

## **VASAB standpoint on INTERREG, as a part of the future Cohesion Policy**

### **1. Background**

Europe after enlargement will be different. The enlargement poses both a challenge and a stimulus for European Cohesion. On the one hand it improves integration between new and old member states, while on the other hand it will change the existing patterns of trade flows, migrations and penetration of ideas, which requires the non-acceding countries in the Baltic Sea Region consider how to cope with the new situation.

However, the new situation that emerges in the Baltic Sea Region offers possibilities of accelerated development and a more prosperous future to each Member State, neighbouring states and the EU as a whole. If these possibilities are taken care of in a prudent manner, the Baltic Sea Region has potential to become a "zone of global significance", well-needed as a complement to the central part of Western Europe.

VASAB sees the potential contribution of transnational spatial development and planning to European cohesion and growth at two levels:

- a. the implementation level: by strengthening and promoting cross-border, transnational and interregional cooperation in the field of spatial planning and development, in order to enhance integration and reduce the economic and social fragmentation created by national frontiers.
- b. the programming level: by introducing spatial objectives and instruments (from European Spatial Development Perspective, and VASAB 2010 Plus Spatial Development Action Programme), such as urban polycentric development, equal access to infrastructure and knowledge and careful management of natural and cultural assets, territorial impact assessment, integrated coastal zone management to sectoral policies and programmes.

### **2. Specific Features of the Baltic Sea Region.**

The Baltic Sea Region is characterised by internal disparities. This creates a demand for internal cohesion and is a source of particular market potentials. The following main divides in the Region can be identified:

- a divide, reflecting political circumstances, between countries being EU members or preparing for that and countries not preparing for EU accession;
- an East/West divide, reflecting, on the whole, sharply differing levels of economic development (with specific conditions of the New German Länder);
- a North/South divide, reflecting, in the first instance, sharply differing population densities;
- a variation between small/large countries, influencing the relative importance of the Baltic Sea Region to a respective country;

- a physical divide resulting from the fact that the Baltic Sea takes a central part of the Region.

While eight Baltic Sea Region countries belong, or soon will belong to the EU, three others are not members of this organisation and might have no intention to join it. This will create common borders between the Union and the two countries, possibly with sharp differences in economy and social status. In this connection Kaliningrad will become an exclave, facing special conditions.

According to the findings of the recent examinations (INTERREG II C project named USUN-Urban Systems and Urban Networking in the Baltic Sea Region) the Baltic Sea Region is still not a functional region, at least as far as economic linkages are concerned. This does not mean that integration is failing to take place in the region, but the prevailing feature is that external linkages are stronger than internal ones. This is true, in particular, for the countries and regions in its southern and eastern part, especially Germany, Russia, Belarus and Poland.

The span of the GNP per capita ratio between different Baltic Sea Region countries is substantial. The difference between GNP in purchasing power parity per capita between the richest and the poorest country is 1 to 8. In many parts of the eastern side of the Baltic Sea Region a recent structural change was coupled with significant losses in living standards of large proportions of the population. Although a majority of the Baltic Sea Region transition countries have started economic recovery, in aggregate, some of them have not reached the previously existing living standards yet. The knowledge advantages have decreased to a certain extent.

The Nordic countries are already very well integrated both economically and socially, but have special characteristics linked to low population densities, which make them different from the rest of the Region, with the exception of Estonia and the Russian parts of the Baltic Sea Region.

This means that, in addition to the set of spatial planning objectives which promote cohesion (such as the already mentioned polycentric urban development, equal access to infrastructure and knowledge and careful management of nature and cultural assets), the Baltic Sea Region has some specific objectives related to its cohesion. The most important of those are:

- a. improving physical links, mainly transport systems across the Baltic Sea Region and between the Baltic Sea Region and the rest of Europe;
- b. sustaining population in the already extremely sparsely populated areas of the northern part of the Region;
- c. enhancing integration across the sea;
- d. supporting transformation of the sectors lagging behind (primary sectors in particular) in the eastern part of the Baltic Sea Region;
- e. assisting Russia (the Kaliningrad exclave in particular) and Belarus to integrate with the rest of the Baltic Sea Region.

### **3. What should be done**

VASAB firmly supports the standpoint that a cohesion policy based on strength, solidarity and partnership should be maintained.

First, both the EU Commission and the member states should pay more attention to the impacts of EU policies on spatial dimension of the European cohesion, to ascertain whether such policies favour European cohesion or are at risk of causing discrimination. When creating new and adjusting the existing instruments aimed at cohesion and sustainable development at the EU level this risk should be recognised (the transport policy, for instance, should avoid petrifying the existing regional inequalities).

The territorial impacts of different EU policies should be assessed and estimated on a regular basis, in order to improve the coherence of EU policies with respect to territorial cohesion and implementation of the European Spatial Development Perspective.

The evaluation of the territorial (induced by European Spatial Development Perspective) impacts of sectoral project on cross-border areas or transnational areas (Pan-European regions) should become routine within EU. This holds particularly important about large-size investment projects. The said means, among others, that allowance should be made for evaluation and complementing activities on Pan-Baltic intermodal transport systems and Pan-European transport networks from a spatial development and planning point of view, taking into account balanced regional structures and environmental impacts.

