

Ex-Ante Evaluation of Baltic Sea INTERREG IIIB Programme

Final report

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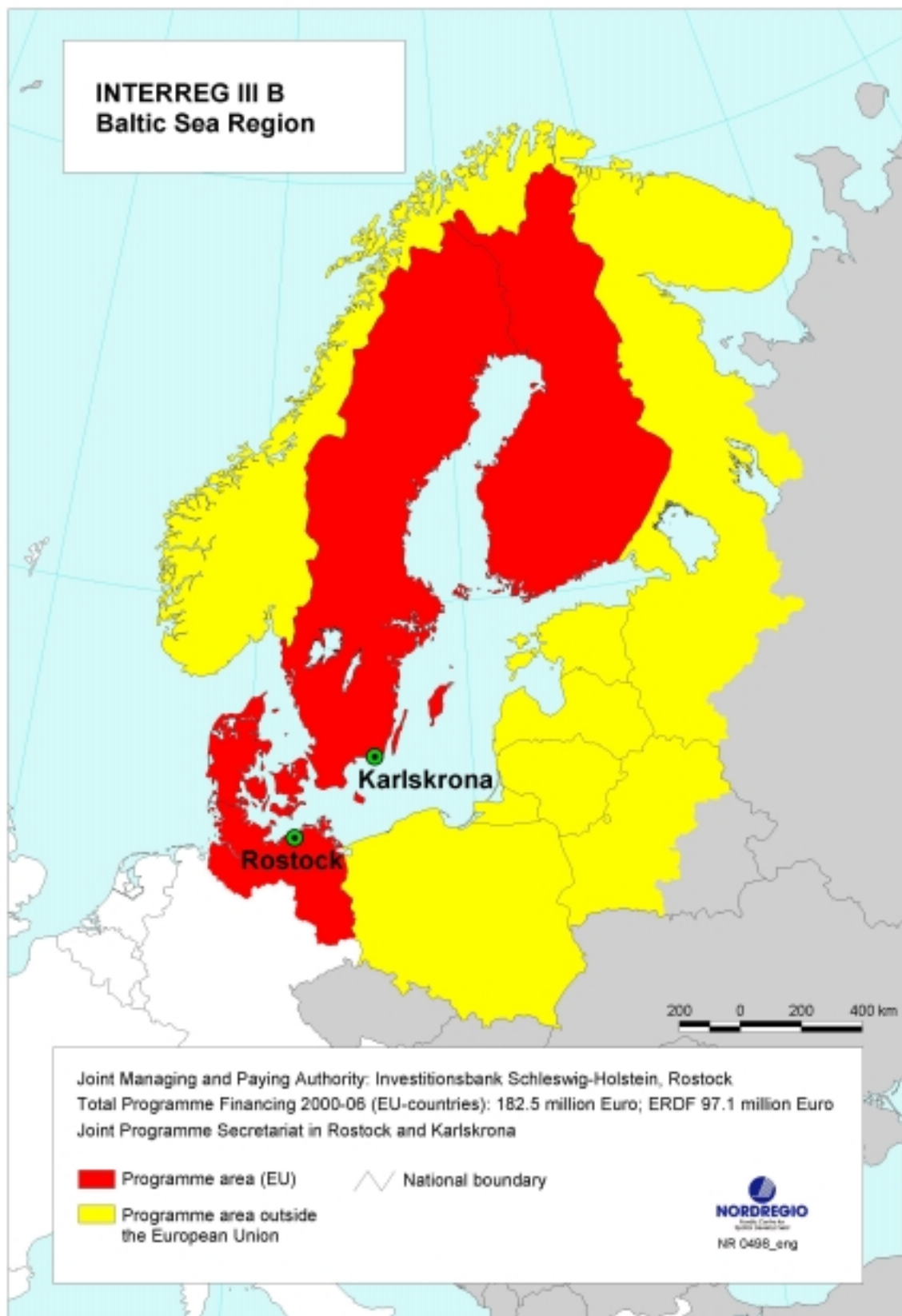
Preface

This report is an ex-ante evaluation of the Baltic Sea Region (BSR) Interreg IIIB programme. The work was commissioned by the BSR Interreg IIB Joint Programming Committee (JPC) in the beginning of the year 2000. The aim of the ex-ante evaluations in general has been to improve and strengthen the quality of the programmes under preparation. Evaluation has thus based on interactive communication during the programming procedure. In addition to the written comments of the programme drafts, and the final report, the evaluators have joined the JPC and working group meetings, made interviews and discussed with a number of persons representing the JPC, the Common secretariat and other persons involved in the BSR co-operation, during the process of programme preparation.

The operative team of evaluation consisted of Kai Böhme, Merja Kokkonen and Hólmfríður Bjarnadóttir (the last responsible especially on assessing environmental impacts) from Nordregio and Peter Sandén from Eurofutures (responsible especially on SWOT-analysis), with Merja Kokkonen as project manager.

Contents

1. Introduction: the Evaluation Task	7
2. Lessons from the Past and Challenges for the Future	9
2.1 INTERREG IIC Programme	9
2.2 VASAB	10
2.3 ESDP	10
2.4 Northern Dimension	12
2.5 Baltic 21	12
2.6 TEN	13
2.7 Complementarity and Connections with Other Co-operation Programmes	13
2.8 Conclusions	14
3. Appraisal of the Analysis of the Region and SWOT	14
4. Added Value of the BSR INTERREG IIIB Programme	16
4.1 Vision and Objectives	16
4.2 From Visions to Actions – <i>Priorities and Measures</i>	17
4.3 Past Experiences	17
4.4 For the Future	20
4.5 Trans-nationality	25
5. Implementation Structure	26
6. Indicators	27
7. Evaluation as Part of the Programming Process	30
Appendix 1 The SWOT Analysis Proposed by Evaluators	32



1. Introduction: the Evaluation Task

This ex-ante evaluation report is written as prescribed by Article 41 of Council Regulation No. 1260/1999, of 12 June 1999, Article 25 in the Communication from the Commission to the Member States of 18/02/00 and the Commission's Methodological Working Paper on ex-ante evaluation (25.7.2000, part 2), as well as in accordance with the contract negotiated between the BSR INTERREG IIIB Joint Programming Committee (JPC), Nordregio and Eurofutures. The kick-off meeting for the project was held in Berlin with the JPC on 24-25 February 2000. Preliminary discussions were also held with the programme task force (preparatory committee) in Stockholm on 14 January. Following these meetings, discussions have continued in JPC meetings and meetings with the three working groups and group members.

The objective of the evaluation is to improve and strengthen the quality of the IIIB Baltic Sea Programme under preparation. As specified in the Terms of Reference, the specific objectives of evaluation can be divided into five thematic areas:

1. A central question of the evaluation has been **whether the programme is an appropriate means for addressing the issues confronting the area**. Accordingly, in improving the strategy, the following will be taken into consideration:

- lessons learned through the experiences of the Baltic IIC programme implementation, based on critical review of the evaluation report and interviews;
- experience of VASAB work;
- the analysis and SWOT of the IIC programme;
- “state-of-the-art” knowledge of spatial development and ESDP;
- relevant experience of other INTERREG IIC programmes.

This stage is the point of departure for the learning process and is highly important to ensure the **external efficiency** of the programme framework, the main question being: Does the Programme facilitate doing the right thing given the challenges faced and the experiences which have been accumulated? The key issue addressed in the evaluation is co-operation capacity in the Baltic Sea Region, including analyses of due strengths and weaknesses. Moreover, the analyses will encompass the expected impact on and improvements made to regional co-operation structures. Impacts on co-operation structures and environment, as well as effects on equal opportunities for men and women, are to be considered as special aspects here.

Other objectives are to assess:

2a. whether the Programme has well defined strategic axes, priorities and objectives.

This task will be carried out by, firstly, analysing the hierarchical consistency of all three, from the Programme level objectives to explicitly pronounced implementation strategies. The appraisal will also cover specific objectives, Single Programming Documents, and measure-level operational objectives; and

2b. whether the Programme reflects an informed opinion as to the priorities and

objectives that can be actually achieved.

This task will be carried out by analysing first the directions the programme gives to project level implementation. Here an assessment will also be made of the extent to which Programme interventions are consistent with national and Community policies.

Taken together, these two points aim at assessing the *strategic fit and internal efficiency* of the Programme as a means to process and integrate experiences from past development endeavours to the future development work.

3. A contribution to the quantification of objectives and the establishment of a basis for both monitoring and further evaluation work.

Here the assessment focuses on *indicators* and the overall approach to *socio-economic change* in the Programme. Although the indicators are left to the INTERREG programme complement, the evaluators have commented on the selection of indicators during the programming process and in this report.

4. Analysis of the adequacy of the implementation and monitoring arrangements and assistance in the design of project-selection procedures and criteria.

Developing a support system for the project-selection process is one of the practical inter-mediate products of the ex-ante evaluation, particularly as the individual projects can be seen as steps in the process making up the programme cycle.

5. Providing input for an overall analysis to be carried out by the Commission before the finalisation of the programme

This stage complements the current work or *learning process* of the overall project cycle, while at the same time providing a possible intermediate evaluation with up-to-date baseline data.

The analysis of experiences from the IIC programme is based on documentation (especially the intermediate evaluation) and conversations with members of the formalised partnership institutions.

