and recovered amounts and pending recoveries as defined in Article 20(2) of the Implementing Regulation.



The Certifying Authority shall also fulfil the financial management functions of a joint managing authority as defined in Article 10 of the ENPI Regulation and the CBC Regulation. In particular the Certifying Authority is entrusted to

- appoint an accounting officer in accordance with Article 14(5) of the CBC Regulation;
- prepare detailed annual budgets for the Programme and payment requests to the European Commission (Article 15(2)(b) of the CBC Regulation);
- draw up the annual financial reports referred to in Article 15(2)(c) of the CBC Regulation);
- open and manage a single ENPI bank account defined in Article 21(1) of the CBC Regulation; if this account bears interest, any interest generated by the prefinancing payments shall be assigned to the Programme and shall be declared to the European Commission in the final report on implementation of the Programme (Article 21(2) of the CBC Regulation);
- draw up accounts for the Programme as defined in Article 22(1) of the CBC Regulation and present the Monitoring Committee and the European Commission with reports reconciling these accounts with the balance in the bank account for the Programme to accompany the annual report on implementation of the Programme and any request for additional prefinancing (Article 22(2) of the CBC Regulation);
- annually request prefinancing from the European Commission in accordance with Article 26(1) of the CBC Regulation; from the second year of the Programme, requests for prefinancing shall be accompanied by a provisional annual financial report and a provisional budget as defined in Article 26(1) of the CBC Regulation;
- request the transfer of all or part of the balance of the annual Community contribution as additional prefinancing accompanied by an interim financial report (Article 26(2) of the CBC Regulation);
- recover any unjustified or ineligible expenditure and to reimburse ENPI funding to the European Commission in accordance with Article 27 of the CBC Regulation. It is also entrusted to waive recovery of an established debt in case of prior approval by the Monitoring Committee and the European Commission (Article 27(5) of the CBC Regulation).

The Certifying Authority shall act as authorising officer as stipulated in Council Regulation (EC, Euratom), No 1605/2002, Art. 59.

The ERDF contribution to the Programme, the contribution to the Programme by Norway and the ENPI contribution to the Programme shall be paid to and administered in separate accounts of Investitionsbank

Schleswig-Holstein. The ENPI account of the Programme is managed in accordance with Article 21 of the CBC Regulation.

The Certifying Authority will inform the European Commission and Norway in due time in case of any change of the account relationship. It may open other accounts or sub-accounts to properly administer the Programme funds.

In accordance with Article 59(3) of the General Regulation, the Certifying Authority shall carry out its tasks in full accordance with the institutional, legal and financial systems of the Federal Republic of Germany.

The CA shall be funded from the Technical Assistance budget. Tasks of the CA which are related to the implementation of ENPI funding shall solely be financed by ENPI Technical Assistance as defined in the CBC Regulation and chapter 15 of this Programme.

### **8.4.2. Designation of the Certifying Authority**

Applying Article 59(4) of the General Regulation, whereby some or all authorities referred to in Article 59(1) of the General Regulation may be part of the same body, the Member States participating in the Programme, in agreement with the Non Member States Norway, Russia and Belarus, decided to designate the

Investitionsbank Schleswig-Holstein, Kiel, Germany,

to fulfil the functions of the Certifying Authority as defined in chapter 8.4.1 of this Programme, too.

To provide for compliance with the principle of separation of functions between the Managing Authority and the Certifying Authority (Article 58(b) of the General Regulation; Article 14(5) of the CBC Regulation), Investitionsbank Schleswig-Holstein ensures within its organisational framework that both functions are fulfilled by two separate departments.

In accordance with Article 59(3) of the General Regulation, the Member States participating in the Programme will lay down rules governing their relations with the Certifying Authority and its relations with the European Commission. For this purpose, each Member State participating in the Programme will make an agreement with the Certifying Authority of identical type and wording.

With regard to the participation of Norway in the Programme with own funding, a special agreement shall be made between the Certifying Authority and Norway.

## **8.5. Audit Authority**

### **8.5.1. Functions of the Audit Authority**

In accordance with Article 62 of the General Regulation, a single Audit Authority of the Programme shall be responsible in particular for:

- a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the Programme;
- b) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared; the audits shall be carried out in accordance with Articles 16 and 17 of the Implementing Regulation;
- c) presenting to the European Commission within nine months of the approval of the Programme an audit strategy covering the bodies which will perform the audits referred to under points a) and b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period; the audit strategy shall be established in accordance with Article 18(1) of the Implementing Regulation;
- d) by 31 December each year from 2008 to 2015:
  - i) submitting to the European Commission an annual control report setting out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned in accordance with the audit strategy of the Programme and reporting any shortcomings found in the systems for the management and control of the Programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration referred to in point (e);
  - ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the European Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular.

The annual control report and the opinion referred to in i) and ii) shall be drawn up in accordance with Article 17(4), 17(6), 18(2), 18(4) of the Implementing Regulation.

- iii) submitting, where applicable under Article 88 of the General Regulation, a declaration for partial closure assessing the legality and regularity of the expenditure concerned; the declaration referred to in Article 88 of the General Regulation shall be drawn up in accordance with Article 18(5) of the Implementing Regulation and submitted with the opinion referred to in point d) ii).
- e) submitting to the European Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report. The closure declaration and the final control report shall be drawn up in accordance with Article 18(3), 18(4) of the Implementing Regulation.

The Audit Authority shall ensure that the audit work takes account of internationally accepted audit standards.

Where the audits and controls referred to in points (a) and (b) are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence.

Furthermore the Audit Authority shall

- before submission of the first interim application for payment or at the latest within twelve months of the approval of this Programme, submit to the European Commission a description of the management and control systems as defined in Article 71(1) of the General Regulation and Articles 21-24 of the Implementing Regulation;
- draw up the report and the opinion referred to in Article 71(2) of the General Regulation. To fulfil this task, the Audit Authority may contract a public or private body functionally independent of the Managing Authority and Certifying Authority; this body shall carry out its work taking account of internationally accepted audit standards (Article 71(3) of the General Regulation). The report and the opinion referred to in Article 71(2) of the General Regulation shall be drawn up in accordance with Article 25 of the Implementing Regulation;
- chair the Group of Auditors (Article 14(2) of the ERDF Regulation); i.a., chairmanship shall include convening the Group of Auditors to meetings at regular intervals, setting up the respective agenda, etc.
- With regard to ENPI funding, the Audit Authority is entrusted to
- draw up and implement the audit programme referred to in Article 15(2)(d) and Article 29 of the CBC Regulation. The annual report drawn up by the Audit Authority according to Article 29(1) of the CBC Regulation shall be sent to the authorising officer of the Managing Authority and be annexed to the annual report referred to in Article 28 of the CBC Regulation. The audit programme shall be drawn up as

part of the audit strategy referred to in Article 62(1)(c) of the General Regulation;

- annually draw up an audit plan for the projects financed by the Managing Authority (Article 37(1) of the CBC Regulation) and a report on the previous year's implementation of that plan in accordance with Article 30(1) of the CBC Regulation. The report on the previous year's implementation of the audit plan shall be prepared as a separate chapter of the annual control report referred to in Article 62(1)(d)(i) of the General Regulation and be sent to the Managing Authority. Thereafter, the Managing Authority shall send the report to the European Commission and the Monitoring Committee as an annex to the annual report referred to in Article 28 of the CBC Regulation. The controls referred to in Article 37(1) of the CBC Regulation shall warrant a satisfactory level of confidence in relation to the direct controls carried out by the Managing Authority on the existence, accuracy and eligibility of expenditure claimed by the operations (Article 37(2) of the CBC Regulation) and be conducted by an external auditor. The external auditor shall be contracted by the Managing Authority and act under the responsibility of the Audit Authority; the external auditor shall be member of the group of auditors referred to in chapter 8.6 of this Programme.

In accordance with Article 59(3) of the General Regulation, the Audit Authority shall carry out its tasks in full accordance with the institutional, legal and financial systems of the Federal Republic of Germany.

### **8.5.2. Designation of the Audit Authority**

According to Article 14(1) of the ERDF Regulation, the single Audit Authority shall be situated in the Member State of the Managing Authority, i.e. in Germany.

The following body is designated to act as Audit Authority of the Programme:

Ministry of Science, Economics and Transport of the Land Schleswig-Holstein,  
Kiel, Germany.

### **8.6. Group of auditors**

The Audit Authority for the Programme shall be assisted by a group of auditors. The group of auditors shall comprise:

- a representative of each Member State participating in the Programme and Norway carrying out the duties provided for in Article 62 of the General Regulation,

- with regard to ENPI funding, a representative of Russia and a representative of Belarus, both acting as observers in the group of auditors,
- the external auditor contracted by the Managing Authority and acting under the responsibility of the Audit Authority (as mentioned in chapter 8.5.1 of this Programme).

The group of auditors shall be set up at the latest within three months of the decision approving the Programme. It shall draw up its own rules of procedure. It shall be chaired by the Audit Authority for the Programme (Article 14(2) of the ERDF Regulation).

The auditors shall be independent of the control system referred to in Article 16(1) of the ERDF Regulation and the system set up by the Managing Authority to directly control existence, accuracy and eligibility of ENPI expenditure claimed by the operations (as referred to in Article 37(2), last sentence, of the CBC Regulation).

## **8.7. Joint Technical Secretariat**

### **8.7.1. Set-up and operation**

In accordance with Article 14(1) of the ERDF Regulation, the Managing Authority shall set up a Joint Technical Secretariat (hereinafter referred to as JTS).

The JTS shall be led by a director responsible for the entire secretariat.

The main office of the JTS shall be located in Rostock, Germany. The business of the main office shall be operated by the Investitionsbank Schleswig-Holstein, Kiel, Germany.

In consultation with the Investitionsbank Schleswig-Holstein, a branch office of the JTS shall be established in Riga, Latvia. The business of the branch office of the JTS shall be operated by the State Regional Development Agency, Riga, Latvia.

Details on the operation of the branch office will be laid down in an agreement between the Investitionsbank Schleswig-Holstein and the State Regional Development Agency.

The JTS shall have international staff. Staff of the main office of the JTS in Rostock shall be employed by the Investitionsbank Schleswig-Holstein. Staff of the branch office of the JTS in Riga shall be employed by the State Regional Development Agency in consultation with the Investitionsbank Schleswig-Holstein.

More detailed rules on the operation of the JTS shall be included in the agreements between the Member States participating in the Programme

respectively Norway and the Managing Authority as referred to in chapter 8.3.2.

### 8.7.2. Tasks of the JTS

The JTS shall be the central contact point both for the public interested in the Programme, potential beneficiaries and selected/running operations. It shall be in charge of the day-to-day implementation of the Programme. The JTS shall assist the Managing Authority, the Certifying Authority, the Monitoring Committee and the Audit Authority in carrying out their respective duties. Moreover it shall

- distribute information about the Programme;
- organise activities to promote the Programme and to support generation, development and implementation of operations;
- advise (potential) beneficiaries and lead beneficiaries on the Programme;
- receive, register and check applications for operations;
- prepare an application package;
- act as secretariat of the Monitoring Committee, i.a. organise its meetings, draft the minutes, prepare, implement and follow up its decisions, etc.; the same shall apply with regard to task forces set up by the Monitoring Committee;
- monitor progress, including financial progress, made by selected operations by checking reports;
- establish close links with the chairmen/secretaries of national sub-committees and support the national sub-committees as defined in chapter 8.2;
- co-operate with organisations, institutions and networks relevant for the objectives of the Programme. In doing so, the JTS should focus on the Baltic Sea Region.

The tasks of the entire JTS (main office and branch office) will be carried out under the responsibility of the Managing Authority.

The JTS shall be funded from the Technical Assistance budget. Tasks of the JTS which are related to the implementation of ENPI funding shall solely be financed by ENPI Technical Assistance as determined in Article 16(1) and Article 18 of the CBC Regulation and chapter 15 of this Programme.

## **9. Generation, application and selection of operations**

### **9.1. Lead beneficiaries and other beneficiaries**

#### **9.1.1. Definition of lead beneficiaries and other beneficiaries**

The following legal entities can be funded by the Programme as lead beneficiaries or other beneficiaries of an operation:

- a) national (governmental), regional and local authorities
  - b) 'bodies governed by public law' as defined in Article 1(9) of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114). This means any body
    - i) established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
    - ii) having legal personality; and
    - iii) financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.
- All legal entities applying for funding in category b) must fulfil criteria i), ii) and iii).
- c) associations formed by one or several regional or local authorities
  - d) associations formed by one or several bodies governed by public law as defined under b).
  - e) bodies established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and having legal personality.

Whereas legal entities applying for funding in categories a)-d) may act as lead beneficiaries and other beneficiaries, legal entities applying for funding in category e) may act as other beneficiaries only.

Legal entities applying for ERDF funding, Norwegian funding or ENPI funding from the Programme are obliged to declare that they fulfil the criteria as defined in the relevant category by signing a model declaration. The model declaration will be prepared by the Joint Technical Secretariat



and be part of the application package. The responsible authorities of the Member States participating in the Programme, Norway, Belarus or Russia shall verify accuracy of the statements before a decision of the Monitoring Committee on approval of an application is taken.

Expenditure of legal entities falling in one of the categories a) – d) is regarded as public expenditure, whereas expenditure of legal entities falling in category e) is regarded as private expenditure.

Legal entities not falling in one of the categories a) – e) are welcome to participate in operations additionally ("Associated Organisations"). Associated Organisations have to finance their activities from own resources and are not entitled to receive ERDF funding, Norwegian funding or ENPI funding from the Programme. These entities may also be subcontracted by lead beneficiaries or other beneficiaries to carry out parts of their activities in an operation; in this case the applicable public procurement rules have to be observed. In case of subcontracting, the responsibility for implementation of the respective operation will remain with the contracting entity, i.e. the respective lead beneficiary or other beneficiary.

In this Programme the term "lead partner" shall be used as a synonym for the term "lead beneficiary" as defined in Article 20(1) of the ERDF Regulation and the term "beneficiary" as defined in Article 2(2) of the CBC Regulation. The term "project partner" shall be used as a synonym for the term "other beneficiary" as defined in Article 20(2) of the ERDF Regulation and the term "partner" as defined in Article 2(2) of the CBC Regulation.

### **9.1.2. Location of lead beneficiaries and other beneficiaries to receive ERDF funding, Norwegian funding or ENPI funding from the Programme**

According to chapter 9.5., the location of lead beneficiaries and other beneficiaries determines whether an operation can be selected for funding. In this respect, reference is made to chapter 9.5, para. 1-2. In addition the following rules on location shall apply:

#### **ERDF funding:**

As a basic principle, lead beneficiaries and other beneficiaries must be located in one of the eligible areas of the Member States (territory of the Member States participating in the Programme, which belongs to the Programme area as defined in chapter 1) to be entitled to receive ERDF funding from the Programme for financing expenditures.