Secondly, more attention should be given to macro-regions such as the Baltic Sea Region. Macro-regions should be recognised not only with regard to the issues of transnational co-operation (INTERREG III B), as the case is now. Macro-regional political bodies such as the Council of the Baltic Sea States and transnational networks (such as VASAB and others) should be used when defining and implementing the EU cohesion policy. The experience of INTERREG II C and III B Committees and/or the role of macro-regional bodies in elaboration of the Northern Dimension Action Programme can serve as practical examples. This should not, however, hamper integration of the EU territory as a whole.

It would also be very beneficial and desired if the Cohesion reports of EU 25 could be prepared in macro-regional desegregation, pointing out and paying more attention to the specific problems of different macro-regions in the EU.

That should facilitate preparation of possible INTERREG IV operational programmes for the next programming period. VASAB representatives are ready to contribute to such preparations by offering VASAB experience and know-how in spatial development issues of the Baltic Sea Region.

Thirdly, the positive consequences of enlargement should be spread out to all the Baltic Sea Region countries. The new external EU borders should be seen not as a threat but as a chance for Russia and Belarus. Therefore it is of utmost importance to demonstrate all positive consequences associated with the new situation to decision-makers and public opinion of those countries. It is also important to encourage Russian and Belarussian authorities to examine how that positive potential can be used in practice for their own benefit and the benefit of the Baltic Sea Region. The adaptation to the entirely new situation on both sides of the new EU external borders should be strongly supported.

As far as INTERREG at new programming period is concerned, VASAB suggests taking the following concrete measures into consideration:

1. To the traditional objectives of transnational co-operation in spatial planning and development, fostering of capacity for enhancing spatial planning and development (and transnational co-operation respectively) should be added in those countries that lack

tradition and experience in the field and therefore have substantial problems in participation in common transnational projects in the framework of large pan-European regions. For the Baltic Sea Region the said means the prioritising of capacity building, both in INTERREG (transnational strand) and TACIS CBC (cross-border). This should be continued in INTERREG and strengthened in TACIS.

2. Providing financial incentives for non-EU countries to co-operate with the EU members in the field of spatial planning and development is of utmost importance. This can be done mainly by improving compatibility of different EU instruments supporting transnational co-operation on different sides of the same border. The most acute problem is that while INTERREG III B needs a counterpart on the territory of Russia and Belarus - TACIS CBC provides good match mainly for INTERREG III A. The PHARE CBC experience should be examined in that respect (joint programming of INTERREG with PHARE). TACIS CBC and INTERREG (including strand "B") need integrated common application, approval and implementation procedures. Since the main problem is lack of finance in non-member countries the situation should be taken into account when elaborating new TACIS CBC regulations to be in force from 2007 and when designing the new Proximity instrument.
3. The transnational strand of INTERREG should be strengthened and, with the objectives of the European Spatial Development Perspective as a basis, serve as a framework for other strands of INTERREG - their content and the delimitation of suitable co-operation areas. The said means that the transnational co-operation should be given a greater concern than today in allocation of the Structural Funds, both in absolute and relative terms (in comparison to cross-border strand allocations ). In the latter case the highest priority should be given to co-operation between new and old member states.
4. The priority for the transnational strand does not undermine the necessity to continue the support also for cross-border type of activities. In allocation terms first priority should be given to the development of regions adjacent to the new internal borders of EU. The second priority should be given to the new external EU borders. However, the old internal borders should be recognised also in the future.
5. Linkages between INTERREG results and Main Stream structural funds allocation should be strengthened to secure efficient planning efforts in decision-making processes on, for example, infrastructure projects. The INTERREG projects should demonstrate their ability to generate investment flows in the future. The national authorities responsible for spatial planning and development should be encouraged to periodically screen results of the projects in order to use them in national programming documents, as required by Structural Funds procedures. However, INTERREG, should not be integrated into Main Structural Funds, it should remain more flexible and targeted to the existing framework of integration. Therefore, separate regulations for INTERREG should be adopted. The existing structure of INTERREG should be maintained but the transnational strand should be strengthened. The efficiency of strand C (interregional co-operation) is yet to be evaluated, though.
6. The scope of the INTERREG III B budget should be broadened to increase the share of small infrastructure projects facilitating the integration of the Baltic Sea Region, in particular those of its parts which are outlying, are disadvantaged or suffer from geographical handicaps. These infrastructure measures should be limited to supporting

the missing links, completion of which could bring important synergy to the existing systems or networks.

7. In most cases the existing regulations and guidelines do not allow for INTERREG III A type of co-operation across the sea. In the future, the Baltic Sea Region internal sea borders should be treated equally with the land borders, which is, in particular, important for the case of the Baltic Sea to become almost entirely the internal EU Sea soon.

Despite ten years of co-operation on regional and country levels, compatibility of regional (border regions) and national spatial development strategies is not sufficient, especially in the Eastern part of the Baltic Sea Region. Therefore the above mentioned strategies/programmes while being prepared or amended should be compared and adjusted to one another, consideration being taken of their transnational (cross-border) impacts. Such type of activities might be supported by INTERREG and TACIS as well.