The other major objective of the study (2 to 4) is to contribute to the program document, which is made through comments on draft documents and discussion with the JPC and the three working groups. The final evaluation report document will also refer to the interaction with the Joint Programming Committee and the working groups responsible for producing the programme. These points are discussed later in this report. At the time this report was written the Community Initiative Programme (CIP) still had not reached its final form. The draft CIP, presented to the JPC 11-12 September in Copenhagen, has mainly been used as reference for this report.

The evaluation team put together by Nordregio and Eurofutures consist of Merja Kokkonen, Kai Böhme and Hólmfríður Bjarnadóttir (from Nordregio) and Peter Sandén (from Eurofutures). The evaluation began in February 2000 and, as defined in the contract amendment, was completed in October 2000.

2. Lessons from the Past and Challenges for the Future

2.1. INTERREG IIC Programme

The INTERREG IIC programme operated for a short period, which in effect commenced in early 1998, when the common secretariat was established, and continued to the end of 1999. The first project approvals were made in June 1998. Thus the programme has been a learning process, in which both the content and the structures of the INTERREG programme in the Baltic Sea region have been tested.

The INTERREG IIC Baltic Sea programme draws on VASAB co-operation. Thus it has had a clear, politically accepted, common vision of the region as its background. The Baltic Sea region has also had a long tradition of co-operation, especially between Nordic countries, which have motivated and helped co-operation in INTERREG. The region is both large and very heterogeneous, factors which cause problems in everyday co-operation.

An intermediate evaluation of the Baltic Sea INTERREG IIC programme was carried out and the report written in 1999 by Bradley Dunbar Associates and EPRC in Strathclyde. While the evaluators found the programme, in general terms, a successful transnational initiative, they also listed some problems and challenges encountered, which should be considered in planning the new, follow-up programme.

The most problematic question is financing in non-Member States. Unbalanced structure of financing is an issue that is not totally in the hands of the participating countries. Co-ordination with PHARE and TACIS-CBC programmes was difficult during the former period and no clear solution is foreseen in this context in the future. Thus one of the major challenges facing the mainstream programmes, or ISPA and SAPARD programmes, is to prioritise common projects with INTERREG IIIB.

Some critical points were also mentioned concerning management structure, such as the structure and location of the secretariat and division of tasks between steering and management committees. These issues are discussed later in Chapter 6, Implementation Structure.

The interim evaluation report was not dealt with very clearly in the INTERREG IIIB programme draft documents and this aspect was discussed between the evaluators and JPC/working groups and improvements made. During the programming procedure it has been demonstrated that issues criticised by the interim evaluation have been extensively and thoroughly discussed. The final programme draft includes a detailed description of the IIC programme, its preliminary results and the interim evaluation results.

Generally speaking, the previous INTERREG IIC programme period has formed the overall basis of the new programme and there is clear continuity between the former and the new period. For instance, the input of the secretariat has been valuable for deciding a number of details in the programme document. However, since the INTERREG IIIB programme has a wider perspective and the programme area is larger, a lot of changes have been made as compared to the IR IIC programme.

2.2. VASAB

The framework for the Operational Programme of BSR INTERREG IIC was established by several initiatives of the Baltic Sea Region and the Council of Baltic Sea States. In the field of spatial planning, in particular, there – as stated in the programme document - “was references” to the strategy for the BSR. In concrete terms, the VASAB 2010 report (*Towards a Framework for Spatial Development in the BSR*, 1994) and the subsequent working programme, *From Vision to Action*, adopted by the Baltic Sea states’ ministers responsible for spatial planning, formed an important basis for the Operational Programme. During the IIIB programme process, a new vision programme, VASAB 2010+, is under preparation and the first results of it (*Invitation to common Work*, 1999) has been used as a basis for regional analysis and definition of strategies. The basis of the IIIB programme strategies still lies on the former Vision.

VASAB has thus, on the one hand, offered a vision for INTERREG programmes backed by wide political acceptance and, on the other hand, INTERREG has been a tool for implementing VASAB (and wider Baltic Sea) co-operation. Evaluators have pointed out a few differences that need to be taken into account in the programme:

- VASAB’s future visions and an INTERREG programme are not identical: although a programme needs to be based on a clear vision of the future of a region, INTERREG has specific goals, themes and criteria that have to be followed, together with a separate administrative structure.
- The geographical area of BSR and the INTERREG programme are different, in addition to which there will be further changes to the area in the future programme period. The influence of different geographies needs to be considered.
- The experience and usefulness of VASAB 2010 for the INTERREG IIC needs to be assessed.

The changing political geography of the area has been recognised and reflected in the document. The new VASAB 2010+ documents which are available have offered more accurate and detailed analysis and have been used for the present analysis of the INTERREG IIIB region.. The JPC also asked the ex-ante evaluators to prepare a SWOT analysis extending beyond the VASAB analysis. This SWOT, which is included in the report (see Appendix 1), has also influenced the new programme.

Co-ordination and/or co-operation between INTERREG IIIB and VASAB 2010+ builds mainly on the integration of documents prepared for the VASAB 2010+ report into the analytical part of the new CIP. This, as well as individual linkages through persons who have been involved in both processes, has been the channel for exchange of experience and knowledge.

2.3 ESDP

The Ministers responsible for Spatial Planning in the Member States of the European Union and the European Commissioner responsible for Regional Policy adopted in May 1999 the European Spatial Development Perspective (ESDP). This was not only an important step in the progress toward European integration, but it also manifested the aim of spatial development policies, to work toward a balanced and sustainable

development of the territory of the European Union.

This aim is further specified by three spatial development guidelines:

- Development of a **polycentric and balanced urban system** and strengthening of the **partnership between urban and rural areas**. This involves overcoming the outdated dualism between city and countryside.
- Promotion of **integrated transport and communication** concepts which support the polycentric development of the EU territory and are an important pre-condition for enabling European cities and regions to pursue their integration into EMU. Parity of **access to infrastructure and knowledge** should be realised gradually. Regionally adapted solutions must be found for this.
- Development and conservation of the **natural and the cultural heritage** through wise management. This contributes both to the preservation and deepening of regional identities and the maintenance of the natural and cultural heritage diversity of the regions and cities of the EU in the age of globalisation.

Transnational co-operation is an important element in the application of the ESDP. The innovative approach of INTERREG IIC, to integrate spatial development policy at a transnational level, has been especially highlighted in the ESDP discussion. For INTERREG III, seven key tasks are proposed in the ESDP document:

- retention of suitable co-operation areas and the further development of common transnational administrative, financing and management structures for programmes and projects;
- more intensive co-operation of regional and local authorities in decision-making processes and programme implementation;
- further promotion of spatially integrated projects, taking into account sectoral policy issues, in order to ensure synergy;
- removal of legal obstacles in the Member States which hamper cross-border and transnational co-ordination for spatially significant plans and measures;
- use of the projects for the preparation of investment measures and for the further development of instruments of spatial development, in particular cross-border territorial impact assessment;
- support of co-operation with neighboring non-Member States, in particular with Central and Eastern European states as with Cyprus, to prepare them for accession to the EU, and with countries bordering the Mediterranean;
- evaluation of the results of transnational co-operation, within the framework of INTERREG and ERDF Article 10, against the background of the ESDP, by the responsible bodies of the EU and the Member States.

However, the tasks of EU enlargement, especially the integration of Central and Eastern Europe into the Union, add a significant new focus to European spatial development policy in the BSR. The spatial development policy of the EU must as a rule extend beyond the territory of the Member States, considering the perspectives of the neighbouring countries and including these countries through co-operation.

Thus the contribution of INTERREG IIIB Baltic Sea to implementing ESDP can be twofold. The new Programme can:

- contribute to advancing and operationalising the spatial guidelines of the ESDP and

- provide an appropriate framework for preparing the process of enlargement, accompanying it and thus providing support.

Both possibilities of contributing to the aims of ESDP have been taken into account in the on-going programming process. The measures reflect mainly the guidelines of the ESDP document. The aspect of urban-rural partnership, however, which is strongly emphasised in the ESDP and further developed in the follow-up ESDP Study Programme on European Spatial Planning, could have been given more emphasis in the CIP. Its possible contribution to the preparation of EU enlargement is stressed strongly by the CIP throughout the entire programme. The weak point is, however, the lack of co-ordination of financial instruments provided by the European Commission.

2.4. Northern Dimension

The Northern Dimension is another EU initiative that has earned specific consideration in the IIIB document. The Northern Dimension covers almost the entire IR IIIB BSR region. The aim is been to provide added value through reinforced co-ordination and complementarity in EU and Member State's programmes and enhance collaboration between the countries of Northern Europe. As the Northern Dimension is not a financing programme, the Action plan of Northern Dimension will have to be implemented by other financing instruments, such as INTERREG III programmes. As mentioned in the CIP of BSR, there are several sectors of the Northern Dimension action plan that are of specific interest to the BSR, and thus the implementation of these actions can be supported by the BSR IIIB programme. The Northern Dimension has been discussed intensively by the programming committee. Nordic participants have been especially interested in making the Northern Dimension known, accepted and integrated.

2.5 Baltic 21

Baltic 21 is an Agenda 21 programme adopted by all the Baltic Sea states for sustainable regional development. The emphasis is on regional co-operation, and the work is focused on seven economic sectors (agriculture, energy, fishery, forests, industry, tourism and transport), spatial planning and education.