In duly justified cases and subject to confirmation of both the Monitoring Committee and the Managing Authority, the ERDF may, up to a limit of 20 % of the amount of its contribution to the Baltic Sea Region Programme 2007-2013 finance expenditure incurred by partners (legal entities falling in one of the categories a) – e) as defined in chapter 9.1.1) located outside

the Programme area but inside the European Community, e.g. in the Netherlands, the United Kingdom, etc., where such expenditure is for the benefit of the regions in the Programme area (Article 21(2), 21(4) of the ERDF Regulation). The ERDF co-financing rate for these partners is up to 50 %; ERDF co-financing for partners located in Niedersachsen, Germany (outside NUTS II area Lüneburg) is up to 75 %. Partners as mentioned in this paragraph are only project partners as defined in chapter 9.1.1. This paragraph does not apply to lead partners; thus funded by the Baltic Sea Region Programme 2007 – 2013 may not be located outside the Programme area.

In accordance with Article 21(3) of the ERDF Regulation and subject to the confirmation of both the Monitoring Committee and the Managing Authority, expenditure incurred by the aforementioned lead beneficiaries or other beneficiaries in implementing operations or parts of operations on the territory of countries outside the European Community, e.g. also in the eligible areas of Norway, Russia and Belarus as defined in chapter 1, may be financed up to the limit of 10 % of the amount of the ERDF contribution to the Baltic Sea Region Programme 2007–2013, where such expenditure is for the benefit of the regions of the Member States belonging to the Programme area.

### **Norwegian funding:**

To be entitled to receive funding contributed to the Programme by Norway for financing expenditures, a lead beneficiary or other beneficiary must be located in Norway.

### **ENPI funding:**

To be entitled to receive ENPI funding allocated to the Programme for financing expenditures, lead beneficiaries and other beneficiaries must be located either in one of the eligible areas of the Member States (territory of the Member States participating in the Programme, which belongs to the Programme area as defined in chapter 1), in Belarus, or in the eligible areas of Russia as defined in chapter 1 of this Programme. In cases where the objectives of an operation cannot be achieved without the participation of partners located in regions of Russia outside the Programme area, participation of these other partners can be accepted by the Monitoring Committee and the Managing Authority (Article 40(2) of the CBC Regulation). In exceptional cases, if necessary for achieving the objectives of an operation, it is also possible that operations take place partially in regions of Russia outside the Programme area (Article 41 of the CBC Regulation); i.e. subject to the decision of both the Monitoring Committee and the Managing Authority, expenditure incurred by the lead beneficiaries or other beneficiaries in implementing parts of operations in regions of Russia outside the Programme area can be co-financed by ENPI funding.

In general, ENPI funding shall be devoted to co-finance Russian<sup>7</sup> and Belarusian participation in the Programme.

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<sup>7</sup> Due to the non-signature of the Financing Agreement between Russia and the European Commission by 31.12.2008, Russia is not eligible to receive ENPI funds of the Programme.

### **9.1.3. Norwegian lead beneficiaries administering ERDF funding and ENPI funding from the Programme**

In duly justified cases, legal entities located in Norway and falling in one of the categories a) – d) as stipulated in chapter 9.1.1 may act as lead beneficiaries on equal terms as lead beneficiaries as defined in chapter 9.1.2. The only but significant difference is that Norwegian lead beneficiaries are not entitled to utilise ERDF funding and ENPI funding for own expenditures or expenditures of other beneficiaries from Norway participating in an operation. They may receive ERDF funding and ENPI funding from the Certifying Authority only for the purpose of administering and transferring it to other beneficiaries participating in the respective operation which are located in a territory as defined in chapter 9.1.2.

### **9.1.4. Responsibilities of lead beneficiaries and other beneficiaries**

For each operation as defined by Article 2(3) of the General Regulation, a lead beneficiary shall be appointed by the beneficiaries among themselves. The lead beneficiary shall assume the following responsibilities (Article 20(1) of the ERDF Regulation):

It shall lay down the arrangements for its relations with the beneficiaries participating in the operation in an agreement comprising, inter alia, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;

- it shall be responsible for ensuring the implementation of the entire operation;
- it shall ensure that the expenditure presented by the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries;
- it shall verify that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers;
- it shall be responsible for transferring the ERDF contribution, the Norwegian contribution and the ENPI contribution to the beneficiaries participating in the operation.

Each beneficiary participating in the operation shall:

- assume responsibility in the event of any irregularity in the expenditure which it has declared (Article 20(2)(a) of the ERDF Regulation);

- repay the lead beneficiary any amounts unduly paid in accordance with the agreement existing between them (Article 17(2) of the ERDF Regulation);
- be responsible for information and communication measures for the public as laid down in Article 8 of the Implementing Regulation;
- in case the beneficiary is located in a Member State outside the Programme area, i.e. in case of application of Article 21(2) of the ERDF Regulation (cp. chapter 9.1.2), inform the responsible authorities of this Member State about its participation in an operation (Article 20(2)(b) of the ERDF Regulation);
- keep available all its documents related to the operation in accordance with the requirements of Article 90 of the General Regulation and, in case ENPI funds have been granted, Article 45 of the CBC Regulation.

The responsibilities of the lead beneficiaries and the other beneficiaries resulting both from ERDF and ENPI rules and regulations will be defined in the grant contract referred to in chapter 9.6 in detail.

## **9.2. Support for generation and implementation of operations**

The Joint Technical Secretariat will proactively support potential applicants, lead partners and project partners throughout the life cycle of operations, i.e. during preparation starting from stimulation of project ideas, development and implementation until finalisation of the respective operation.

Below potential pro-active measures are listed. Their implementation by the Joint Technical Secretariat is subject to the availability of staff and material resources.

The term "project" used in this Programme shall be a synonym for the term "operation" as defined in Article 2(3) of the General Regulation.

### **9.2.1. Measures to support generation of operations**

- Everyday contact of JTS with applicants to answer technical questions, such as eligibility of ideas, partner composition, selection criteria, budgetary aspects, application conditions etc. In the case of targeted calls or tendering for specific operations, the JTS will be actively involved in the development of operations, possibly supported by specific external experts.
- Operation of a Programme website, including a section on frequently asked questions (FAQ) and a project idea database. The project ideas will be forwarded to the Monitoring Committee that will provide

strategic advice to applicants, however without prejudice of later funding decision.

- Lead applicant seminar;
- Thematic seminars – focusing on one or several priorities;
- Financial support of certain preparation costs for operations.

Details will be laid down in the Programme Manual as mentioned in chapter 7.

### **9.2.2. Measures to support implementation of operations**

- Series of lead partner seminars with management focus (e.g. project management, financial management/auditing, communication) to provide the lead partners with knowledge on how to implement operations;
- Ad-hoc meetings with JTS project/financial managers (e.g. to discuss changes in the setup of operations);
- Quality workshops/content related training for on-going operations, either thematic or cross-thematic (1) to steer the operations towards the results expected at the Programme level, (2) to accumulate the expertise of the operations for the Programme needs, and (3) to allow for exchange of ideas among owners of operations;
- Individual consultations of operations when needed, e.g. based on the issues arisen during monitoring of the progress reports of the operations or in self-evaluations made by the operations;
- Database of approved projects (with information to be uploaded from the operations);
- Intensive use of various mailings lists and feed-back channels.

Details will be laid down in the Programme Manual as mentioned in chapter 7.

### **9.3. Applications for funding**

Calls for applications will be launched by the Joint Technical Secretariat (JTS). In addition, targeted calls might be used for specific purposes, e.g. focusing on missing themes of the Programme objectives. The number of calls per year will be flexible depending e.g. on the progress of the Programme.

The JTS will prepare an application package. It shall be available on the website of the Programme in digital form for download. Among other

things, an application form will be issued; its use shall be mandatory for legal entities who decide to apply for funding.

Applications shall be submitted to the Joint Technical Secretariat both as data file and as printout to be signed by the legal entity which applies as lead beneficiary.

### **9.4. Assessment of applications**

The assessment procedure consists of an admissibility check and a quality evaluation process.

The admissibility check based on minimum technical requirements will be carried out by the JTS on behalf of the Managing Authority.

The quality evaluation process will be based on predefined quality assessment criteria and strategic relevance of the operation. The JTS will be responsible for the quality evaluation, such as eligibility of the topic, number and consistency of the partners, the lead partner's capacity for transnational project management, the eligibility and consistency of the proposed budget plan etc. The results of the quality assessment shall be presented to the Monitoring Committee in the form of assessment reports. The assessment of the strategic relevance of project applications will be undertaken by the Monitoring Committee. In this work the Monitoring Committee may be assisted by a Task Force or the national sub-committees.

Further details will be laid down in the Programme Manual as mentioned in chapter 7.

### **9.5. Selection of operations**

Operations may only be selected for funding by the Monitoring Committee if they include beneficiaries from at least three different countries of the Programme area, i.e.

- a lead partner (as defined in chapter 9.1.1) located on the territory of a Member State in the Programme area (cf. chapter 9.1.2, first paragraph) or located in Norway (cf. chapter 9.1.3), and
- two project partners (as defined in chapter 9.1.1) located in the Programme area. One of these two project partners shall be located on the territory of a Member State in the Programme area (cf. chapter 9.1.2, first paragraph).

Each of the aforementioned three beneficiaries shall contribute to the operation financially. In addition they shall cooperate in at least one of the following ways: joint development, joint implementation and joint staffing of the operation.

In accordance with Article 19(1) of the ERDF Regulation, in duly justified cases selected operations fulfilling the abovementioned conditions may be implemented on the territory of only one Member State within the Programme area.

Major projects as defined in Article 39 of the General Regulation shall not be implemented within the Baltic Sea Region Programme 2007-2013 and thus not be selected for funding.

Selection criteria and selection procedure for strategic projects as defined in chapter 4.5 will be approved by the Monitoring Committee and described in the Programme Manual as mentioned in chapter 7.

The Committee shall either approve or reject an application for funding or approve it under conditions. Conditions should cover technical aspects only and not change the content of the proposed operation. Detailed rules on decision making will be included in the rules of procedure of the Monitoring Committee.

### **9.6. Contract between the Managing Authority and the lead beneficiary**

Following the decision of the Monitoring Committee to approve an application for funding, the Managing Authority will make a grant contract with the lead beneficiary of the approved operation. This contract will be used for ERDF funding, Norwegian and ENPI funding.

In case of ENPI funding is granted to a lead beneficiary, the grant contract shall contain specific provisions complying with ENPI rules and regulations. Separate analytical accountability is kept for the ENPI part of financing.

No grant contract for ENPI funding may be signed after 31 December 2013 (Article 43(2)(a) of the CBC Regulation).

The procurement of goods, supplies and services carried out from ENPI funding in the framework of the operation shall follow the following rules:

- For procurement carried out by beneficiaries located in Russia and Belarus – in accordance with Practical Guide to Contract procedures for EC external actions;
- For procurement carried out by lead beneficiaries and other beneficiaries located in the EU Member States participating in the Programme, irrespective of their legal status – in accordance with national public procurement legislation.

When carrying out public procurement from ENPI funding it should be ensured that, whenever appropriate, equal access to procurement is ensured to possible sub-contractors from all participating countries – i.e. Terms of Reference, Technical Specifications etc. should be available in the



Programme language and publishing of tender shall be ensured so as to reach those.

## **10. Validation/Verification of expenditures, recovery of funds, irregularities**

### **10.1. Validation of expenditure (ERDF and Norwegian funds)**

In accordance with Article 16(1) of the ERDF, each Member State participating in the Programme and Norway shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations, or parts of those operations, with Community rules and its national rules.

For this purpose each Member State participating in the Programme and Norway shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary (lead beneficiary or other beneficiary) participating in the operation. The method of designation will be decided at national level and may vary between the countries.

Where the delivery of the products and services co-financed can be verified only in respect of the entire operation, the verification shall be performed by the controller of the Member State or Norway where the lead beneficiary is located (Article 16 (1) ERDF Regulation).

Each Member State participating in the Programme and Norway shall ensure that the expenditure can be validated by the controllers within a period of three months (Article 16(2) of the ERDF Regulation).

In order to enable the Managing Authority to satisfy itself that the expenditure of each beneficiary participating in an operation has been validated by the controller referred to in Article 16(1) of the ERDF Regulation, the Member States participating in the Programme and Norway shall without delay inform the Joint Technical Secretariat once the controllers have been designated, at the latest within three months after the European Commission's approval of the Baltic Sea Region Programme 2007 – 2013. Information shall continuously be updated in case of any changes.

Considering Articles 21–24 of the Implementing Regulation, in particular Article 22(d) and Article 24(a), each Member State participating in the Programme and Norway shall draw up a description of the control system set up in accordance with Article 16(1) of the ERDF Regulation. These descriptions shall be submitted to the Audit Authority and the Managing Authority at the latest within three months after the European Commission's decision approving the Baltic Sea Region Programme 2007 – 2013. They shall be incorporated in the description of the management and control systems referred to in Article 71(1) of the General Regulation.

General guidelines on validation of expenditure shall be included in the Programme Manual as referred to in chapter 7. In addition day-to-day business of the controllers designated according to Article 16(1) of the ERDF Regulation shall be supported by the Joint Technical Secretariat, primarily by providing essential information about the operations.

### **10.2. Verification of expenditure (ENPI funds)**

All ENPI expenditure reported to the Joint Technical Secretariat of the Baltic Sea Region Programme 2007-2013 are subject to verification by the auditor (equivalent to controller used for ERDF/Norwegian funds validation). This applies both for Belarusian project partners and EU project partners receiving ENPI co-financing.

The auditor verifying the expenditure co-financed from the ENPI funds is contracted by the lead beneficiary or by the respective beneficiary and shall be confirmed by the Managing Authority.

The specific conditions to be met by the auditor are stipulated in the Programme Manual.

The auditor responsible for the verification of expenditure of the particular project partner shall be qualified and entitled to perform the controls including on-the-spot checks in all locations of the controlled beneficiary receiving ENPI co-financing, and where the activities of the particular project partner take place.

The auditor must in all cases:

- ▶ be independent from the controlled beneficiary;
- ▶ be qualified in applying the rules of the regulatory framework of ENPI.

In particular, the auditor examines whether the costs declared by the lead beneficiary or other beneficiary are real, genuine and legitimate on the basis of supporting documents, in line with the principle of sound financial management and the principle of economy, accurately recorded and eligible in accordance with the grant contract referred to in chapter 9.6 of this Programme. The auditor issues a First level control report and checklist.

Costs of lead beneficiaries or other beneficiaries deriving from the verification of ENPI expenditure as stipulated above may be declared as part of the operations' eligible ENPI expenditure. In principle costs deriving from the verification of ENPI expenditure carried out by national controllers designated by the Member States in accordance with Article 16(1) of the ERDF Regulation should be covered by the Member States. These costs may be declared as part of the operations' eligible ENPI expenditure only if not being superior to the marked costs for this kind of activities and any risk of double payment to staff through different payment regimes is excluded.

### 10.3. Recovery of ERDF funding

Without prejudice to the Member States' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid (Article 70(1)(b) of the General Regulation), the Certifying Authority shall ensure that any amount paid as a result of an irregularity is recovered from the lead beneficiary. The beneficiaries shall repay the lead beneficiary any amounts unduly paid in accordance with the agreement existing between them (Article 17(2) of the ERDF Regulation).

If the lead beneficiary does not succeed in securing repayment from a beneficiary, the Member State on whose territory the beneficiary concerned is located shall reimburse the Certifying Authority for the amount unduly paid to that beneficiary (Article 17(3) of the ERDF Regulation).

### 10.4. Recovery of ENPI funding

In terms of recovery of ENPI funding, it has already been mentioned that

- the Monitoring Committee shall examine any contentious cases of recovery brought to its attention by the Managing Authority (cf. chapter 8.1.1.);
- the Certifying Authority is entrusted to recover any unjustified or ineligible expenditure and to reimburse ENPI funding to the European Commission in accordance with Article 27 of the CBC Regulation. It is also entrusted to waive recovery of an established debt in case of prior approval by the Monitoring Committee and the European Commission (cf. chapter 8.4.1).

In addition, the following rules apply:

Where the recovery relates to a claim against either a **lead beneficiary or other beneficiary located in one of the eligible areas of the Member States or a Norwegian lead beneficiary administering ENPI funding** (chapter 9.1.3), and the Certifying Authority is unable to recover the debt within one year of the issuing of the recovery order, the Member State in which the lead beneficiary or other beneficiary is established, respectively Norway in case of a Norwegian lead beneficiary, shall pay the amount owing to the Certifying Authority and claim it back from the lead beneficiary or other beneficiary. To enable the Member State concerned or Norway to claim back the respective amounts, the Certifying Authority shall transfer the files in accordance with Article 27(4) of the CBC Regulation.

Where the recovery relates to a claim against **another beneficiary** (as defined in chapter 9.1.1) **located in Belarus, in the eligible areas of Russia** as defined in chapter 1 of this Programme, **or in regions of Russia outside the Programme area in case of Article 40(2) of the CBC Regulation**, and the Certifying Authority is unable to recover the debt

within one year of the issuing of the recovery order, the Certifying Authority shall refer the case to the European Commission. On the basis of a complete file transferred by the Certifying Authority in accordance with Article 27(4) of the CBC Regulation, the European Commission will then take over the task of recovering the amounts owing from the other beneficiary established in Belarus or Russia or directly from the national authorities of that countries.

When the debt has not been recovered or a complete recovery file as referred to in Article 27(4) of the CBC Regulation has not been transferred to the Member State, Norway or the European Commission, due to the negligence of the Certifying Authority, the Certifying Authority shall remain responsible for the recovery after the one year period has elapsed and the amounts due shall be declared ineligible for Community financing.

### **10.5. Recovery of Norwegian funding**

Rules on recovery of Norwegian funding shall be laid down in the Agreement between the Certifying Authority and Norway referred to in chapter 8.4.2.

### **10.6. Irregularities**

In accordance with Article 28(4) of the Implementing Regulation, irregularities with regard to ERDF shall be reported by the Member State in which the expenditure is paid by the beneficiary in implementing the operation. The Member State shall at the same time inform the Managing Authority, the Certifying Authority and the Audit Authority.

With regard to irregularities, detailed procedures will be included in the Programme Manual as mentioned in chapter 7.

## 11. Monitoring

The Managing Authority and the Monitoring Committee will ensure the quality of the implementation of the Programme. They will carry out monitoring by reference to financial indicators and the indicators referred to in Article 12(4) of the ERDF Regulation specified in this Programme (Article 66(1), 66(2) of the General Regulation). In addition to the indicators defined in chapter 6.6 this Programme, the projects may include some own indicators adjusted to their specific needs and targets.

Lead partners will submit progress reports to the JTS regularly. These reports will be the central source to monitor progress in implementation of operations. The monitoring procedure will be defined more in detail in the Programme Manual referred to in chapter 7.

The JTS on behalf of the Managing and Certifying Authority will provide all relevant information to the Monitoring Committee to ensure proper implementation of the Programme. For monitoring of progress, the JTS will regularly provide a report on the progress of the operations. Furthermore the JTS will regularly report on commitments and payments including Norwegian and ENPI funding.

Procedures for monitoring of ENPI funds will follow provisions as laid down for monitoring of ERDF and Norwegian financing. Indicators specified in this Programme have also been developed in accordance with Article 6.5 of the ENPI CBC Strategy Paper.

## 12. Evaluation

### 12.1. Ex-ante evaluation

In accordance with Article 47(2) of the General Regulation, an ex-ante evaluation was carried out by COWI A/S, Parallelvej 2, 2800 Kongens Lyngby, Denmark, under the responsibility of the Joint Programming Committee.

The ex-ante evaluator was selected through an open call for tenders, which was announced on the BSR INTERREG III B NP website in February 2006. Based on the selection criteria defined in the tender documents, the national contact persons of the Joint Programming Committee in co-operation with the Managing Authority/Joint Technical Secretariat made the selection of the ex-ante evaluator out of the seven bids received.

The ex-ante evaluation followed the methodology outlined in the European Commission's working document on ex-ante evaluation (August 2006) and the procedure is summarised below.

The **ex-ante evaluation** was organised as an interactive process together with Programme preparation. The ex-ante evaluators have taken part in the work of the Drafting Teams Contents and Implementation and of the Joint Programming Committee and have thus been part of the discussion process for development of the Programme. The ex-ante evaluators put forward suggestions (e.g. on environmental impact assessment, system of indicators and coherence with European, pan-Baltic and national strategies) and provided comments on drafts prepared by the Programme drafting teams (e.g. with respect to the analysis, quality requirements, strategy and priorities of the Programme). As a whole, the ex-ante evaluation process brought up constructive effects and led to improvement of the Programme quality.

The ex-ante evaluators produced the following reports:

- Assessment Note 1 (20 April 2006) - Programme draft 10 April 2006; strategy, priorities.
- Assessment Note 2 (15 May 2006) - Programme draft 6 May 2006; socio-economic analysis, priorities, administrative set-up.
- Assessment Note 3 (16 June 2006) - Programme draft 2 June 2006; socio-economic analysis, strategy and priorities, strategy coherence check, indicators.
- Assessment Note 4 (09 July 2006) - Programme draft 19 June 2006; SWOT, strategy and priorities; indicators; project infrastructure.
- Assessment Note 5 (18 October 2006) - socio-economic analysis, strategy and priorities, coherence of strategy, indicators.

- Assessment Note 6 (20 January 2007) - inclusion of ENPI part (all Programme parts).
- Final ex-ante report (5 March 2007) - assessment of final Programme draft.

Main suggestions of the ex-ante evaluators during Programme preparation were:

- To provide a clear, logic and understandable problem description as a basis for selection of the Programme priorities;
- To strengthen focus of the Programme and set a clear target for the Programme priorities;
- To develop quality requirements, which can sufficiently be met by applicants;
- To ensure consistency between the different Programme parts and between the Programme priorities;
- To find an appropriate indicator system to allow for an assessment of baseline, progress and success of the Programme.

Also a discussion concerning administrative arrangements and implementation gained from contributions from the ex-ante evaluators.

In response to the recommendations voiced by the ex-ante evaluators, the JPC took the actions described below.

The JPC decided not to develop an extensive analysis of the socio-economic situation in the Baltic Sea Region in form of a rationale for the Programme priorities. This rationale was identified in the Structural Funds regulations and was further elaborated based on strategic documents adopted by a wide number of pan-Baltic organisations (such as VASAB, Baltic 21, HELCOM, Baltic Development Forum etc.). Findings of relevant analytical documents were thus structured and presented as a context for envisaged transnational actions, whereas the documents alone were made referential in the text.

Such an approach was referred to by the ex-ante evaluators as a very laudable attempt to produce a description, which covered the entire Baltic Sea Region and which was not a compilation of various national and regional descriptions. The ex-ante evaluators advised to better focus and streamline the SWOT, which was followed by the JPC through re-arrangement of the analytical chapter.

A main discussion between the ex-ante evaluator and the Programmers was on the Programme focus and the targeting of the priorities. The Programme ambition to address a number of issues in the Baltic Sea Region was reviewed by the evaluators as bearing a risk of being unfocused and thereby not reaching the intended targets. The evaluators recommended narrowing and strengthening the priorities through a use of respective



objectives in order to target the activities. The advice was taken into account regarding the objectives and to some extent regarding focusing of the priorities. In the view of the ex-ante evaluators the Programme has developed a comprehensive strategy focusing, in particular, on the transnational aspects of socio-economic development in the large and diverse area of the Baltic Sea Region.

In an effort to reach a good profile of envisaged actions, the JPC decided on their geographic and thematic focus. The Committee also elaborated on the principle of transnationality by specifying quality requirements to be observed by projects. At the same time, information on activities not welcome by the Programme (falling beyond its scope) was inserted correspondent to each thematic priority.

The JPC followed the advice of ex-ante evaluation concerning a better consistency between the different Programme parts and between the Programme priorities. The formulated hierarchy of Programme and priority objectives helped develop a comprehensive and quantifiable system of indicators. As stated by the ex-ante evaluators, with the experience already gained high ambitions of the JPC were translated into new and innovative directions with regard to development of indicators. As pointed out in the assessments, the system is rather ambitious, untested and resource demanding.

According to the ex-ante evaluators the administrative resources were important to consider when designing the new Programme and setting aside funds for the activities of the JTS. The ex-ante evaluators carried out a survey amongst project holders, who pointed out a need for assistance from the JTS both in the preparation and implementation of projects. With respect to this, the ex-ante evaluators emphasised the importance of securing the funding for a pro-active approach.

In their final report the ex-ante evaluators conclude that they have participated in the programming process, giving comments and views on the Programme as it has evolved, and that the given recommendations are by large reflected in the programme document.

The results of the evaluation are published on the Programme's website.

### **12.2. Strategic environmental assessment**

The Strategic Environmental Assessment (SEA) under the Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (SEA Directive) was included as a part of the ex-ante evaluation to be carried out by COWI A/S Parallelvej 2, 2800 Kongens Lyngby, Denmark.

For conducting the SEA procedure, each country participating in the Programme nominated a national environmental contact person who acted

as a link for further consultation in the respective country. In accordance with the SEA Directive and as the first stage of the SEA procedure, the draft Scoping Report was prepared by the evaluator and sent out for consultation to the national authorities with relevant environmental responsibilities via the national environmental contact persons designated by the countries participating in the Programme in June 2006. The consultation period lasted 3,5 weeks. In the second stage of the environmental consultations, the draft Environmental Report and the draft Programme were subject to a two month public reviewing. Announcement and consultation documents were published on the Programme's website and spread through the national networks concerned with the Programme and to the public likely to be accepted by, or have an interest in, the adoption of the Operational Programme. Furthermore, documents were submitted directly to the Joint Programming Committee and the environmental contact persons nominated by each of the participating countries allowing them to carry out consultations according to national requirements. Comments received are summarised in Annex 4 of the SEA report and were considered and assessed with regard to their relevance. The evaluators made recommendations to the Joint Programming Committee and the Drafting Teams Contents and Implementation as to include or not include comments received during the public consultation in respective programming meetings during December 2006 and January 2007. The version of the programme document which was approved by the Joint Programming Committee on 5 March 2007 and during national approval procedures in April/May 2007 was prepared in the course of the continuous programming process and submitted to the European Commission on 24 May 2007.

Results of the SEA are summarised by the evaluator below.

The general objective of the Programme, as well as one out of the four objectives, emphasise sustainable aspects of the adopted objectives. Due to the character of the Programme relevant environmental issues and criteria to be considered in the environmental assessment are identifiable for a limited number of areas of interventions under each priority. For the purpose of ensuring that the integration of environmental considerations takes place when developing concrete activities under the Programme, a so-called downstream environmental screening mechanism was recommended by the evaluation team.

If any significant impacts are to be expected these are primarily positive impacts that may contribute to a minimisation of environmental impacts of existing activities and practices across the Baltic Sea Region.

During the implementation of the Programme unexpected negative environmental effects shall be monitored. During the application phase this monitoring is based on assessment of project applications by respective Programme bodies and if relevant external experts as well as on the observations of national authorities reported to the Programme. Remedial actions by the Programme have to be implemented within the scope of its instruments.

Taking into account the recommendation of the SEA evaluator a system for monitoring of the Programme's environmental impact was developed as part of the Programme's monitoring system. Indicators monitoring the Programme's environmental impact such as number of projects addressing following aspects: renewable energy, water quality etc. are laid down in chapter 6.6.2. Examples of indicators to be used at project level are also given in the Programme Manual. Values for these indicators are reported to the European Commission in the Programme's annual reports.

### **12.3. Evaluations during the Programme period**

During the Programme period, and in accordance with Article 48(3) of the General Regulation, Member States participating in the Programme will carry out evaluations linked to the monitoring of the Programme, in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of this Programme, as referred to in Article 33 of the General Regulation.

During the implementation of the Programme, 1 – 2 evaluations will be made. The scope of the evaluations will be targeted to specific needs of the Programme identified in the monitoring, e.g. to impacts of the finalised operations and the Programme as specified in chapter 6.6.2 of this Programme.

The Monitoring Committee shall decide on the execution of such evaluations. The evaluations shall be carried out in principle by external experts. The results of the evaluations will be sent to the European Commission.

With regard to ENPI funds allocated to the Programme, the European Commission will carry out a mid-term evaluation of the Programme as part of the Programme review and communicate the results to the Monitoring Committee and to the Managing Authority. In addition to the mid-term evaluation, or a part thereof, an evaluation of the Operational Programme may be carried out at any moment by the European Commission (Article 6(2) and Article 6(3) of the CBC Regulation).

### **12.4. Ex-post evaluation**

According to Article 49(3) of the General Regulation, the European Commission will carry out an ex-post evaluation of the Programme. It will be completed by 31 December 2015. At the same time the ex-post evaluation by the European Commission as defined in Article 6(4) of the CBC Regulation shall be completed.

## 13. Information and publicity

According to Article 69(1) of the General Regulation, the Member States participating in the Programme and the Managing Authority will provide information on and publicise operations co-financed by this Programme. The information will be addressed to European Union citizens and beneficiaries with the aim of highlighting the role of the Community and will ensure that assistance from the Funds is transparent.

The Managing Authority will designate contact persons to be responsible for information and publicity and inform the European Commission accordingly (Article 10(1) of the Implementing Regulation).

### 13.1. Communication plan

A communication plan as defined in Article 2(2) of the Implementing Regulation, as well as any major amendment to it will be drawn up by the Managing Authority in consultation with the Monitoring Committee. The Managing Authority will submit the communication plan to the European Commission within four months of the date of adoption of the Programme.

The content of any major amendments to the communication plan will be set out in the annual and the final report on implementation of the Programme (Article 4(2)(c) of the Implementing Regulation).

The overall aim of the communication plan is to provide citizens of the Baltic Sea Region, beneficiaries and stakeholders with information about the Programme and its operations. An efficient implementation of the plan should:

- increase the public awareness about the Programme,
- provide the beneficiaries and stakeholders with accurate and reliable information on the Programme and operations
- attract a wide number of potential beneficiaries and increase the number of new applications
- highlight the role of the Community and ensure that assistance from the Funds is transparent.