The objective of Baltic Sea Region co-operation is the improvement of living and working conditions within the framework of sustainable development, sustainable management of natural resources and protection of the environment. Sustainable development includes three mutually interdependent dimensions - economic, social and environmental. The goal areas set are thus:

- a safe and healthy life for current and future generations;
- a co-operative and prosperous economy and society for all;
- local and regional co-operation based on democracy, openness and participation;
- maintenance or restoration of biological and ecosystem diversity and productivity;
- ensuring that emissions into the atmosphere, land and water do not exceed the carrying capacity of nature;
- efficient use and management of renewable natural resources within their

- regeneration capacity;
- having materials flow of non-renewable resources efficient and cyclic, and creating and promoting renewable substitutes;
- making awareness of the elements and processes leading to sustainability high among different actors and at all levels of society.

In order to monitor development in the Baltic Sea Region, a set of core indicators has been elaborated for each goal area and relevant statistics compiled. In this respect, a linkage between INTERREG IIIB and Baltic 21 regarding the motoring of environmental effects might be considered.

In the Baltic 21 Action plan prepared in 1998, actions are divided into three types: joint actions addressing issues concerning several sectors, selected sector actions and spatial planning actions. The Baltic 21 programme is an elementary part of the Baltic Sea co-operation and thus it should be co-ordinated with INTERREG IIIB programme.

2.6 TEN

The Trans-European Network has been a leading project of the European Commission to further integration by improving networks in the fields of transport, communication and energy. For instance, the trans-European transport network TETN has aimed to link peripheral areas with central areas of the Community. Two of the 14 priority transport projects that the Commission has pushed forward are located in the BSR area, namely the Øresund fixed rail-and-road link between Denmark and Sweden, which will be opened this summer, and the Nordic triangle multimodal corridor that stretches from Southern Sweden to Norway, Finland and Russia. A small section of a major north-south high-speed rail corridor from Berlin is also located in the BSR area. The Øresund link will remove one of the main bottlenecks of the missing high-level road network. According to the analysis that has been done in the VASAB 2010+ programme, the major problem in road transport throughout the BSR area is the lack of sufficient road transport capacity in the form of motorways serving the major transport corridors. Border areas especially are bottlenecks. As far as rail traffic is concerned, one problem is the lack of international passenger rail services.

In the future, the EU will continue to prioritise development of the TEN network. However, this does not solve the problems of accession countries and Russia and Belarus. For accession countries it has been possible to use TINA/ISPA financing for modernisation and building-up of transport systems and this will continue to be an EU focus in the future as well. In the ESDP document linkages between TEN and secondary networks have been recommended. INTERREG IIIB can support the development and improvement of such intermodal secondary networks.

In the BSR programme one objective is to promote the development of multimodal transport systems by measures which enhance further development of TEN and link the Russian transport system to TEN. As missing links and missing networks are considered as basic characteristics of the region's road transport infrastructure, these measures are of great importance for integration between the western and eastern parts of the region.

2.7 Complementarity and Connections with Other Co-operation

Programmes

Barents Sea Region and the SWEBALTCOP

As Finland and Sweden had proposed, the BSR INTERREG IIIB programme will also consider co-operation in the “European political North”, the Barents Sea region. This is considered to be important due to geographical, logistic and political considerations. Its development is also in many ways regarded as a parallel to the Baltic Sea, envisaging extensive transnational co-operation in Northern Europe. Geographically, the Barents Sea area overlaps with northern parts of the BSR. It is clear that both areas share common problems that need to be solved and INTERREG IIIB could provide some tools for so doing.

In a statement of April 2000 the Commission proposed that the BSR INTERREG IIIB programme should consider co-operation with the Southern Baltic Area. This SWEBALTCOP area was formerly supported by an Article 10 programme and will continue as an INTERREG IIIB programme. There are primarily two crucial points concerning the integration of SWEBALTCOP into the CIP. Firstly, SWEBALTCOP activities are much more typical for INTERREG IIIA than IIIB, but due to the geographical determination funding under IIIA is impossible. Secondly, the reservation of a certain amount of IIIB funding for a limited sub-region of the BSR remains difficult, both due to political tensions between the BSR countries and because of the signal effect to/on other possible sub-regions. For this reason there are difficulties finding a clear solution for integrating SWEBALTCOP with the BSR programme.

The programme left concrete solutions for organising co-operation with these regions open, but states that it “should incorporate and further develop experience gained under Barents regional and Swebaltcop co-operation.”

Other co-operation initiatives

The programme includes a short description and analysis of a variety of other co-operation activities in the BSR, which may have connections to the IIIB programme at the measure level. Connections with TACIS and PHARE programmes are discussed. Moreover, there is description of complementarity with other EU initiatives.

2.8 Conclusions

The CIP is well rooted and is consistent with Community policies. It has a very broad discussion of the experiences of the previous co-operation in the BSR and adjacent areas and this experience is used for improving the programme document. In addition, collaboration and co-ordination with other relevant programmes is set as an aim for the future period.

3. Appraisal of the analysis of the region and the SWOT

The analysis of the region composes half of the programme. A lot of effort has been put into making it balanced, so that it takes into account regional variation. The analysis is relevant to the programme and it has improved during the programming. VASAB 2010

and 2010+ have been as a basis for information. The evaluators have intensively discussed the analysis and SWOT with the programming team. A SWOT analysis made by the evaluators (see Appendix 1) has been taken into consideration in writing the CIP.

In particular, the ex-ante evaluators stressed that the following points should be considered in the SWOT analysis:

- There should be a logical correspondence between the comprehensive analysis of the situation in the BSR and the SWOT analysis with regard to the objectives, the strategies and the priorities and measures. The SWOT analysis serves as the main thread binding together the diverse aspects of the programme. The description of the economic, social and environment situation in the BSR has proved to be relevant in relation to the SWOT analysis; there is no need to describe factors that will not be covered in the SWOT analysis. The objectives, priorities and measures should thus be based on the results of the SWOT analysis.
- The SWOT analysis should be focused on factors relevant to and strategic for the programme. In this context, it is important to carry out the analysis by distinguishing the situation for the BSR in an inter-regional and an intra-regional perspective. Such an analysis identifies the disparities between the sub-regions. This is a central task for the SWOT analysis, as integration and closing the gaps or reducing the disparities within the BSR is one of the aims of the INTERREG Programme. These disparities should be addressed in the programme to make it possible to take advantage of the opportunities in developing the region. The identification of disparities has been taken into account in both a north-south and an east-west perspective. It can be assumed that the diversities are greatest between the eastern and western sub-regions, which is of importance in relation to efforts to facilitate the accession process to the EU.
- The comprehensive analysis of the situation in the BSR given in the main text should be precise and concentrate on drawing relevant conclusions. Background material, on various aspects of development in the BSR, should preferably be placed in an appendix to the programme document. Too much information in the main text can cause the reader to lose track of the central arguments.

On the whole, these points have now been considered in the programme document. Its logical structure is fairly coherent and the analysis is more focused than was the case in earlier versions. The comprehensive analysis has also gained in clarity and readability by being more structured and condensed than before. Although great progress has been made during the process, the ex-ante evaluators maintain their view that the analysis could be further improved by putting some part of the description in an appendix and keeping certain conclusions in the main text. The SWOT analysis can also be more focused on central disparities within the region. A clearer and narrower selection of factors to address, in the sections on priorities and measures, would also enhance the analysis, for example in relation to bottlenecks in the transport systems and inter-modal transport solutions.

4. Added Value of the Interreg IIIB Programme

4.1. Vision and Objectives

The general vision of the proposed BSR IIIB programme is as follows:

The Baltic Sea Region is a recognised and integrated partner in European and global society. The territorial structures between different parts of the region in terms of economy, ecology, social and cultural conditions are well balanced. The regions follows in many respects a course of sustainable development. The characteristic diversity of individual regions is enhanced while similar standards of living are established in all regions. A regional identity has emerged for the whole BSR. Thinking beyond national borders in favour of the whole region is strengthened.

The Vision of the CIP is based on VASAB 2010 and has been further developed to take into consideration VASAB 2010+, as well as other INTERREG IIC projects and the ESDP document. As a result of previous BSR co-operation, the CIP area is relatively well known in Europe – especially as compared to many other INTERREG areas. This has already helped programme marketing. The region also has a certain identity, although this could well be strengthened. The INTERREG IIIB programme does not, however, offer enough tools for balanced development, especially economic development.

The vision is concretised in five main general objectives, which were not included in the INTERREG IIC programme.

Main general objectives

- Expanding the BSR economy and strengthening its position in the global economy
- Increasing level of BSR integration
- Promoting a territorial balance by supporting weak points and building on strong points
- Form a sustainable part of Europe
- *Efficient utilisation of limited resources*

The objectives are kept rather general and fit the BSR region almost as well as they fit all other regions in Europe. In consideration of the fact that they have their origin in VASAB and not in ESDP co-operation, it comes as a surprise that the actual situation and the main challenges of the BSR are not stressed more obviously or specifically. Given the fact that the BSR is a particular region that deserves attention on its own premises, specific challenges should be defined which can be reflected in the general objectives. Having said this, however, it must be admitted that what can be achieved within the framework of INTERREG IIIB is a determining factor for developing general main objectives.

Further development of the main general objectives, based on the SWOT analysis and the description of the region (Part I of the programme), could lead to visions and main general objectives which are more characteristic for the BSR and which can easily be used for marketing the programme and the region. In general, specifying an appropriate vision and suitable general objectives can contribute to the recognition potential of a programme or a region.

4.2. From Visions to Action – *Priorities and Measures*

Transforming comprehensive visions into priorities and measures appropriate for the envisaged programme is a difficult task but one of key significance for its success. It requires a clear picture of the outcome/results to be achieved within the framework of the programme. Although a broad variety of interests can hardly be accommodated in a sufficiently focused programme, it is felt that more focus is needed than was the case in the past.

4.3 Past Experiences

The INTERREG IIC Programme has hardly achieved a specific focus, as a survey of its overall objectives, specific objectives, priorities, measures and sub-measures shows. Instead of proceeding step-by-step, concretising and breaking down the overall objectives into consistent fields for eligible activities, which can then be used for implementing the visions, the focus became increasingly disperse.

Overall Objectives	INTERREG IIC Programme • Strengthening the development potential of the BSR • Increasing economic and social cohesion • Ensuring sustainable development for the region as a whole • Promoting a territorial balance by supporting weak points and building on strong points
Main specific Objectives (VASAB)	I. BSR is an integrated partner in European and global society II. Territorial balance between different parts of the region III. Polycentric urban system and settlement structure (7 main specific objectives here) IV. Transport, communication and energy networks link cities and rural areas (9 main specific objectives here) V. Specific areas – development and preservation (4 main specific objectives here)
Priorities, Measures and Sub-Measures	1. Promotion of sustainable development measures in the BSR 1.1. Promoting a Baltic urban system and a balanced settlement structure (8 activities eligible for support) 1.2. Improving communications and promoting energy solutions as part of sustainable regional development 1.2.1. Improving transport infrastructure and modernising transport operations (8 activities eligible for support) 1.2.2. Expanding telecommunications capacity (3 activities eligible for support) 1.2.3. Promoting energy solutions to support spatial development (4 activities eligible for support) 1.3. Promoting integrated management and sustainable development for coastal zones, islands and other specific areas (3 activities eligible for support) 2. Promoting a spatial development approach in the BSR 2.1. Further development of spatial planning strategies and exchange of experience in the field of spatial planning (7 activities eligible for support) 2.2. Management of spatial planning relations in particular for natural and cultural heritage and tourism development (6 activities eligible for support) 3. Technical assistance

The comprehensive and diverse character of the INTERREG IIC Programme is also illustrated by the activities eligible for support, which are e.g. networking; feasibility and other pre-investment studies; know-how exchange; developing implementation strategies and action plans; marketing logistics; concrete regional or internationally linked project management; pilot and demonstration projects; assessment studies; catalogues and information systems; manuals/handbooks; exceptionally: small scale

infrastructure investments. With the exception of infrastructure investment, most activities in the field of spatial planning are supported.

Comments on this – Interim Evaluation

“It is difficult to identify a consensual view on the specific objectives of the Programme. [...] aims and objectives, as well as some priorities and measures, being framed in rather general and vague terms with little chance of being evaluated effectively. [...] limited resources for the programme compared to the large number of objectives, there is a high risk that funds are being spread so thinly that it will be difficult to measure real effects.”

“It is recommended that any successor programme of this scale should be focused on a more limited number of clearer objectives in order to achieve a higher impact, with target measures where successful projects would make a discernible difference.”

As INTERREG IIC was the first programme of its kind, and can be seen as an experimental phase, this approach was certainly legitimate enough. However, on the experience of this exercise new objectives, priorities and measures for the next programme should be structured in a more result-oriented manner.

4.4 For the Future

The INTERREG IIIB guidelines identify a number of priority topics, while at the same time the necessity for a strong focus is stressed. The contradiction of a having a dispersed set of priority topics, which to a certain extent are more sectorally than spatially oriented, and the emphasis on a strong focus has to be resolved in the actual programming process. In addition, INTERREG IIIB allows for support to infrastructure investments and so the programme has to identify key areas for this as well, which certainly should be an integral part of the priority topics.

INTERREG III Guidelines - Strand B

Contributing to harmonising territorial integration across the European Union.

Transnational co-operation between national, regional and local authorities aims to promote a higher degree of territorial integration across large groupings of European regions, with a view to achieving *sustainable, harmonious and balanced development* in the European Union and better integration with candidate and other neighbouring countries.

The new programme should be based on:

- Experience of INTERREG IIC
- Community policy priorities, such as
 - o TEN
 - o ESDP

“It is important to avoid dispersal of efforts and seek a strong focus”

Priority Topics:

- Operational spatial development strategies on a transnational scale
 - o Co-operation among cities
 - o Urban-rural co-operation
 - o Polycentric development
 - o Sustainable development
- Efficient sustainable transport system and improved access to information society
- Environment and the good management of cultural heritage and natural resources
- Integration between maritime regions and insular regions (strong emphasis)
- Integrated co-operation of the outermost regions

“Key areas for infrastructure investments must also be identified.”

“The operations selected must demonstrate concrete, visible and innovative results”.

In a first review of the priorities and measures, the following preliminary questions formed the two main aspects of the evaluation:

- *External efficiency*
Does the programme facilitate doing the right things, given the challenges faced and the experiences acquired so far?

- *Strategic fit and internal efficiency*
Are the strategic objectives and measures well defined and achievable?

During the programming process the JPC has restructured the priorities and measures several times. Main points of discussion were results of the SWOT analysis, a need for flexibility in order to be able to adapt to changes during the rather long time period the programme will run, the need for focus, a pro-active approach. Keeping all the restrictions and limitations in mind, the JPC agreed on four priorities and 6 measures:

INTERREG IIIB Programme

1. Promotion of transnational spatial development strategies
 - 1.1. Supporting preparation and implementation of pan-Baltic and macro-regional concepts
 - 1.2. Encouraging spatial development concepts for specific sectors
 - 1.3. Strengthening sustainable development of coastal zones, islands and other specific areas
2. Promotion of territorial structures supporting sustainable BSR development
 - 2.1 Promoting the development of balanced polycentric settlement structures
 - 2.2 Creating sustainable communication links for improved spatial integration
 - 2.3 Enhancing integrated management of natural and cultural landscapes
3. Promoting institution building, strengthening transnational spatial development
4. Technical Assistance to support transnational co-operation

A comparison of the INTERREG IIC Programme and the new proposal shows that all the old priorities and measures can be found in the new programme, as well as all priority topics (from the Community guidelines) except the one on co-operation of outermost regions. In addition, SWEBALTCOP has been taken into consideration by incorporating priority 3, on institution building. Several steps towards achieving a stronger focus have been made during the programming process. Still, the danger remains that, even over a six-year period, no measurable results will be achieved if funding is spread too thinly over a large number of activities. In this respect the table on how measures match the most important fields of co-operation, presented to the JPC in Vilnius, provides a valuable contribution towards achieving a better focus.

	Important fields of co-operation							
Measures		Growth in EBSR	Globalisation and new economy in BSR	Environmentally friendly transport system for BSR	Low density population, bridging distances with ICT	BSR tourism and cultural heritage	Managing BSR natural values of European importance	Other fields
	Promoting spatial development strategies and actions for the Baltic Sea Region	X	X	X	X	X	X	
	Promoting a Baltic urban system and a balanced polycentric settlement structure	X	X	X		X		
	Promoting efficient and sustainable transport and communication systems and improved access to information society	X	X	X	X			
	Promoting natural and cultural heritage and sustainable development of coastal zones, islands, river regions and other specific areas	X	X		X	X	X	

In order to support a stronger focus of the programme while ensuring that a wide range of measures are included, a table like this can elucidate the underlying principles for project selection. If every project application were judged according to this table, spreading the funding too thinly might be avoided. Integration of this table (or a revised version of it) into the selection criteria should be considered.

Another much more promising approach to reaching a focused programme, is the intensively discussed *pro-active approach for safeguarding a focus and measurable spatial results*.

As pointed out in the CIP, there is a need for a focused programme. The focus in the CIP has been set with caution, as the programme has a relatively long time-horizon and should not be locked, excluding activities which may be important in future. The flexibility of this approach is seen as a response to the dynamics of this region. At the same time, this flexibility demands an active programme management which both monitors the developments in the region (including the results of the projects and new challenges), identifies fields of activities and generates projects in this field. Generally speaking, all of this is included in the programme. However, in order to guarantee that a pro-active approach is carried out consequently, it is to be recommended that tasks be identified for each actor and included in the duties of the actors in Chapter 9.

In general there is a tendency to make the monitoring and steering committee and the

national subcommittees responsible for giving the programme the last and successful touch. Focusing programme through a pro-active approach covering the entire programme period, might cause difficulties. We are in favour of a pro-active approach, but we also see a danger of overburdening the programme management and too high expectations towards the evaluation – ex-post (IR IIC BSR) and interim (IR IIIB BSR).

Whether the programme follows the “right” approach for meeting the challenges of the BSR is hard to say at this very moment. As its design is rather comprehensive, the challenge is less how to include yet underestimated aspects, but rather how to guarantee the effects of the programme. So its success will very much depend on the final project selection.