The communication plan defines various information and marketing activities to be carried out throughout the 2007-2013 Programme period.

The target group of the Programme is compound and manifold:

- general public (in participating states/regions),
- potential beneficiaries,
- final beneficiaries,

- stakeholders, including relevant national authorities

- pan-Baltic organisations,
- other Objective 3 programmes,
- European Commission.

With regard to the ENPI funding allocated to the Baltic Sea Region Programme 2007-2013, the communication plan will also comply with Article 42 of the CBC Regulation, in particular with the visibility handbook to the external actions of the EU.

### **13.2. Information and publicity measures**

In accordance with the communication plan, the Managing Authority will implement information measures for potential beneficiaries, information measures for beneficiaries, and information and publicity measures for the public in accordance with the provisions laid down in chapter II, section 1, of the Implementing Regulation. In particular, a major information activity publicising the launch of the Programme, and at least one major information activity a year will be organised. Furthermore, a list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations will be published on the Programme's website [eu.baltic.net](http://eu.baltic.net).

Information about the Programme will be spread through a variety of channels in order to reach the different target groups. A number of traditional sources of information as well as best-practice-mix of events serve as a basis for a broad dissemination of Programme-related information.

The publicity duties will be mainly carried out by the Managing Authority and the Joint Technical Secretariat, though external expertise will be used when necessary. The Programme intends to motivate lead partners and project partners to improve information and communication measures and will monitor their implementation. Requirements towards the lead partners and project partners, e.g. preparing a project specific communication plan, appointing an information manager, setting up a project website, use of Programme logo etc. will be described in the Programme Manual as laid down in chapter 7.

#### **14. Procedures for the exchange of computerised data to meet the payment, monitoring and evaluation requirements**

Computerised systems will be installed, operated and interconnected. This data base system will meet special requirements. The database is prepared for:

- the input and the processing of the data at operation level as well as of the main data at the Project partner level,
- the input and processing of information received by the lead partner's activity and financial reports;
- supporting the Joint Technical Secretariat in meeting its monitoring and reporting duties with various data report sheets.

Data exchange between the European Commission and the Member States for the purposes of Articles 66 and 76 of the General Regulation will be carried out electronically in accordance with Articles 39 - 42 of the Implementing Regulation (Article 66(3) of the General Regulation). The database provides the form and content of accounting information as requested in the Regulation.

In order to transfer computer files to the European Commission, the administration system of the database will have the ability to generate data required by the Structural Funds Common (SFC) Database.

Procedures and systems set up for the exchange of computerised data to meet payment, monitoring and evaluation requirements for ERDF will also be used for the management of Norwegian and ENPI funds. The separation of these different funds will be ensured at any time.

## Part III. Financial provisions

### 15. Financing plan

A single financing plan, comprising of four tables, is attached to this programme document as an annex. In accordance with the General Regulation, two tables (TABLE 1+2) are devoted to financial provisions regarding the ERDF. In accordance with the CBC Regulation two tables (TABLE 3+4) are devoted to financial provisions regarding the ENPI.

In accordance with Articles 52-54 of the General Regulation, TABLE 1 of the financing plan is specifying, for the whole Programme period 2007 – 2013, for the Programme and for each priority axis, the amount of the total financial appropriation of the Community contribution and the national counterparts, and the rate of the ERDF contribution. As the national counterpart is made up of public and private expenditure, the table indicates the amount of the national public and private contribution. With regard to ENPI and to Norway, this table of the financing plan is also specifying for the whole Programme period, for the Programme and for each priority axis, the indicative amount of the ENPI and Norwegian contribution.

TABLE 2 of the financing plan is specifying for each year in 2007 – 2013 the amount of the total financial appropriation envisaged for the contribution of the ERDF. Applying Article 53(1)(a) of the General Regulation, the contribution from the ERDF, at the level of the Programme, is calculated with reference to the public and private eligible expenditure. Furthermore, this table describes the provisional yearly allocations of ENPI commitments and payments under the Programme in accordance with Article 4(g) of the CBC Regulation as well as the planned annual Norwegian commitments to the Programme. In accordance with the Article 4(g) of the CBC Regulation the TABLE 3 of the financing plan specifies the provisional yearly allocations of the ENPI commitments and payments under the Programme in detail.

In addition to the information provided in TABLES 1-3 of the financing plan, a separated financing plan for ENPI funds indicatively allocated to the Programme for the whole programming period and broken down by priority is specified in TABLE 4. All figures presented in TABLE 4 correspond to the financial figures presented in TABLE 1.

In accordance with Article 53(3) of the General Regulation, the contribution from the ERDF to eligible expenditures incurred by lead beneficiaries and other beneficiaries located in Estonia, Latvia, Lithuania, or Poland, shall be up to 85 % in priorities 1 – 4. The ERDF contribution to eligible expenditures incurred by lead beneficiaries and other beneficiaries located in the Programme area in Denmark, Finland, Germany, or Sweden, shall be up to 75 % in priorities 1 – 4. The average ERDF co-financing rate for priorities 1 – 4 determined in the financing plan is 82.0 %.



The contribution from Norwegian national funds to eligible expenditures incurred by lead beneficiaries or other beneficiaries located in Norway will be up to 50 % in priorities 1 - 4.

In accordance with the CBC Regulation, the contribution from the ENPI to eligible expenditures incurred by lead beneficiaries and other beneficiaries receiving ENPI funds shall be up to 90 %. The ENPI co-financing rate at project level (priority 1-4) of up to 90% shall be calculated as a ratio between the ENPI allocation to the respective project and the total ENPI project budget. The total ENPI project budget will be calculated as a sum of the ENPI allocation to the project and the ENPI co-financing.

In accordance with Article 46 of Council Regulation (EC) No 1083/2006, the limit for Technical Assistance is set at 6 % of the total ERDF amount allocated to this Programme under the European Territorial Co-operation objective.

The ERDF co-financing rate for Technical Assistance (priority 5) is 70 % and the national co-financing rate from the Member States is 30 %. The Member States will contribute to the Technical Assistance budget in proportion to their individual share of total ERDF funding.

The Norwegian contribution to the Technical Assistance will be 6 % of the total eligible Norwegian national and regional contribution to the Programme. The Technical Assistance contribution will be fully paid from the Norwegian national funds.

In accordance with the CBC Regulation, the limit for Technical Assistance from the ENPI is set at 10 % of the total ENPI amount allocated to the Programme. The ENPI co-financing rate for priority 5 (Technical Assistance) is 100%.

Furthermore and in accordance with Article 12(5) of the ERDF Regulation and Article 11(1) and Annex II of the Implementing Regulation, an indicative breakdown by category of the programmed use of the contribution from the ERDF to the Baltic Sea Region Programme 2007 – 2013 is annexed to this programme document for information purposes.

## **16. Eligibility of expenditure**

In accordance with Article 56(1) of the General Regulation, expenditure shall be eligible for a contribution from the ERDF or, in the case of Norwegian lead beneficiaries or other beneficiaries, from Norwegian national funds if it has actually been paid between 1<sup>st</sup> January 2007 and 31 December 2015. Operations co-financed by ERDF and Norwegian national funds must not have been started before the 1<sup>st</sup> January 2007.

In order to be eligible for Community financing from ENPI, the expenditure of the Programme must be incurred during the Programme's period of execution, as defined in Article 43 of the CBC Regulation, i.e. during the date of adoption of the Programme by the European Commission and the 31<sup>st</sup> December 2016 (Article 33(1) of the CBC Regulation).

ENPI Technical Assistance funds shall be eligible after adoption of the Programme by the European Commission but not before either Russia or Belarus has signed its financing agreement as defined in Article 9(8) of the ENPI Regulation.

Expenditure for each operation shall be incurred during the period of execution of each relevant grant contract (Article 36 of the CBC Regulation). Eligibility of project costs from ENPI funding shall start on the date on which the grant contract is signed. However, on a case by case basis and where the applicant can demonstrate the need to start the action before the contract is signed and on the applicant's own risk, the Managing Authority may decide that the eligibility of project costs from ENPI funding starts on the day following the date of the project approval by the Monitoring Committee. In any case the eligibility of project costs shall not precede the signature of any relevant financing agreement between the European Commission and Russia, and Belarus, respectively.

Expenditure shall be eligible for funding only for operations which have been selected by the Monitoring Committee of the Baltic Sea Region Programme 2007 – 2013 and have signed a grant contract with the Managing Authority of the Programme.

Detailed rules on the eligibility of expenditure financed by this Programme will be provided in the Programme Manual as laid down in chapter 7. These eligibility rules will be applicable in the entire Programme area. They will be based on the provisions laid down in Article 56 of the General Regulation, Articles 7 and 13 or the ERDF Regulation, Articles 48-53 of the Implementing Regulation and, in case of expenditure co-financed from ENPI funding, Articles 33-36 of the CBC Regulation. The Programme might apply stricter rules than foreseen by the EU regulations or national legislation.

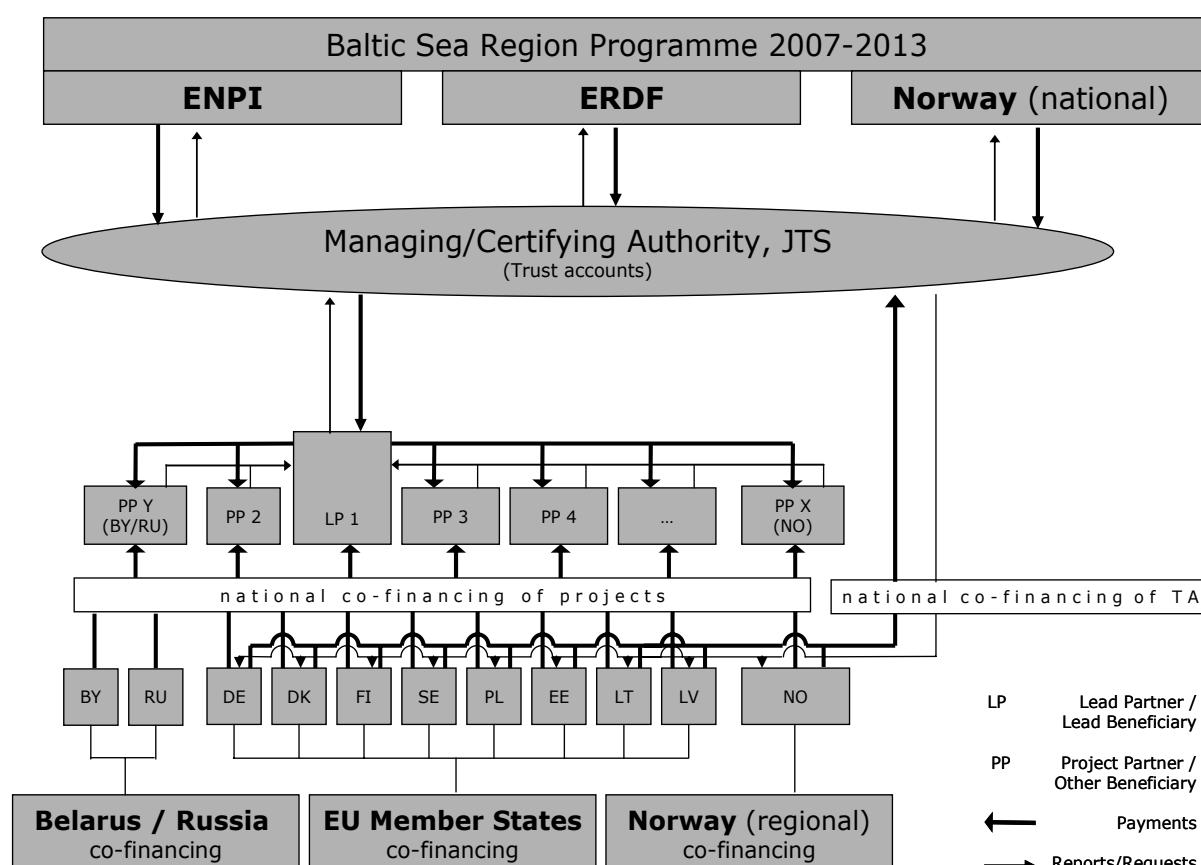
## 17. Procedures for the mobilisation and circulation of financial flows in order to ensure their transparency

As mentioned in chapter 8.4.1, the Certifying Authority is responsible both for receiving payments from the European Commission (ERDF and ENPI) and Norway (Norwegian national funding) and for making payments to the lead beneficiaries. Each lead beneficiary of an operation is responsible for allocating subsidies received from the Certifying Authority to the beneficiaries of its operation.

To be entitled to claim payments by the Certifying Authority, each lead beneficiary is obliged to regularly present progress reports to the Joint Technical Secretariat. This obligation will be determined in the grant contract. Details on the reporting procedure will be defined in the Programme Manual referred to in chapter 7.

The EU Member States and Norway will transfer the national co-financing of the Technical Assistance to an account of the Certifying Authority.

The following chart illustrates the financial flows:



## **Part IV. Annexes to the Operational Programme**

1. Financing plan
2. Categorisation of Funds assistance for 2007-2013  
(Indicative breakdown of the Community contribution by category)
3. List of acronyms, abbreviations and common technical terms
4. Basic statistical information on the BSR areas
5. Graphic information on territorial distribution of socio-economic processes in the BSR

## Annex 1 Financing plan

TRANSNATIONAL PROGRAMME "BALTIC SEA REGION 2007-2013"

CCI: 2007CB163PO020

(all figures in EUR)

Year by source for the programme	Total allocation ERDF	Total allocation ENPI	Total
2007	29,620,934	1,600,000	31,220,934
2008	28,338,512	3,600,000	31,938,512
2009	28,606,135	3,600,000	32,206,135
2010	29,269,310	0	29,269,310
2011	29,958,358	0	29,958,358
2012	30,791,814	0	30,791,814
2013	31,449,436	0	31,449,436
<b>Grand Total 2007-2013</b>	<b>208,034,499</b>	<b>8,800,000</b>	<b>216,834,499</b>

(All figures in EUR)

Priority axes by source of funding	ERDF					ENPI				Norway	
	Community Funding - ERDF (a)	National Public funding (b)	National Private funding (c)	Total funding (d)= (a)+(b)+(c)	Co-financing rate (e)= (a)/(d)	Community Funding - ENPI (f)	National Public funding (g)	Total funding (h) = (f) + (g)	Co-financing rate (i)= (f)/(h)	Other funding NORWAY (j)	Total (ERDF+ ENPI+Norway) (k)=(d)+(h)+(j)
Priority Axis 1 FOSTERING INNOVATIONS ACROSS THE BSR Total ERDF 2007 - 2013	55,940,891	10,683,346	1,596,362	68,220,599	82.0%	655,556	72,840	728,396	90.0%	3,384,000	72,332,995
Priority Axis 2 IMPROVING INTERNAL AND EXTERNAL ACCESSIBILITY Total ERDF 2007 - 2013	39,411,763	7,526,685	1,124,678	48,063,126	82.0%	793,125	88,125	881,250	90.0%	2,256,000	51,200,376
Priority Axis 3 MANAGING THE BALTIC SEA AS A COMMON RESOURCE Total ERDF 2007 - 2013	57,895,587	11,056,644	1,652,143	70,604,374	82.0%	4,061,450	451,272	4,512,722	90.0%	3,384,000	78,501,096
Priority Axis 4 PROMOTING ATTRACTIVE AND COMPETITIVE CITIES AND REGIONS Total ERDF 2007 - 2013	42,304,188	8,079,069	1,207,217	51,590,474	82.0%	1,734,467	192,719	1,927,186	90.0%	2,256,000	55,773,660
Priority Axis 5 TECHNICAL ASSISTANCE Total ERDF 2007 - 2013	12,482,070	5,349,458	0	17,831,528	70.0%	1,555,402	0	1,555,402	100.0%	720,000	20,106,930
<b>Total [EUR]</b>	<b>208,034,499</b>	<b>42,695,202</b>	<b>5,580,400</b>	<b>256,310,101</b>	<b>81.0%</b>	<b>8,800,000</b>	<b>804,956</b>	<b>9,604,956</b>	<b>92.0%</b>	<b>12,000,000</b>	<b>277,915,057</b>

## Annex 2 Categorisation of Funds assistance for 2007-2013

### Note on annex on indicative breakdown of funds:

The enclosed table is attached to the programme document as annex according to Article 12 of the ERDF Regulation and Article 11 of the Implementing Regulation for information purposes.