A preliminary review of five aspects of general importance, without having regard to the specific BSR challenges, illustrates that even for achieving overall general goals, work is needed when implementing the programme.

Sustainability

As pointed out in the evaluator’s discussion paper on SEA, the question of sustainability should be an underlying and integrated aspect of the programme and not be reduced to certain measures. Each priority and measure should contribute to achieving the aims of sustainable development mentioned in the Community guidelines. As the priorities and measures are designed at the moment, they give various opportunities for projects focusing on environmental issues. The use and meaning of sustainable development is inconsistent in the programme. Furthermore, the meaning of sustainability in the programme is not clear, especially where it is used in connection with a specific sector, such as the meaning of sustainable economic development (encompassing economic, environmental and social aspects?).

Furthermore, a clear distinction between the concept of sustainability and environmental consideration is needed for making the aims of the programme consistent. As things now stand, it is not clear whether the programme aims at addressing the question of sustainability (and the triangle: society, economy, environment) or focusing on environmental problems, e.g. use of the term “environmentally friendly” in Chapter 5 of the Programme.

In order to support the environmental aspect in all projects, a “sustainability guideline for project design and management” should be included into the “start package” (see also SEA discussion paper).

Environment

The role of the environment as an asset for development of the region and the interrelation between environmental quality and economic potential is insufficiently recognised in the programme. This includes the recognition of economic importance of the environment in location decisions, marking of products and new economic sectors that are reliant on environmental quality, such as tourism.

Environmental issues are, furthermore, an important aspect in achieving cohesion within the BSR and their importance is recognised in the accession process for EU membership. Disparity in environmental quality and management can reinforce the east-

west divide, distort competition and lead to the creation of pollution havens in the eastern part of the BSR and in the long term serve as a limiting factor for the establishment of new economic sectors.

The EU has been an influential factor in harmonising the environmental agenda, national laws and practices in the countries of the BSR, most notably with the directive of Environmental Impact Assessment and Birds and Habitat Directives that together establish a legislative framework for protecting Europe's wildlife and habitats and the Natura 2000 network, identifying geographically demarcated nature sites of Community importance. The environmental directives, Natura 2000 network and other cross-border initiatives in the BSR are held in low esteem in the programme.

The importance of the future Directive on environmental assessment of certain plans and programmes (the so-called Strategic Environmental Assessment or SEA) is underrated in the programme. The European Parliament has approved a Common Position, and the final Directive should be adopted by the spring of 2001. The purpose of the future SEA Directive is to ensure that environmental consequences of certain plans and programmes are identified and assessed during their preparation and before their adoption. The methodology of Strategic Environmental Assessment enables a more comprehensive protection of the environment, integrating environmental considerations into decision making and promoting sustainable development. Although plans and programmes proposed under INTERREG IIIB are excluded from the Directive, the Directive will affect plans and programmes in the Member States and the methodology was adopted by the DG XVI in its *Handbook on environmental assessment of regional development plans and EU structural funds programmes*.

On the basis of the EU directive proposal and the Handbook, a five-step approach was prepared and recommended for applying the methodology to the INTERREG process, but was not adopted.

Equal Opportunities

Ensuring equal opportunities for men and women under the programme is a task for the ex-ante evaluation, according to the Community guidelines (paragraph V.25). Although the perspective of equal opportunities for both genders has a strong position in most societal activities, gender equality has not been an issue in INTERREG. The programming process is clearly male-dominated, as most participants are male (ca. 2/3). The design of the programme contains no explicit approach to questions of equal opportunities.

The main activity oriented towards equal opportunities for men and women is regulation in chapter nine that equal opportunities between men and women are to be taken into consideration when composing the management structure (MA, JS, PA, MC, SC etc).

IT

The CIP puts a strong emphasis on "new economy" and improving access to the information society. Issues such as focusing on the differences within the BSR, e.g. providing equal opportunities for EU Member States and non-Member States, developing IT contributions to rural-urban partnership, and strengthening peripheral

regions and islands, have also been taken into consideration.

Business

For the development and strengthening of business activities within the framework of INTERREG IIIB, crucial points include the involvement of the private sector and the direct linkage of projects with decision-making processes. In general, the new CIP is highly economically orientated, as economic disparities are recognised as the main bottlenecks for further spatial integration within the BSR. Nonetheless, it should be kept in mind that the main purpose of INTERREG IIIB is to promote a higher degree of territorial integration across large groupings of European regions, with a view to achieving sustainable, harmonious and balanced development.

Spatial Planning

Regarding spatial planning, the main opportunity for INTERREG IIIB is the implementation of VASAB 2010+ and ESDP. Due to the orientation of measures towards these two guiding documents and the measure on “spatial development strategies”, the programme opens a wide range of opportunities for projects in the field of spatial planning and development. Further elaboration of the aspect of rural-urban partnership under the objectives and main activities of measure 2 could contribute significant value added. However, the transnational character of these projects, as well as their linkage to actual decision-making, remain as crucial points regarding their contribution to reducing transnational barriers in the BSR.

4.5 Trans-nationality

A major aspect of Interreg IIIB is trans-nationality. During the preparation of the CIP it has become clear that identifying trans-national bottlenecks as well as trans-national priorities is a difficult task. This is especially true as the JPC is composed with national representatives and even the regional representatives represent the regions of their country.

The difficult balance when drafting the programme was to distinguish between particular national interests, similar national interest and common, trans-national interests. In the end trans-national balancing and focusing, not only on each party's own or similar national interests but on the real trans-national tasks, appears to have been achieved, even though discussions on e.g. the secretariat question indicate clearly that national interests sometimes have a higher priority than trans-national ones.

However, for the implementation of the programme, two points underline that a truly trans-national approach is supported:

Firstly, the CIP is the result of a common effort involving all countries of the Baltic Sea Region. The final document has mainly been prepared and written by representatives of EU Member States with one exception. Polish participants have been deeply involved in the work and, roughly estimated, have contributed the largest share of written input to the document, in particular, representing the work within VASAB co-operation. Good co-operation (partnership) between East and West was seen as very important in all stages of programming. The co-operation climate can be characterised as supporting equal opportunities for East and West. This is also reflected in the attendance at JPC meetings and the fact that not all JPC meetings were held within the EU territory.

Table: Participation in JPC meetings per BSR country

	1. JPC meeting in Berlin	2. JPC meeting in Stockholm	3. JPC meeting in Vilnius	4. JPC meeting in Helsinki	5. JPC meeting in Copenhagen
Belarus		1			1
Denmark	3	5	4	4	5
Estonia		1			1
Finland	4	6	4	7	5
Germany	5	5	2	4	3
Latvia	1	2	1	1	2
Lithuania	1	2	6		
Norway	2	2	3	3	3
Poland	3	4	1	1	
Russia	1	1	1	1	1
Sweden	4	5	2	5	6

Participants from the secretariat, joint financing body and evaluation team are not included in this list.

Secondly, despite the difficulties of real trans-nationality, the programme puts a strong emphasis the trans-nationality of projects and tasks dealt with by the projects. It has been pointed out that each activity should be part of trans-national investigations or concepts and not be chosen only from a national or regional context. Even more explicit are the selection criteria saying “to be eligible for funding, projects must concentrate on issues which call for trans-national solutions”. This very broad statement is concretised by another selection criteria saying that at least three states must benefit from the project in terms of content and at least two states must give financial contributions.

Whether Interreg IIIB will contribute to making the BSR a more integrated region will depend, in the end, on the project selection. Successful efforts at the programming stage mean that the ground is prepared for tying various actors, at programme and project level, to the concept of trans-nationality.

5. Implementation structure

The management of the INTERREG IIC programme was one of the main issues criticised in the interim evaluation report and the ex-ante evaluators share many of their views. Improvements to management and implementation structures have been a major focus of working group 3 of the IIIB programme.

Key issues that has been discussed with the evaluators include the following:

Firstly, there is the question of two locations of the secretariat: problems arise mainly from the separation of tasks, and not so much from the distance itself. Evaluators have pointed out that there is no rational reason to divide tasks between two secretariats. It does not help project participants – on the contrary, it confuses them. So far, the secretariats of the INTERREG IIC programme seem to have found a practical manner of working together, but a single location for the programme secretariat would be recommended by the evaluators. The location of the main secretariat in Rostock has also been the subject of discussion, because of the long travelling times it creates to and from other partner regions or meeting places. This causes difficulties, not only for the secretariat but also the project owners, who would like to be in direct contact with the

secretariat. The location of the secretariat has been a difficult political question, both in the previous and in the new period. Thus it is an issue that evaluators have spoken their opinions on, but the decision has been made on the basis of the balance between countries and regions represented in the programme.

Another issue that was raised in the interim evaluation was the need for separate monitoring and steering committees. There has been overlapping membership of committees and, according to the interim evaluation, “the existence of the two bodies is widely considered to be unsatisfactory, related partly to issues of additional time and costs. Distinction of the responsibilities has often been less clear in practice.” A division of responsibilities between the two committees could be considered, taking into account the large geographical area and the fact that, according to the Commission guidelines (18.02.2000), “the duties of SC can be carried out by MC, acting as a SC.” However, it has been agreed that in the upcoming period the programme needs to have two separate committees; their tasks will be spelled out more clearly than was previously the case. From the evaluators’ point of view this is a rational decision but, to avoid bureaucracy and duplication of effort, the division of tasks between these committees needs to be clear. Having double mandates could make this division perhaps less distinct and is thus not recommended. In the final programme draft this issue is also resolved.

There has also been some uncertainty concerning the division of tasks between the secretariat and joint financing body, according to the Interim evaluation. The secretariat has taken on duties that would formally belong to the financial body, partly because project owners have not been clearly informed about the division of responsibilities. In the future period this separation of tasks should be made clearer.

At the project level the programme needs effective marketing, which was successfully implemented in the former period. Nonetheless, improvements could be made to ensure a smooth contracting and paying procedure. Projects also need clear guidelines for application, reporting and invoicing requirements. This sort of “start-up package” with all relevant information from application to invoicing payments is needed and will now be prepared by the secretariat.

Project working groups are recommended. These should be designed to bring together project owners and participants working on projects regarding a certain topic. Earlier experience has shown that groups have encouraged and promoted the sharing of experiences and establishment of contacts extending beyond the projects.

6. Indicators

As indicators have been left to the programme complement and thus cannot be evaluated in the ex-ante report in detail, the evaluation team has commented on indicators only in a general sense.

Programme indicators form an essential part of the monitoring system to analyse the contribution of resources used as intervention inputs towards the effectiveness of the entire intervention. Moreover, indicators form the basic data for assessing a programme comprised of several interventions with regard to its expected outcomes as a true

learning system. Thus, programme indicators have several functions. They can be used *externally*, to monitor the success and capacity of the programme itself. They can also be used *internally*, to analyse the advancements achieved through the interventions – and to adjust the interventions based on the indicators. To fulfil the requirements of each one of the above-mentioned perspectives requires that the construction of indicators be included as part of programme design.

Primary questions on indicators as such should include: 1) why are the indicators being used, and 2) how to improve their use. As previously mentioned there are two main types of indicator use: for external interest, which means that the Commission needs to keep tabs on the efficient use of resources, and for internal interest, which means that it benefits the programme itself to follow-up and develop indicators as effective tools in evaluation and monitoring.

How can we ensure optimal use of indicators? First of all, there is a need to develop suitable indicator content and the selected indicators then applied actively and effectively in the monitoring and evaluation process.

The new period of INTERREG IIIB presents good preconditions for improving the indicators used for evaluation and monitoring for two reasons: 1) there is experience from the previous period, and 2) the new six-year period enables the definition of indicators that measure:

- a) concrete results (products, such as number of jobs),
- b) identifiable outputs (e.g. how many persons took part in educational initiatives),
- c) other impacts, such as changes in methods or knowledge, sustainable outcomes,
- d) benefits to the whole programme and the programme area (global impact).

Programme operators are responsible for measures a) to c), while external evaluation should cover all these issues. Even though, in ex-ante evaluation, proposed indicators are always in reality more-or-less speculation, that does not make them unusable in programme implementation.

From the viewpoint of evaluation criteria, we can use the following classification for indicators:

- a) relevance indicators, that relate programme objectives to the needs that have to be met (e.g. improvement of spatial plans);
- b) effectiveness indicators, that relate what has been obtained to what was expected – to what extent a programme will achieve/has achieved its objectives;
- c) efficiency indicators, that relate what was achieved to the resources mobilised (such as average cost of training a person);
- d) performance indicators, that encompass the efficiency and effectiveness of outputs, results and impacts).

This classification may, however, be more relevant for mid-term and ex-post evaluations. Another, and for the purposes of ex-ante evaluation more practical, framework that can be used for defining indicators is to include indicators that measure:

- a) resources,
- b) outputs,
- c) results, and
- d) impacts.

One problem with the previous period was that the indicators used measured primarily identifiable inputs, or concrete results, where and if such had emerged. INTERREG IIC was a programme from which few very concrete results (such as investments) could be expected. It has been, first and foremost, a learning process. But even the learning has been relatively poorly measured, although it was mentioned as an outcome. Hopefully, IIIB, with a longer time period and a slightly different emphasis in content, will be able to result in more concrete benefits to the programme area. Keeping this in mind, it would be useful to create a list of indicators that would describe and measure all these different aspects of project impacts. Orientation towards decision-making, such as political agreements resulting from projects, could be reflected in the indicator system.

The following table provides a few ideas of possible indicators for priority 7.1. Promotion of transnational co-operation on sustainable spatial development. It should be emphasised that, although it is possible to find some quantitative indicators for almost all projects, qualitative evaluation is also needed. A longer programme should also give improved opportunity to put more weight on project evaluation

Priority	Resources	Outputs	Results	Impacts
Transnational sustainable spatial development	Cost of the project	Number of plans, seminars, networks, marketing initiatives	New institutional arrangements in CEEC countries, international agreements	Improved integration in the BSR
Baltic urban and balanced polycentric system	Cost of the project	Plans, seminars, networks, marketing initiatives	Exchange of experience: concrete results such as renewed old industrial areas	Economic indicators such as population increase, new investments to urban areas
Efficient and sustainable transport, and communication, access to IT	Cost of the project	On traffic: Traffic plans, joint policy actions	Number of vehicles/passengers and tourists	Improved access, construction of traffic connections
Natural and cultural heritage, specific areas	Cost of the project	Publicity actions to increase awareness	Improved quality of natural sites	Better possibilities to develop tourism: number of sites/tourists

Indicators are also connected to project selection criteria, as they can be used as part of a checklist when projects are selected. There are also a number of horizontal criteria, such as:

- transnationality: although it is important to support integration of the Eastern

BSR area, INTERREG IIIB is a transnational programme and wide partnership is to be recommended;

- consistency with the programme objectives and desired spatial impact on the BSR area;
- consistency with EU policies, such as competition policy;
- commitment of partners to co-operate;

all of which need to be taken into consideration.

7. Evaluation as Part of the Programming Process

The evaluation team has followed the programming process since the JPC meeting in Berlin, in February 2000. The team has followed the programming work by attending all JPC meetings and several working group meetings. Before the Vilnius meeting of JPC the group delivered a draft report of its evaluation. Evaluators have also commented several draft sections of the programme and participated in discussions at the meetings. Because of this interactive method, and the fact that progress is very much based on the discussions, it is not easy to distinguish just how much the evaluation has influenced the programming process. In any case, it is very clear that, during the preparation of the programme, the development of a more clearer strategy and focus, as well as analysis of the regions, has been an ongoing process.

The evaluation team's impressions of the programming process, collected over the course of the last few months, can be summarized in a few statements:

- the programming process has been very intensive;
- the working groups have worked effectively;
- the output of the process, the CIP, has improved during the process and is relatively balanced at this moment.

In working group 1 (SWOT analysis) the evaluators have attended discussions more-or-less on an equal basis. The evaluators' economic analysis of SWOT has been taken as the basis for the programme's SWOT analysis. The fact that this analysis is based very much on the preparatory work for *VASAB 2010+* contributed to a valuable integration of this INTERREG IIC project into the preparation of INTERREG IIIB.

In working group 2 (Financing) evaluators have not participated as actively, due to the technical aspect of the group's work, which has not been considered as a major issue in the evaluation. The group has worked effectively with, often difficult, questions of financing a transnational programme with several countries and different legislation.

In working group 3 (Management) evaluators have clearly conveyed their suggestions that the programme secretariat should have only one location and that its accessibility needs to be better than in the previous period. Furthermore, there should be a clear division of responsibility between the secretariat and the financing body. Since the management question has been politically sensitive, the secretariat will probably continue to have two locations. In that case, it is recommended that a clearer division of tasks be proposed in the draft version of the programme (Chapter 9 Implementation structure).

It is remarkable that the working groups dealt intensively with questions of analysis, financing and management, whereas the shaping of the visions, main objectives, priorities and measures, was left to a very late stage of the programming. It was handled as a secondary concern and very much left to the approaches followed in INTERREG IIC. However, during the late summer and autumn, concentrated effort has gone into finalising the strategy and it is now well consistent with Part I (Background) of the programme.

Appendix 1

The SWOT Analysis Proposed by Evaluators

The vision, strategies, objectives and measures in INTERREG III B should be based on the characteristics of the Baltic Sea region (BSR)¹ in different respects. Generally, the SWOT analysis is a starting point for a program² by identifying the needs and ranking them to define strategic axes and priorities. The SWOT analysis can be regarded as the beginning of the main thread that should run through the whole programme and serve as a tool for focusing it on strategic issues. The following steps can be included in a SWOT analysis.

- identification of external factors affecting this region;
- a comprehensive analysis of *relevant* economic and social conditions;
- extracting from these analyses the region's strengths and weaknesses (disparities) in combination with the opportunities and threats (obstacles);
- prioritisation of main opportunities and disparities that should be addressed in the programme.