### Indicative breakdown of the ERDF Community contribution by category in the Operational Programme

Commission reference No: 2007CB163PO020

Name of the programme: Baltic Sea Region Programme 2007-2013

Date of the last Commission decision for the Operational Programme concerned: \_\_/\_\_/\_\_

(All figures in EUR)

Dimension 1 Priority theme	
Code *	Amount **

Priority Axes 1-4	
2	7,822,097
3	9,777,621
4	3,911,049
5	1,955,524
6	3,911,049
7	3,911,049
9	3,911,049
11	1,955,524
12	1,955,524
13	3,911,049
14	1,955,524
15	1,955,524
17	1,955,524
21	1,955,524
26	7,822,097
27	7,822,097
28	5,866,573
30	1,955,524
32	1,955,524
41	5,866,573
42	1,955,524
43	3,911,049
44	3,911,049
45	3,911,049
46	19,555,243
47	3,911,049
48	9,777,621
49	3,911,049
53	11,733,146
55	1,955,524
56	1,955,524
57	1,955,524
59	1,955,524
61	5,866,573
62	1,955,524
63	1,955,524
67	1,955,524
68	3,911,049
69	1,955,524
70	1,955,524
71	1,955,524
72	1,955,524
73	1,955,524
74	1,955,524
75	3,911,049
81	7,822,097
82	3,911,049
Priority Axis 5 (TA)	
85 + 86	12,482,070
Total	208,034,499

(All figures in EUR)

Dimension 2 Form of finance	
Code *	Amount **

1	208,034,499
Total	208,034,499

(All figures in EUR)

Dimension 3 Territory	
Code *	Amount **

9	208,034,499
Total	208,034,499

\* The categories should be coded for each dimension using the standard classification

\*\* Estimated amount of the Community contribution for each category.

## Codes by dimension

TABLE 1: CODES FOR THE PRIORITY THEME DIMENSION

Code	Priority theme	Priority	%	Amount
<b>Research and technological development (R&amp;TD), innovation and entrepreneurship</b>				
1	R&TD activities in research centres	I	0	-
2	R&TD infrastructure (including physical plant, instrumentation)	I	4	7,822,097
3	Technology transfer and improvement of cooperation networks	I	5	9,777,621
4	Assistance to R&TD, particularly in SMEs (including access to)	I	2	3,911,049
5	Advanced support services for firms and groups of firms	I	1	1,955,524
6	Assistance to SMEs for the promotion of environmentally-	I	2	3,911,049
7	Investment in firms directly linked to research and innovation	I	2	3,911,049
8	Other investment in firms	I	0	-
9	Other measures to stimulate research and innovation and	I	2	3,911,049
<b>Information society</b>				
10	Telephone infrastructures (including broadband networks)	II	0	-
11	Information and communication technologies (access, security,	II	1	1,955,524
12	Information and communication technologies (TEN-ICT)	II	1	1,955,524
13	Services and applications for the citizen (e-health, e-	IV	2	3,911,049
14	Services and applications for SMEs (e-commerce, education	I	1	1,955,524
15	Other measures for improving access to and efficient use of ICT	I	1	1,955,524
<b>Transport</b>				
16	Railways	II	0	-
17	Railways (TEN-T)	II	1	1,955,524
18	Mobile rail assets	II	0	-
19	Mobile rail assets (TEN-T)	II	0	-
20	Motorways	II	0	-
21	Motorways (TEN-T)	II	1	1,955,524
22	National roads	II	0	-
23	Regional/local roads	II	0	-
24	Cycle tracks	II	0	-
25	Urban transport	II	0	-
26	Multimodal transport	II	4	7,822,097
27	Multimodal transport (TEN-T)	II	4	7,822,097
28	Intelligent transport systems	II	3	5,866,573
29	Airports	II	0	-
30	Ports	II	1	1,955,524
31	Inland waterways (regional and local)	II	0	-
32	Inland waterways (TEN-T)	II	1	1,955,524
<b>Energy</b>				
33	Electricity	IV	0	-
34	Electricity (TEN-E)	IV	0	-
35	Natural gas	IV	0	-
36	Natural gas (TEN-E)	IV	0	-
37	Petroleum products	IV	0	-
38	Petroleum products (TEN-E)	IV	0	-
39	Renewable energy: wind	IV	0	-
40	Renewable energy: solar	IV	0	-
41	Renewable energy: biomass	IV	3	5,866,573
42	Renewable energy: hydroelectric, geothermal and other	IV	1	1,955,524
43	Energy efficiency, co-generation, energy management	IV	2	3,911,049
<b>Environmental protection and risk prevention</b>				
44	Management of household and industrial waste	III	2	3,911,049
45	Management and distribution of water (drinking water)	III	2	3,911,049
46	Water treatment (waste water)	III	10	19,555,243
47	Air quality	III	2	3,911,049
48	Integrated prevention and pollution control	III	5	9,777,621
49	Mitigation and adaptation to climate change	III	2	3,911,049
50	Rehabilitation of industrial sites and contaminated land	IV	0	-
51	Promotion of biodiversity and nature protection (including	IV	0	-
52	Promotion of clean urban transport	IV	0	-
53	Risk prevention (including the drafting and implementation of	III	6	11,733,146
54	Other measures to preserve the environment and prevent risks	III	0	-

Code	Priority theme	Priority	%	Amount
<b>Tourism</b>				
55	Promotion of natural assets	IV	1	1,955,524
56	Protection and development of natural heritage	IV	1	1,955,524
57	Other assistance to improve tourist services	IV	1	1,955,524
<b>Culture</b>				
58	Protection and preservation of the cultural heritage	IV	0	-
59	Development of cultural infrastructure	IV	1	1,955,524
60	Other assistance to improve cultural services	IV	0	-
<b>Urban and rural regeneration</b>				
61	Integrated projects for urban and rural regeneration	IV	3	5,866,573
<b>Increasing the adaptability of workers and firms, enterprises and entrepreneurs</b>				
62	Development of life-long learning systems and strategies in	I	1	1,955,524
63	Design and dissemination of innovative and more productive	I	1	1,955,524
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms,	I	0	-
<b>Improving access to employment and sustainability</b>				
65	Modernisation and strengthening labour market institutions	IV	0	-
66	Implementing active and preventive measures on the labour	IV	0	-
67	Measures encouraging active ageing and prolonging working	IV	1	1,955,524
68	Support for self-employment and business start-up	I	2	3,911,049
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment	IV	1	1,955,524
70	Specific action to increase migrants' participation in	IV	1	1,955,524
<b>Improving the social inclusion of less-favoured persons</b>				
71	Pathways to integration and re-entry into employment for	IV	1	1,955,524
<b>Improving human capital</b>				
72	Design, introduction and implementation of reforms in	I	1	1,955,524
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a	I	1	1,955,524
74	Developing human potential in the field of research and	I	1	1,955,524
<b>Investment in social infrastructure</b>				
75	Education infrastructure	I	2	3,911,049
76	Health infrastructure	IV	0	-
77	Childcare infrastructure	IV	0	-
78	Housing infrastructure	IV	0	-
79	Other social infrastructure	IV	0	-
<b>Mobilisation for reforms in the fields of employment and inclusion</b>				
80	Promoting partnerships, pacts and initiatives through the	IV	0	-
<b>Strengthening institutional capacity at national, regional and local level</b>				
81	Mechanisms for improving good policy and programme design,	I	1	1,955,524
81	Mechanisms for improving good policy and programme design,	II	1	1,955,524
81	Mechanisms for improving good policy and programme design,	III	1	1,955,524
81	monitoring and evaluation at national, regional and local level,			
81	Mechanisms for improving good policy and programme design,	IV	1	1,955,524
<b>Reduction of additional costs hindering the outermost regions development</b>				
82	Compensation of any additional costs due to accessibility deficit	II	2	3,911,049
83	Specific action addressed to compensate additional costs due to	IV	0	-
84	Support to compensate additional costs due to climate	IV	0	-
			<b>Subtotal</b>	<b>100</b>
				<b>195,552,429</b>
<b>Technical assistance</b>				
85	Preparation, implementation, monitoring and inspection	V	6	12,482,070
86	Evaluation and studies; information and communication	V		-
			<b>Total</b>	<b>208,034,499</b>



TABLE 2: CODES FOR THE FORM OF FINANCE DIMENSION

Code	Form of finance
1	Non-repayable aid
2	Aid (loan, interest subsidy, guarantees)
3	Venture capital (participation, venture-capital fund)
4	Other forms of finance

TABLE 3: CODES FOR THE TERRITORIAL DIMENSION

Code	Territory type
1	Urban
2	Mountains
3	Islands
4	Sparsely and very sparsely populated areas
5	Rural areas (other than mountains, islands or sparsely and very sparsely populated)
6	Former EU external borders (after 30.04.2004)
7	Outermost region
8	Cross-border cooperation area
9	Transnational cooperation area
10	Inter-regional cooperation area
0	Not applicable

TABLE 4: CODES FOR THE ECONOMIC ACTIVITY DIMENSION

Code	Economic activity <sup>[2]</sup>
1	Agriculture, hunting and forestry
2	Fishing
3	Manufacture of food products and beverages
4	Manufacture of textiles and textile products
5	Manufacture of transport equipment
6	Unspecified manufacturing industries
7	Mining and quarrying of energy producing materials
8	Electricity, gas, steam and hot water supply
9	Collection, purification and distribution of water
10	Post and telecommunications
11	Transport
12	Construction
13	Wholesale and retail trade
14	Hotels and restaurants
15	Financial intermediation
16	Real estate, renting and business activities
17	Public administration
18	Education
19	Human health activities
20	Social work, community, social and personal services
21	Activities linked to the environment
22	Other unspecified services
0	Not applicable

TABLE 5: CODES FOR THE LOCATION DIMENSION  
(of relevance for reporting)

Code <sup>[3]</sup>	Location <sup>[4]</sup>
	NUTS 1 level
	NUTS 2 level
	NUTS 3 level

[1] European Regional Development Fund, Cohesion Fund and European Social Fund.

[2] Based on the statistical classification of economic activities in the European Community (NACE Rev. 1); Regulation (EC) No 29/2002 of 19.12.2001 amending Regulation (EEC) No 3037/90 of 9.10.1990.

[3] The codes for this dimension may be found in the Nomenclature of Territorial Units for Statistics (NUTS) which appears in the annex of Regulation (EC) No 1059/2003 of 26.05.2003, as amended by Regulation (EC) No 1888/2005 of 26.10.2005.

[4] Article 34 of Regulation (EC) No 1083/2006.

### Annex 3 List of acronyms, abbreviations and common technical terms

AA	Audit Authority of the Baltic Sea Region Programme 2007-2013
B7	Baltic Sea Seven Islands
Baltic 21	Agenda 21 for the Baltic Sea Region
BASREC	Baltic Sea Region Energy Co-operation
BCCA	Baltic Chamber of Commerce Association
BDF	Baltic Development Forum
BPO	Baltic Ports Organisation
BSC	Baltic Sea Commission of the CPMR (Conference of Peripheral Maritime Regions of Europe)
BSPA	Baltic Sea Protected Areas, related to HELCOM recommendation no. 15/5
BSR	Baltic Sea Region
BSSSC	Baltic Sea States Subregional Co-operation
BTC	Baltic Sea Tourism Commission
CA	Certifying Authority of the Baltic Sea Region Programme 2007-2013
CBSS	Council of the Baltic Sea States
CEMAT	Conférence Européenne des Ministres responsables de l'Aménagement du Territoire - European conference of ministers responsible for regional planning
CSD/BSR	Committee on Spatial Development in the Baltic Sea Region (VASAB)
EAFRD	European Agricultural Fund for Rural Development
E-BSR	/Here/ Eastern Baltic Sea Region - Estonia, Latvia, Lithuania, Poland and areas of Belarus and Russia, which participate in the Programme
EC	European Council
EEIG	European Economic Interest Grouping
EFF	European Fisheries Fund
EGCC	European Grouping of Cross-border Cooperation
ENPI	European Neighbourhood and Partnership Instrument
ERDF	European Regional Development Fund
ERDF Regulation	Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999 (OJ L 210, 31.7.2006)
ESDP	European Spatial Development Perspective
ESPON	European Spatial Planning Observatory Network /A network based on the experience of a European Study Programme on ESDP/
EU	European Union
eEurope 2005	European Action Plan endorsed by the EU Council of Ministers in 2003 aiming at development of modern public

	services and a dynamic environment for ebusiness
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
General Regulation	Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (OJ L 210, 31.7.2006)
HELCOM	Baltic Sea Environment Protection Commission; Helsinki Commission
i2010	'European Information Society in 2010', EU initiative to ensure the best use of ICT for growth and employment in Europe
IB	Investitionsbank Schleswig-Holstein
ICT	Information and Communication Technology
ICZM	Integrated Coastal Zone Management
Implementation Regulation	Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund
JPC	Joint Programming Committee of the Baltic Sea Region Programme 2007-2013
JTS	Joint Technical Secretariat of the Baltic Sea Region Programme 2007-2013
Länder (Germ.)	Federal states of the Federal Republic of Germany
LIFE+ EU	Financial Instrument for Environment ( 2007-2013) contributing to the development, implementation monitoring, evaluation and communication of Community environment policy and legislation as a contribution to promoting sustainable development in the EU
LP	Lead partner / lead beneficiary
MA	Managing Authority
Marco Polo II	EU programme run between 2007 and 2013 in support of actions to reduce congestion, to improve the environmental performance of the transport system and to enhance intermodal transport
MC	Monitoring Committee of the Baltic Sea Region Programme 2007-2013
Natura 2000	European network of protected sites representing areas of the highest value for natural habitats and species of plants and animals, which are rare, endangered or vulnerable in the European Community
NCM	Nordic Council of Ministers
NGO	Non-Governmental Organisation
Northern Dimension	Common policy between EU, Russia, Norway and Iceland effective since 1 January 2007 and regarded a tool for the implementation of the road maps for the Four Common