External factors affecting the region

The rebuilding of the BSR coincides with a global wave of structural changes, encompassing the globalisation and deregulation of markets in combination with a revolution in information technology. This will lead to global production systems for both goods and services, which are characterised by a regional specialisation of production patterns, necessitating and creating an ever-increasing number of networks and contacts across boundaries and between countries and regions. Multinational groups will concentrate on control of market channels and on developing competence and new products/services and will locate these operations in regions being able to provide high competence. At the same time, the multinationals will increasingly rely on subcontractors for manufacturing operations, in particular low-skill production, that will be placed in regions with low wages. Such a specialisation can happen between different regions but also within a larger region, if there are great disparities in factor endowments between the different parts of that region (as in the BSR, see 3.2)

Established commercial and industrial centres will be challenged by new competitors and the metropolitan regions will be in keen competition in the building and development of different industrial and service clusters. The clusters will increasingly be based on high competence and be oriented towards the production of knowledge-

¹ The concept of the Baltic Sea Region (BSR) will in this paper be used for the geographical area covered by INTERREG IIIB, even though the BSR usually denotes a slightly different area. Belarus and the Novogorod oblast are as rule not a part of the BSR but this is the case for INTERREG IIIB. The overall picture and characteristics of the traditional BSR area are, however, not considerably different from the area covered by INTERREG IIIB.

² See Working Paper 2, The Ex-Ante Evaluation of the Structural Funds Intervention, European Commission.

intensive services rather than manufacturing operations.

A further feature of the new economic development is the importance of environmental quality in location decision of multi-national companies and, in addition, its role in production and marketing. Hence, good environmental practice has become a management and marketing tool, a factor in increasing competitiveness and promoting private environmental initiatives.

All in all, there are four main external factors affecting the BSR:

- globalisation leading, for example, to inter- and intra-regional specialisation;
- a strong movement towards competitive markets and action to remove the politicians from the market (liberalisation, privatisation, deregulation, etc.);
- the increasing importance of knowledge and information in combination with globalisation;
- growing environmental concerns and a quest for sustainable growth.

This new environment in the world economy – labelled as the “new economy” in today’s management idiom – will require that regions have competitive markets, free flows of and access to information and networks, contacts and co-operation structures at all levels and in all fields, both within a region and with other regions. Overall, the BSR is rather well equipped in these respects – the 1990s were characterised by deregulation, privatisation, bridge-building and communication services – but several subregions, especially in the eastern parts, are lagging behind the rest of the BSR. Their institutions are not working satisfactorily to create competitive markets and the rural areas – where about one-third of the population in the eastern part of the BSR lives – lack contacts across boundaries and have limited access to information .

Comprehensive analysis of relevant conditions

The situation of the BSR can be viewed from two perspectives. Firstly, it is useful to determine the overall competitive position of the BSR in a global setting, as the region has to compete with other regions in the world in attracting investors and offering good living conditions for people. In the second perspective, the disparities within the INTERREG III B area come into focus. It is important to assess the main divergences between the regions in the area, which should serve as an input for identifying factors favouring the overall objectives of INTERREG III B.

The Baltic Sea Region in a global or INTERREGIONal perspective

Turning to the global position of the BSR, the specific advantages of the BSR over other regions can be summarised³ as being, first and foremost, the size of the market, its potential for growth, the international orientation of business, the leading business clusters, the competence level and the natural and cultural values.

In a global context the BSR represents an **important market**. With about 100 million consumers (INTERREG III B area), it is larger than any single country in the European

³ For detailed information on the BSR in a global context, see *The Baltic Sea Region – A Region of Opportunities*, 1999, EuroFutures AB, which has been distributed via e-mail to the parties involved in the work of Interreg III B.

Union and corresponds to almost 40 per cent of the population of the USA. In economic terms, the size of the market is already appreciable. With a total GDP of around USD 1,200 billion (in 1999), which is nearly one-third of that of Japan and one-seventh of the USA, the BSR already today represents a considerable market, even though this market, due to its diversities, is not fully integrated.

The BSR represents a great potential for **structural change and economic growth**. The range of GDP per capita between the different countries of the BSR is substantial⁴. The labour-cost differential is of the same magnitude. Few, if any, regions around the world include similar economic differences at such a short distance. This gap will be a strong driving force for economic exchange and structural change in the region, and indicates a huge potential for economic growth. In recent years, this has made the BSR into one of Europe's fastest growing regions, with by having an average growth rate of 3 per cent in the period 1997-1999.

Not least because of its long tradition of **international openness** and foreign trade; the BSR is more exposed to international competition than most other European economies and the considerable high export ratio shows that the region provides an advantageous platform for international trade. Being attractive to foreign investments also shows the international orientation of the region. This is reflected in booming inward direct investments to the BSR during the 1990s that by far surpass the growth rate of foreign investments (FDI) in other European countries, the USA and several south-east Asian economies. FDI as a percentage of GDP is in several countries in the BSR considerable, especially in the eastern part of the region (except for the Russian provinces). In Estonia and Latvia, for example, this share in 1998 amounted to 31% and 26% respectively, which is a greater than in Sweden (24 %).

The BSR is a **competent region** with a well-educated labour force and considerable research and development activity. About one-fifth of the labour force has post-secondary education and the BSR spends more on R&D as percentage of GDP than most other countries in Europe and in the rest of the world.

The BSR has overall a modern and relatively **well-developed infrastructure** for IT, telecom, air communications and transport flows, although there are also deficiencies in some parts of the region. Some of the countries in the BSR have the highest penetration rates of telephone and cellular phones in the world and extensive Internet use.

Several **leading business clusters** have their base in the BSR. The region has a competitive edge in a wide variety of businesses sectors, from raw material production to high-tech industries such as telecommunications and biotechnology. The multinational corporations of the BSR have also a long tradition of global operation, international co-operation and networking.

Appraisal of the SWOT Analysis

The comprehensive analysis carried out by the JPC has improved over time. The idea of

⁴ Measured at exchange rates the GDP per capita (for countries in 1999) varies between USD 1,250 and 34,100 (1 to 27); at purchasing power parities the variation is between USD 3,750 and 27,550 (1 to 7).

leaving the detailed description of different factors for an annex and concentrating on core points in the main text is commendable. This idea has, however, not been implemented satisfactorily. The text would gain considerably in clarity and readability if the comprehensive analysis of the main text were shortened to a “distilled” analysis of the relevant factors making conclusions on the core issues: the analysis should be more to the point. For every factor, there should be a standardised disposition along the following lines:

Why is the factor of interest in relation to a SWOT analysis in INTERREG III B?

The situation today for the factor

The development of the factor, trends in the future

Conclusions (These could be drawn by identifying strength/weaknesses (disparities), so that the SWOT summary will be just a compilation of these conclusions. It is very important that the disparities between subregions are identified. In sections 3.2.1 and 3.2.2 in this report, the analysis is carried out by distinguishing between the situation for the BSR in an INTERREGional and in an intra-regional perspective. These two perspectives are of course related to each other, but this method of analysis singles out the disparities⁵ that possibly should be addressed in the programme. But there might be other ways to carry out such analyses; irrespective of the method of analysis, it is important not to lose track of the disparities in the BSR)

The account of relevant factors is still not complete, several economic, environment and “market institution” variables seem to be missing. The variables in sections 3.2.1 and 3.2.2 can be used as a checklist for factors that should be included in the comprehensive analysis.

- The population is **concentrated in urban centres** that form the base for economic renewal. Several cities in the region have international importance of different degrees and the capitals dominate the national urban systems of the BSR countries .. There are ten metropolitan regions in the BSR with a population of approximately one million inhabitants or more. Six of these regions are in fact big cities – Berlin, Copenhagen, Hamburg, Stockholm, St Petersburg and Warsaw – with populations of nearly 2 million inhabitants or more. The BSR has two metropolitan regions of a global cosmopolitical size, namely St Petersburg and Berlin, each of them with around 5 million inhabitants. The total population of the ten biggest metropolitan regions and the BSR national capitals amounts to 25 million inhabitants, or one-quarter of the population in the entire Baltic Sea Region (INTERREG III B area). If cities with at least 50,000 inhabitants are included as well, the share of the population in the BSR living in cities of this size or larger (about 190 cities altogether) can be estimated at 50 per cent. Roughly one-quarter of the population lives in rural areas with no population centres exceeding 200 inhabitants.
- The BSR can boast of a **high quality natural environment**, diverse wildlife, large well-preserved natural areas, and wetland and wilderness areas that do not exist in many European countries. The natural and cultural values provide excellent conditions for tourism and recreational activities. The ecological richness and the variation in the landscape is impressive, including vast archipelagos (primarily along the eastern coast of Sweden and the western coast of Finland), rocky coasts, sandy

⁵ The importance of identifying is emphasized in by the European Commission, see *Working paper 2*, op.cit

beaches (for example in Germany, Denmark, Poland and Latvia), lake districts (Finland, Russia and Sweden), the “fjords” (Norway), wilderness and alps (northern parts of Sweden and Norway), wetlands (foremost in the northernmost parts of Sweden and Finland and in Estonia), Arctic conditions (the very north parts of Russia) and cultivated land⁶ (the whole of Poland, Belarus, the Baltic States, Denmark and certain areas in the south of Sweden and Finland). The number and coverage of nationally protected areas has increased substantially during the last years, especially in the eastern parts of the BSR. The extent of protected territories is not expected to grow much more in the future. The focus is instead likely to be on careful management of already designated areas and cross-border co-operation. Several initiatives for cross-border nature protection have been launched in the BSR, accommodating nature protection and sustainable development. Examples of such co-operation include networks of protected territories and management plans, such as Integrated Coastal Management Plan on the Latvian and Lithuanian coast, which is to integrate environmental, social and economic objectives.