	Spaces between EU and Russia
NP	Neighbourhood Programme
NSRF	National Strategic Reference Frameworks
NUTS II area	Group of territorial units according to the classification of Nomenclature of Territorial Units for Statistics, introduced by the Statistical Office of the European Communities (Eurostat)
MS	EU Member States
OP	Operational Programme
PETN	Pan-European Transport Network
PP	Project partner
PPP	Purchasing Power Parities
R&D	Research and Development
SEA	Strategic Environmental Assessment
SMEs	Small and Medium-sized Enterprises
SWOT (analysis)	Analysis of strengths, weaknesses, opportunities and threats
SRDA	State Regional Development Agency, Latvia hosting the JTS branch office in Riga
TA	Technical Assistance for programme implementation
Tacis	EU initiative to provide grant-financed technical assistance to support the process of transition to market economies and democratic societies in the Newly Independent States
TEN-T	Trans-European Transport Network
TIA	Territorial Impact Assessment
UBC	Union of the Baltic Cities
URBACT	Community Initiative Programme supporting integrated urban development transnational exchange
VASAB	/Institution/ "Vision And Strategies Around the Baltic Sea". Permanent co-operation network in spatial planning and development composed of representatives of national and regional ministries of the BSR
W-BSR	/Here/ Western Baltic Sea Region i.e. Denmark, Finland, Norway and Sweden and the participating areas of Germany

## Annex 4 Basic statistical information on the BSR areas

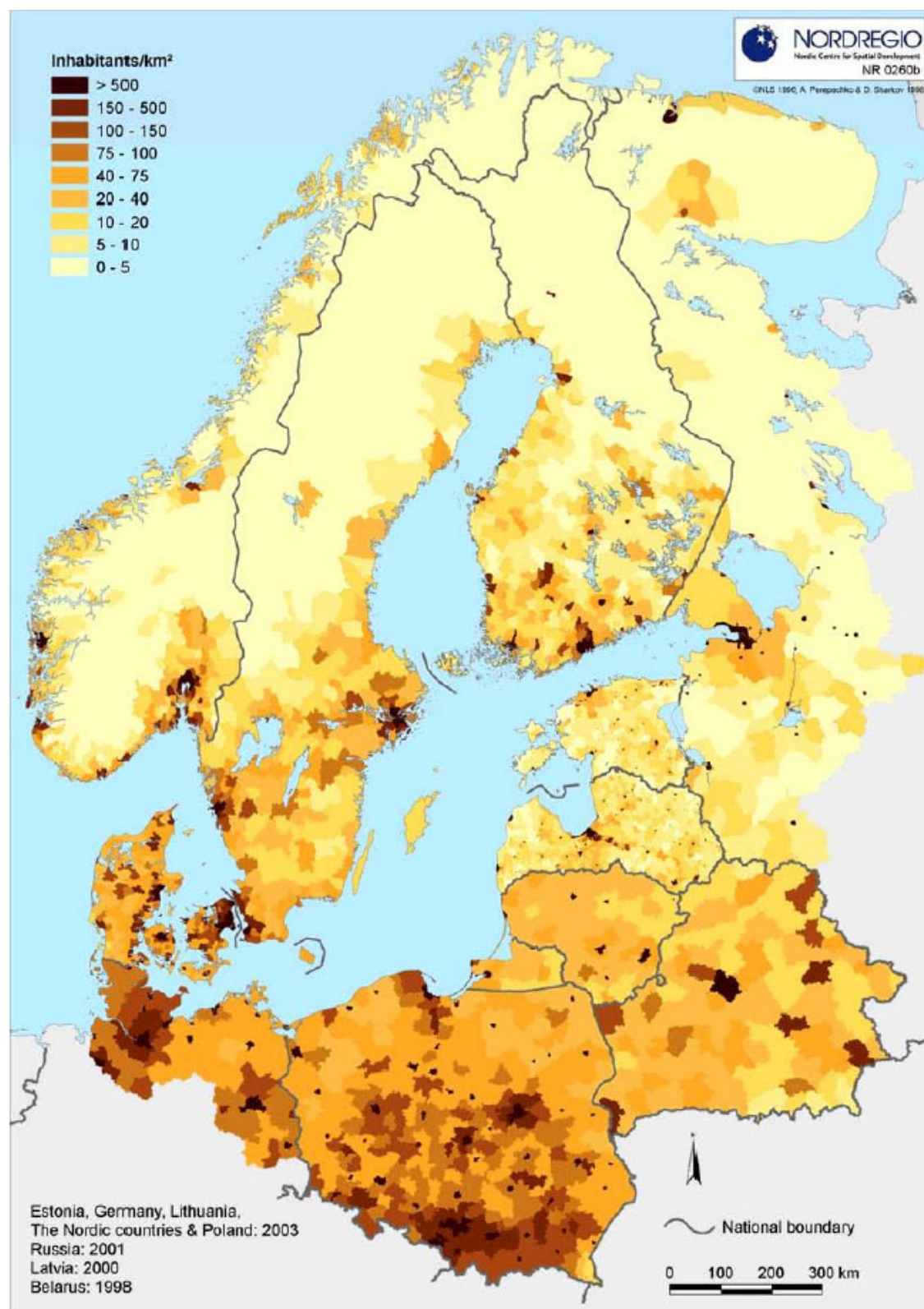
NUTS_2_03 Region		Area in km <sup>2</sup> 2003	Population 2003, BY2002, RU 2000
BY01	Brest	32300	1491600
BY02	Viciebsk	40100	1513400
BY03	Homiel'	40400	1545600
BY04	Hrodna	25000	1174900
BY05	Minsk	40800	3134400
BY06	Mahiliou	29000	1213600
DE30	Berlin	891.8	3392425
DE41	Brandenburg Nordost	15498	1170349
DE42	Brandenburg Südwest	13978.7	1412030
DE50	Bremen	404.3	662098
DE60	Hamburg	755.3	1728806
DE80	Mecklenburg-Vorpommern	23173.5	1744624
DE93	Lüneburg	15506.6	1692192
DEF0	Schleswig-Holstein	15762.9	2816507
DK00	Danmark	43098.3	5383507
EE00	Eesti	45227	1356045
FI13	Itä-Suomi	85171.9	672345
FI18	Etelä-Suomi	45232.9	2557685
FI19	Länsi-Suomi	64647.1	1321583
FI1A	Pohjois-Suomi	141540.7	628425
FI20	Åland	1551.9	26257
LT00	Lietuva	62678	3462553
LV00	Latvija	64589	2331480
NO01	Oslo og Akershus	5371	1000684
NO02	Hedmark og Oppland	52579	371863
NO03	Sør-Østlandet	36641	880519
NO04	Agder og Rogaland	25819	647434
NO05	Vestlandet	49172	793243
NO06	Trøndelag	41228	395798
NO07	Nord-Norge	112948	462711
PL11	Lódzkie	18219	2607380
PL12	Mazowieckie	35579	5128623
PL21	Malopolskie	15190	3237217
PL22	Slaskie	12331	4731533
PL31	Lubelskie	25114	2196992

PL32	Podkarpackie	17844	2105050
PL33	Swietokrzyskie	11691	1295885
PL34	Podlaskie	20180	1207704
PL41	Wielkopolskie	29826	3355279
PL42	Zachodniopomorskie	22896	1697718
PL43	Lubuskie	13989	1008196
PL51	Dolnoslaskie	19948	2904694
PL52	Opolskie	9412	1061009
PL61	Kujawsko-Pomorskie	17970	2069166
PL62	Warminsko-Mazurskie	24203	1428449
PL63	Pomorskie	18293	2183636
RU11	Arkhangelskaya oblast	587400	1459900
RU13	Murmanskaya oblast	144900	983300
RU14	Respublika Karelia	172400	766400
RU15	Respublika Komi	415900	1134500
RU16	Nenetskii Avtonomnyi okrug	176700	46100
RU21	Sankt Peterburg	606	4694000
RU22	Leningradskaya oblast	85294	1674000
RU23	Novgorodskaya oblast	55300	728700
RU24	Pskovskaya oblast	55300	801500
RU9	Kaliningradskaya oblast	15100	948700
SE01	Stockholm	6789.2	1850467
SE02	Östra Mellansverige	41415.2	1503423
SE04	Sydsverige	14423.9	1294965
SE06	Norra Mellansverige	69547.7	827067
SE07	Mellersta Norrland	77207	372266
SE08	Övre Norrland	165295.6	508862
SE09	Småland med öarna	35560.4	796957
SE0A	Västsverige	31108.3	1786781

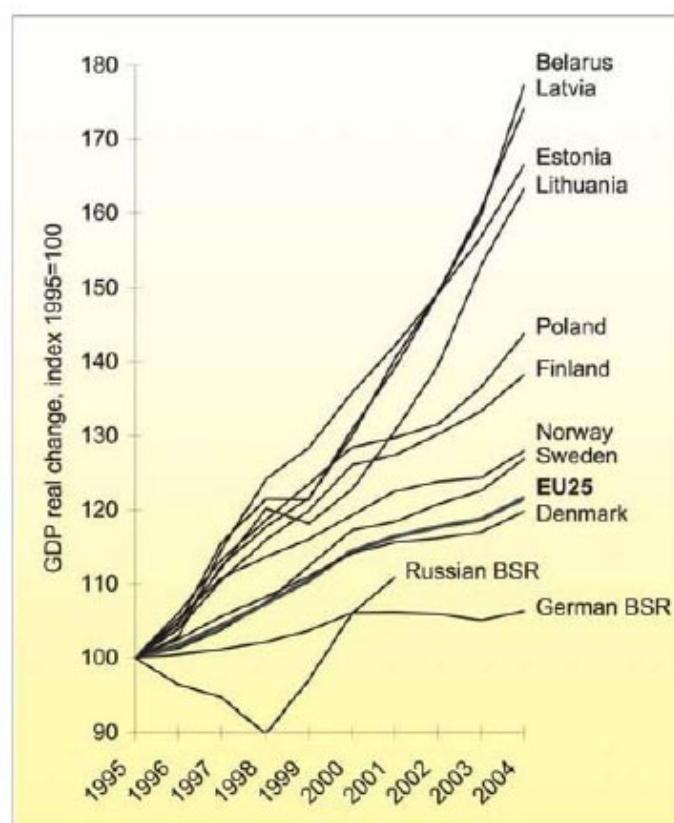


## Annex 5 Graphic information on territorial distribution of socio-economic processes in the BSR

**Fig. 1 Population density in the Baltic Sea Region**



**Fig. 2** Change in the GDP standing of the BSR countries in the 1995-2004 period



Source: Eurostat, Statistics Finland, Bank of Finland. Growth for Russian BSR regions 1995-96 estimated as the average Russian federal growth rate during the same period. Growth for Regierungsbezirk Lüneburg estimated as the average growth rate for entire Niedersachsen.

**Fig. 3** Change of the GDP per capita index for the Western BSR countries, Eastern BSR countries and for the Russian part of the BSR between 1995 and 2003

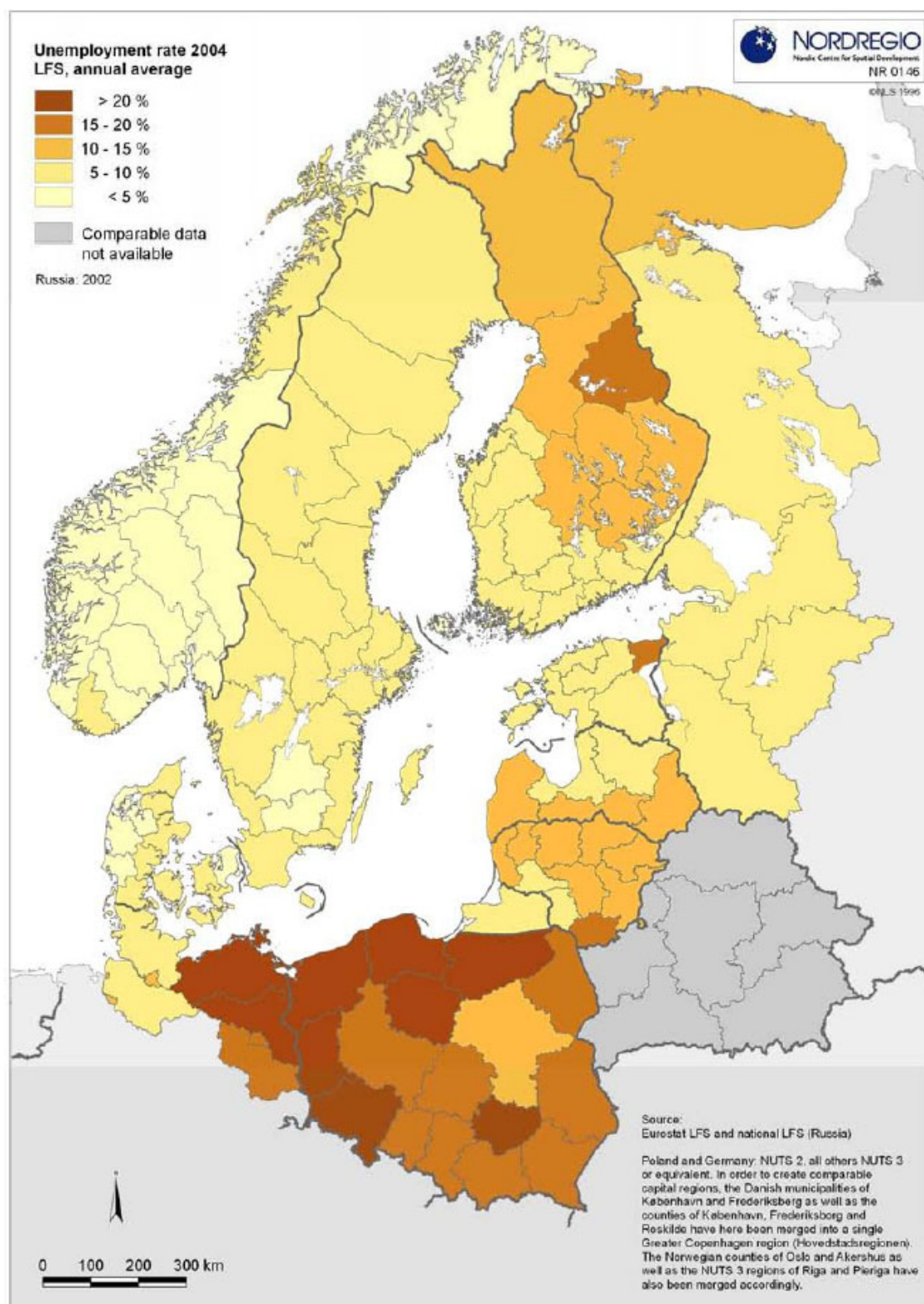


Source: Nordregio

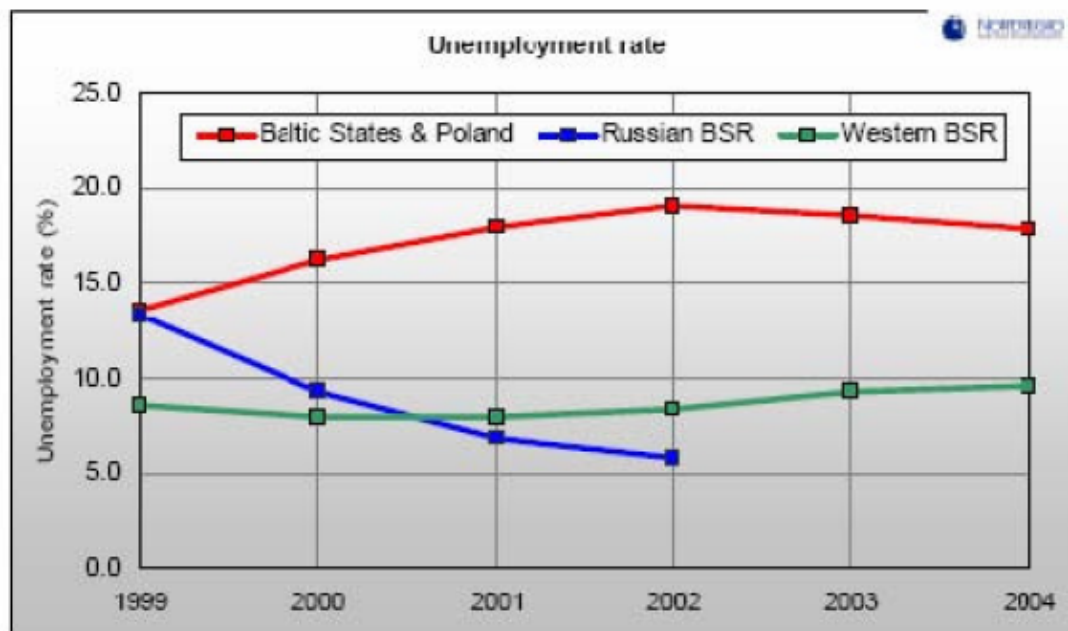
Data sources: Eurostat, Nordregio estimations based on estimations from Statistics Finland



**Fig. 4 Unemployment rate in the BSR regions in 2004**



**Fig. 5** Change of unemployment rate gap between Western BSR countries, Eastern BSR countries and the Russian part of the BSR between 1999 and 2004

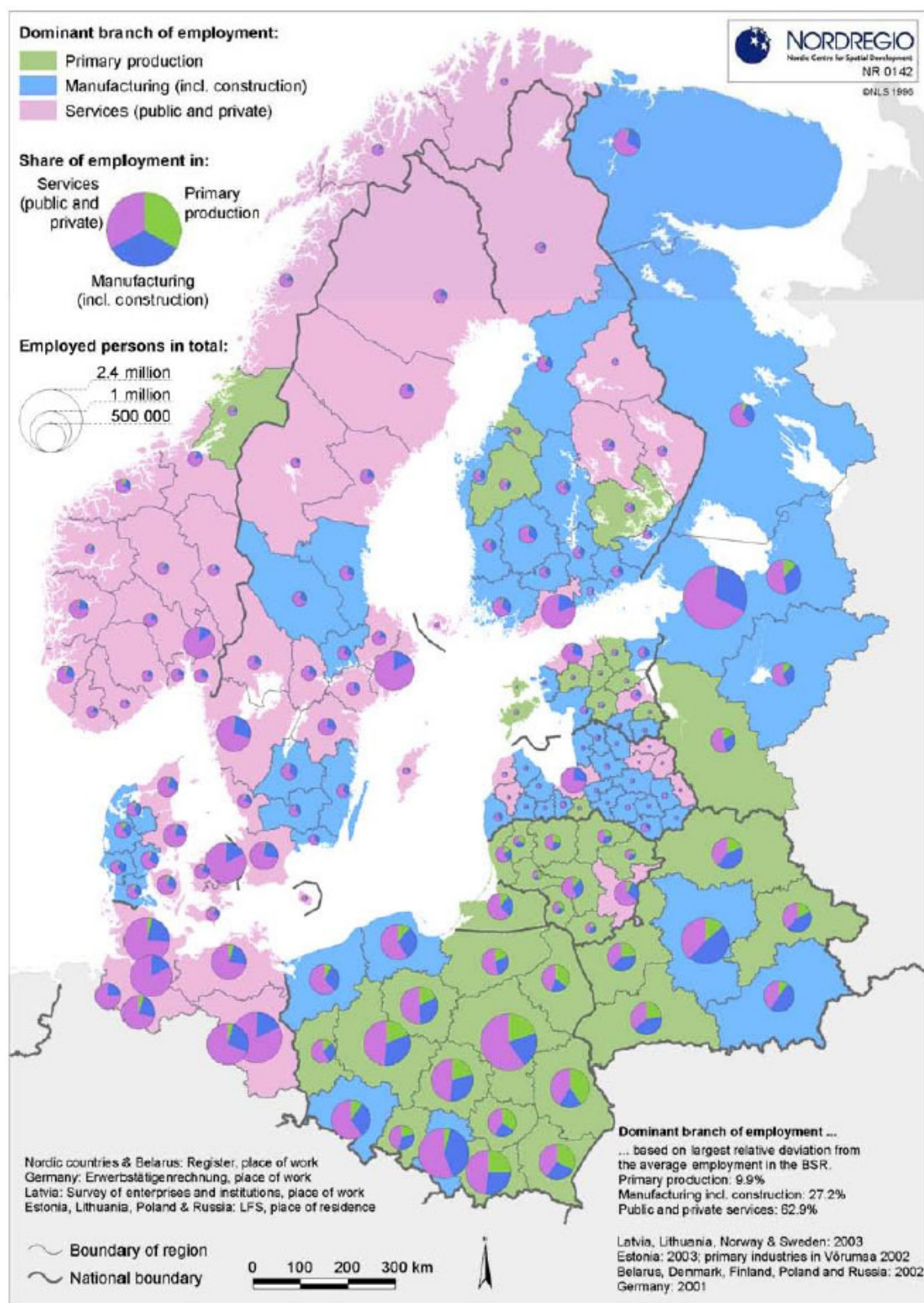


Source: Nordregio

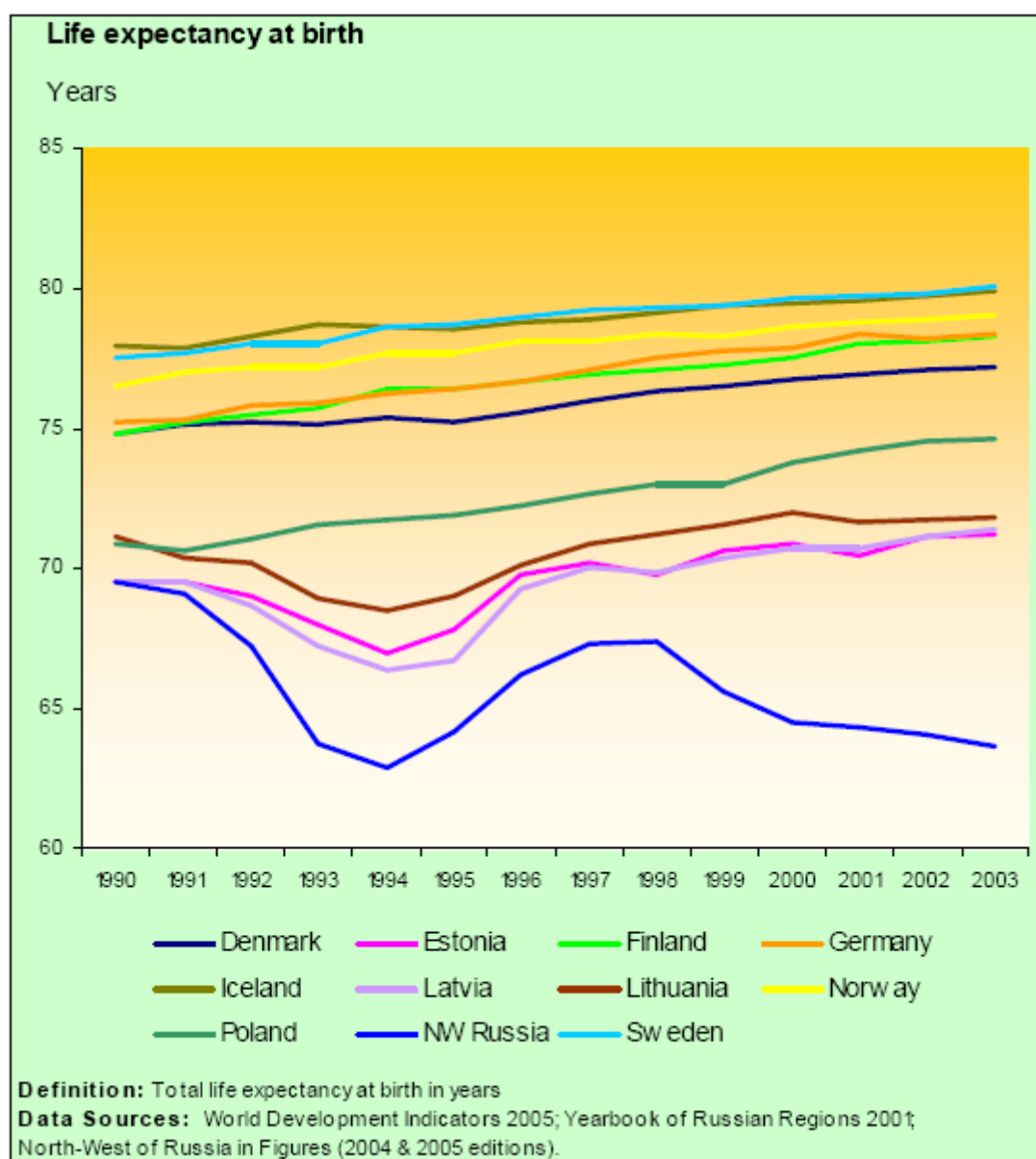
Data sources: NEBI Yearbook, Eurostat

Comparable data for Belarus not available

**Fig. 6 Size and structure of employment in the BSR regions**

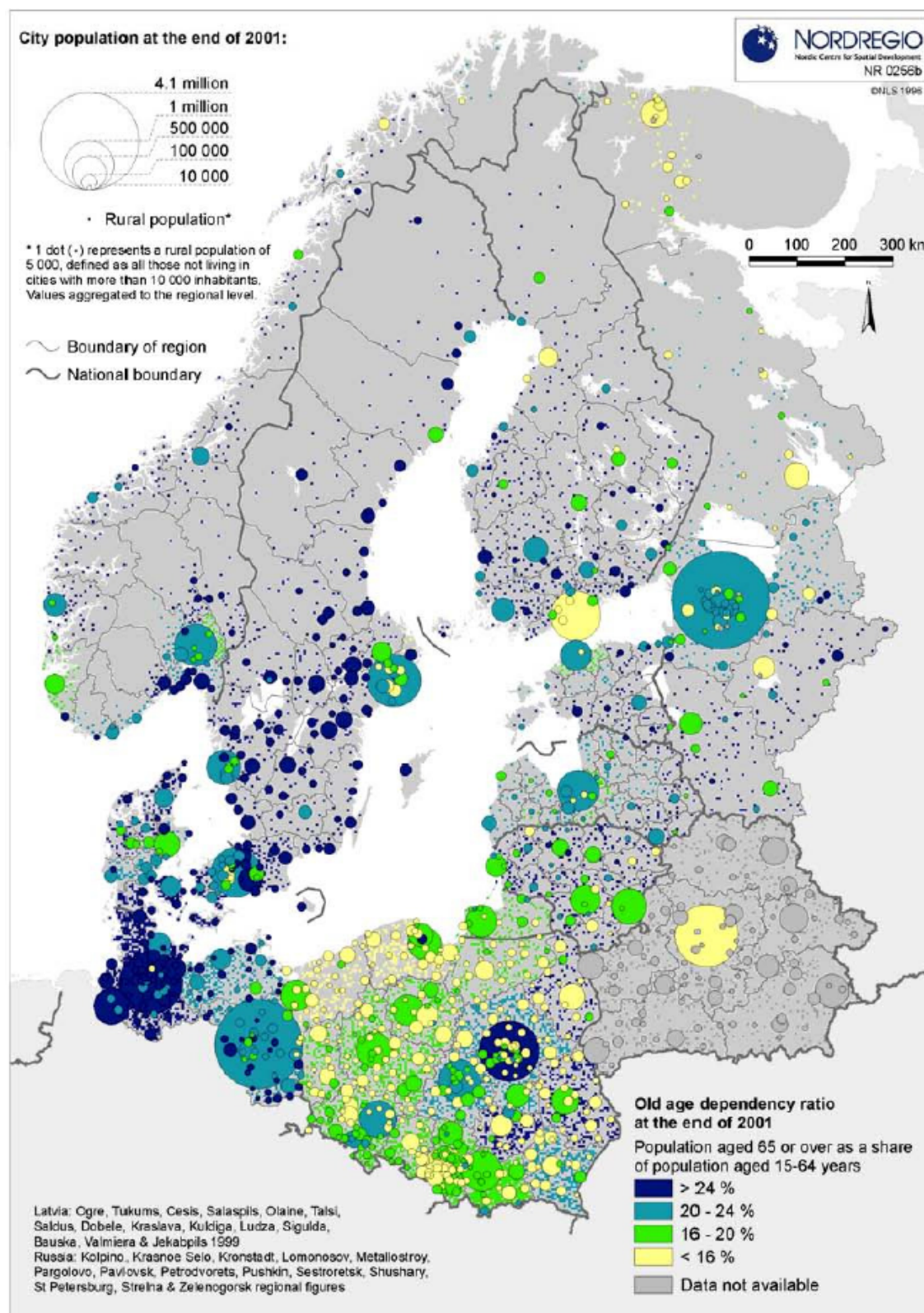


**Fig. 7** Change in life expectancy in the BSR countries between 1990 and 2003

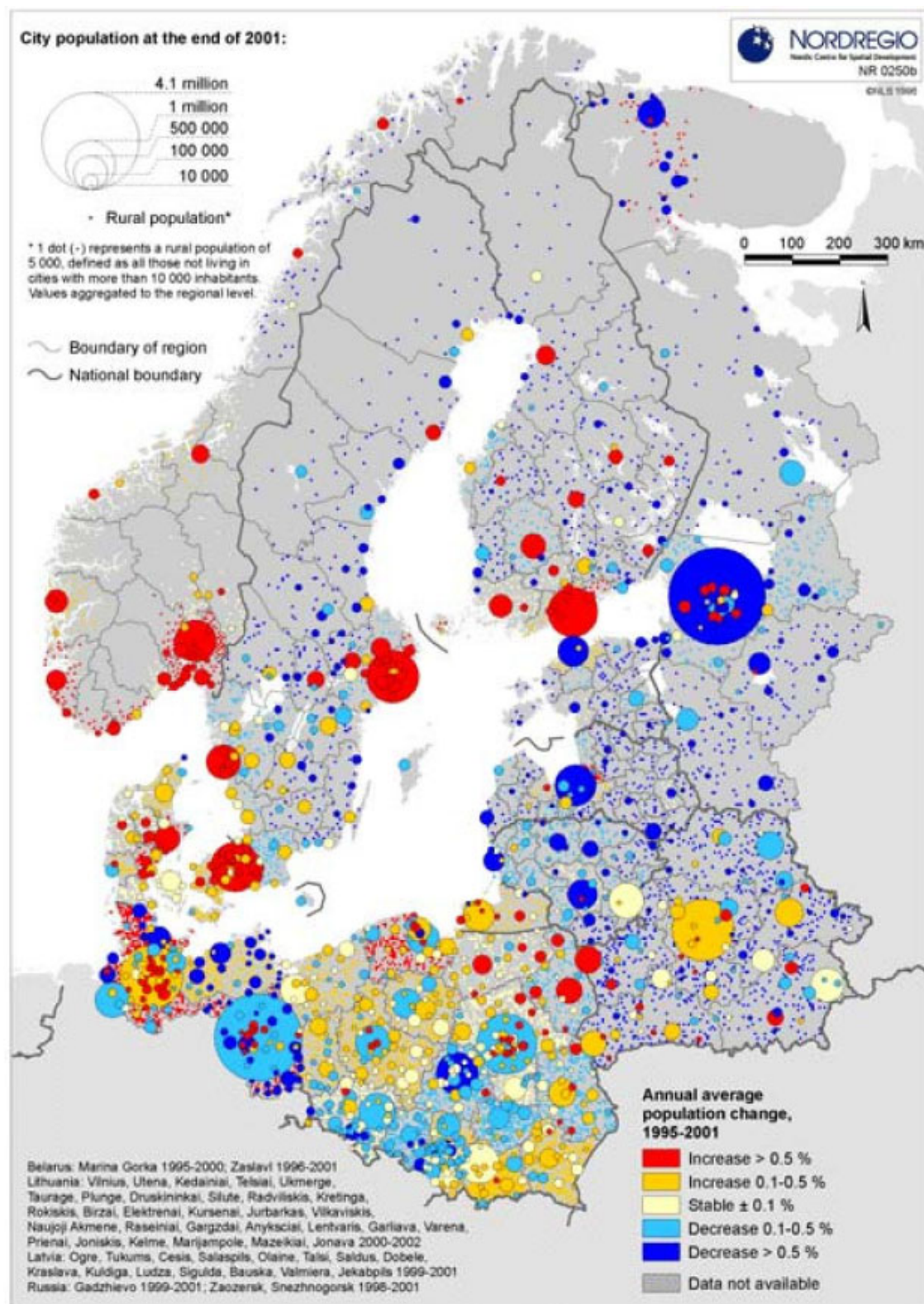




**Fig. 8 Old age dependency ratio in BSR cities and rural areas**

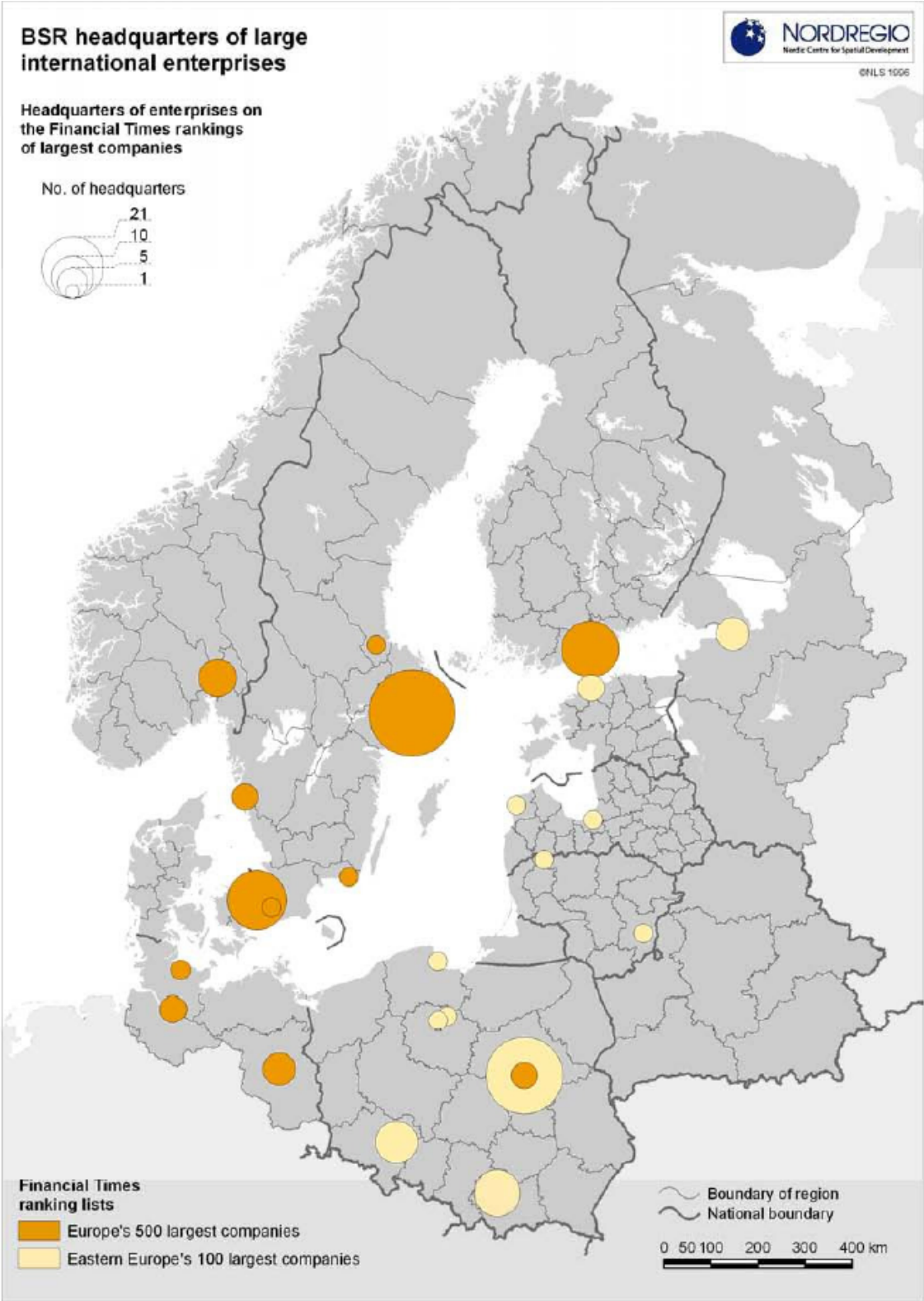


**Fig. 9 Net migration in BSR cities and rural areas between 1995 and 2001**

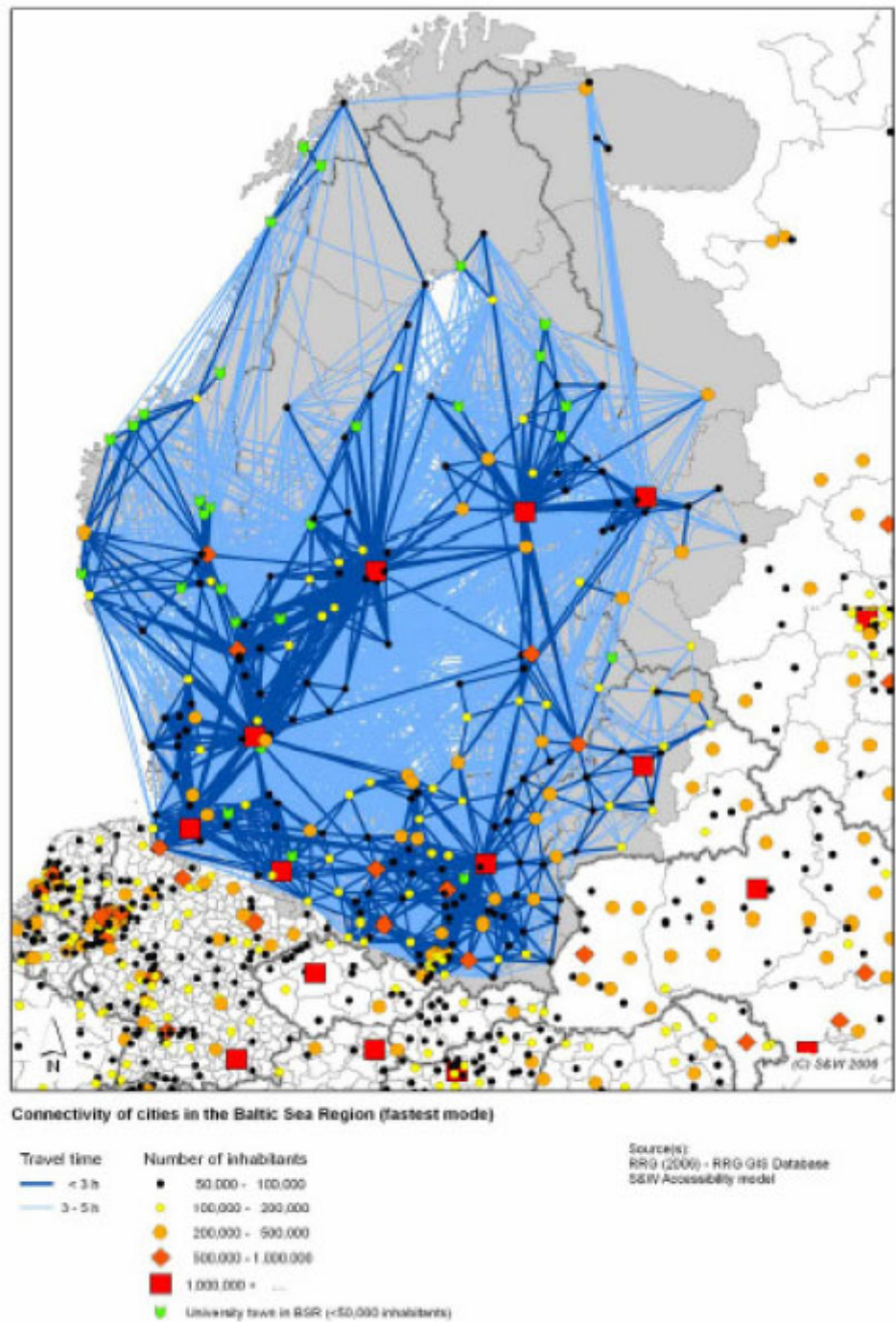




**Fig.10      BSR headquarters of large international companies**



**Fig.11**      **Connectivity of cities in the BSR**

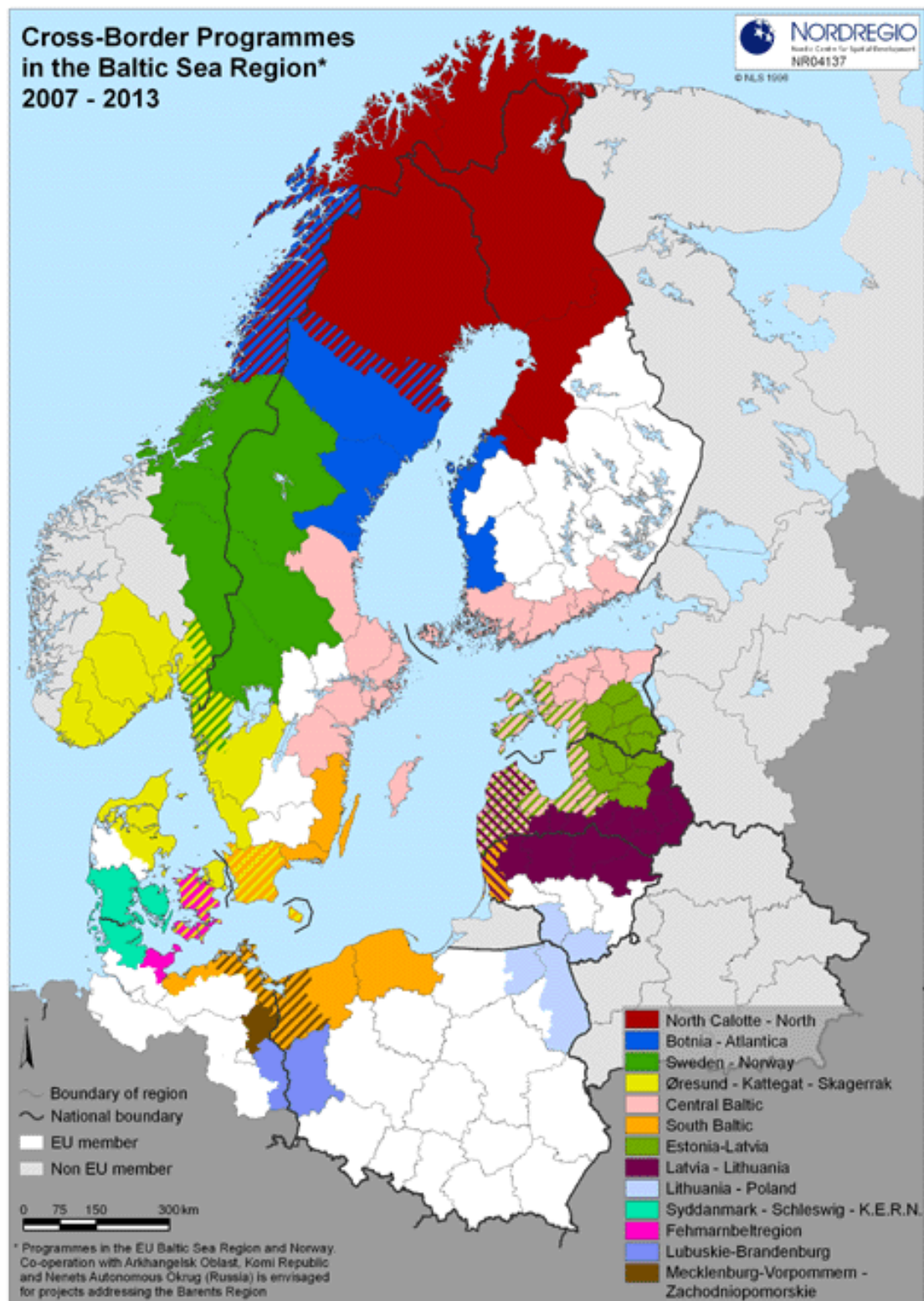


*Figure 23. Fastest mode connectivity of BSR urban network.*





**Fig.12 ERDF-supported cross-border co-operation areas in the Baltic Sea Region**



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