- As examples of cultural values and heritage, there are museums, exhibitions and historic cities, some of them dating from the Middle Ages, with well preserved centres and architecture. Musical traditions are also strong; all countries in the BSR have at least one opera house with permanent cast, and several countries have two, three or even more.

In conclusion, the BSR is in a global context a very dynamic region with a high growth potential - on the condition that policies are developed to handle the disparities within the region in such a way that all parts of the BSR contribute to and benefit from the growth. Otherwise the disparities will become obstacles for exploiting the growth potential of the region.

The Baltic Sea Region in an Intra-regional Perspective

As has been touched upon earlier, and cannot be emphasised too strongly, the BSR is not a homogeneous area but embraces subregions with great differences in, for example, the conditions for growth and in the living standards. There are two kinds of diversities – within countries and between countries in the BSR. In a single country, the situation can differ considerably between the big cities and the rural areas, for example between Stockholm, Helsinki and Oslo and the sparsely populated areas in the northern parts in Sweden, Finland and Norway respectively. Another example is the situation in Riga and Tallinn in relation to the rural areas in Latvia and Estonia⁷. The greatest disparities are found, however, between countries in the BSR, or more correctly, between the countries in the western and eastern parts of the region.

In dealing with the differences one has to realise that there are two sides to the coin. Some of the differences – e.g. when it comes to low wages and industrial composition – will give rise to structural changes and economic growth, while others – for example, a

⁶ For maps showing arable land, wetlands, etc., see the website for UNEP – Grid, Arendal.

⁷ In the Nordic Countries, the GDP per capita of the capitals is 10 to 30 per cent higher than the national average. In Germany, there is still a notable difference between the eastern and western parts. Hamburg is the wealthiest region in Germany, with a GDP almost double the average for Germany. In Estonia, Tallinn’s GDP per capita is 50-60 per cent higher than the national average and 2.5 times higher than that of the country’s poorest region.

deficiency in infrastructure and competence – will constitute a hindrance to the sustainable development of a region or a country. Reducing the latter kind of differences should reduce disparities in wages and living conditions. It is therefore important to single out the diversities that are most strategic to address in order to achieve long-term growth and sustainable development in the region. It should be added that some of the diversities cannot or should not be reduced, for example in natural values, wilderness, fauna and cultural and natural heritage.

To start with, it can be argued that the disparities⁸ or weaknesses are most significant with regard to the political and economic standing of the countries in the BSR, their general living conditions, population density, research and development, infrastructure, environment, market institutions, access to information and lack of co-operation structures with other regions:

The 11 countries (or provinces of countries) forming the BSR (INTERREG III B area) have **different economic and political positions and affiliations**. Five of the countries (the Nordic Countries and Germany) are highly developed, traditional market economies while six other countries (Poland, the Baltic States, Russia and Belarus) are transitional or new market economies. All countries, except one, now appear to have established firm, democratic rules of governance. Four of the traditional market economies⁹ are members of the European Union, while four of the new market economies (Poland and the Baltic States) in the east have applied for EU membership . This is not the case for Russia and Belarus, but Russia has a co-operation agreement with the EU. The Baltic States and Poland are now part of the process of accession, which will include approximations of national legislation to the EU directives and an improvement of the conditions in several fields, for example in terms of efficient market institutions and implementation of the rule of law. The differences in economic and political standings between the countries have to be considered when designing the INTERREG III B programme, but this diversity is also an incentive to integrate the different parts of the region, for example, by reducing certain disparities in the BSR.

The **living and social conditions differ greatly** between the western and eastern parts of the Baltic Sea Region. It is common to use life expectancy at birth and infant mortality rate as catch-all measures or indicators of the living and social conditions in a country. These indicators are assumed to reflect, for example, the state of public health and the medical service sector. The average life expectancy for men is 10-15 years shorter in the eastern BSR than in the western part, while this difference narrows to 5-7 years for women. The infant mortality rate is up to four times as high in the east (Russia) than in the west. These health and social conditions – which are related to the low GDP per capita¹⁰ in the east and a unsatisfactory health care system – will hamper the possibilities of people in the new market economies to fully participate in the development of the region. Poor economic and social conditions,¹¹ in combination with

⁸ For a detailed account of the differences within the BSR, see *Facts and Figures about the Baltic Sea Region*, Swedbank and EuroFutures, 2000 and *Kompetensindikatorer för Östersjöregionen (Indicators of Competence in the Baltic Sea Region)*, RTK 1999. For differences within a country, see *Sveriges Nya Geografi 2000 (The New Geography of Sweden 2000)*, Swedbank and EuroFutures.

⁹ Norway is instead a party to the agreement on EEA.

¹⁰ See footnote 3 for details about the GDP per capita.

¹¹ 20 to 50 per cent of the population are living below the poverty line. See *Transition report 1999*, EBRD 1999, p.16.

the uneven distribution of incomes¹² and wealth, in the eastern part of the BSR will also be a threat to social and economic cohesion, not only in the countries concerned but also for the whole of the BSR.

Differences in **population density**¹³ are considerable. The BSR is sparsely populated in the north but there is a high density in the south, in particular in Poland. The differences are also appreciable as regards the **use of land**¹⁴. More than half of the land is agriculture land in Denmark, Poland and Lithuania, while this kind of land constitutes less than 10 per cent in Sweden, Finland and Norway; 70 per cent of Finland and 50 per cent of Sweden are wooded areas.

The resources devoted to **research and development are very limited in the eastern part** of the BSR. The R&D-intensity (R&D costs in relation GDP) amounts only to 0.5-0.9 per cent in the Baltic States, Poland and Russia as compared to 5.9 per cent in Stockholm, 3.2 per cent in Berlin and 2.0 in Denmark. On the average, the relation between east and west in R&D intensity is 1 to 4.

There is a **considerable gap in the use of telecommunications and IT** between east and west, but also to some extent within the traditional economies in the west. The Nordic Countries hold, thanks to an early deregulation of the market, a very advanced position, even in global terms, in use of mobile telephones (360 to 570 mobile telephone subscribers per 1000 inhabitants), while the penetration rate in Germany and Estonia is only one-third (170) of that in Finland. In Poland and the Baltic States the penetration rate is only 50-70 and in Russia as low as 5 mobile phones per 1,000 inhabitants. With respect to the stationary telephone network as well, the western countries have much better coverage of subscribers than in the east, but the difference is not of the same magnitude as for mobile phones. In rural areas in the eastern parts of the BSR, the telecommunications are even less developed than in the big cities, as the building of new infrastructure for telecommunications has been largely concentrated in areas with high population densities. The most conspicuous difference between the traditional and new market economies in the BSR is in the use of personal computers (PCs). In the Nordic Countries there are 350 PCs per 1,000 inhabitants (35%), while the Baltic States, Poland and Russia have penetration rates varying between 1.5 to 5 per cent.

During the 1990s several important investments in infrastructure have been made by the new market economies in the BSR to improve air communications, road transport, ports and energy production and distribution. There are, however, still great **deficiencies in infrastructure and networks in different countries and in the co-ordination of national infrastructure resources** (for example, in the form of multimodal transport). An improved and increased transport capacity is necessary to handle the expected expansion of intra-regional trade in the BSR, this will imply investments in ports and logistics on both the eastern and western side of the Baltic Sea. Primarily, investment will be needed in road and maritime transport but also air communications to facilitate contacts. Such development will also include the need for

¹² The so-called Gini coefficient – measuring the inequality of earnings – has increased considerably in the 1990s in Russia and to some extent in Latvia, Lithuania and Poland, see *Transition report, op.cit*, p. 18

¹³ For details, see the website for UNEP Grid Arendal.

¹⁴ For details, see the website for UNEP Grid Arendal

more **urban development and planning** for which resources are more available in the west than in the east.

Continued growth in BSR can **endanger the environment**, especially by placing greater stress on the Baltic Sea Marine Environment. The Baltic Sea is an enclosed sea with as many as 200 rivers flowing into it. The sounds in the south, that connect the Baltic Sea to the saltier North Sea, are narrow and shallow, which limits the inflow of salt water¹⁵ from the North Sea. The Baltic Sea is therefore brackish, with the lowest salinity in the Bothnian Bay and the highest in the Baltic proper. Compared to other seas, the Baltic Sea has very few species living in it. The brackish water is too salty for most fresh water species and has too low a salinity for most marine species. The organisms in the Baltic Sea today are living at the limits for their range and tolerance and are, accordingly, very sensitive to changes. The high load of nutrients and toxic substances from agriculture, industry, transports and households, has led to giving the Baltic Sea a reputation as one of the most polluted seas in the world¹⁶. The environment might also be endangered if growth leads to increases in air pollution, sulphur and nitrogen deposition, ozone pollution and heavy metal. Changes in lifestyle, consumption patterns and a rise in private car ownership are a further threat to the natural environment in the BSR, leading to rising amounts of waste, pressure on waste water treatment and pressure from development and transport infrastructure on biodiversity and natural areas. Potential environmental problems, as a consequence of political and economic changes in the BSR, arise from the abandonment of a large number of industrial sites and military facilities. Many of them have complex environmental management problems that are not well documented and frequently beyond the ability of national, regional and local authorities to address. In some locations, these sites may present local environmental threats to watercourses, coastal areas and/or the marine environment and they can lead to health problems and restrict economic activity. Problems concerning the safety of seriously outmoded nuclear technology in the region and disposal of nuclear waste are major concerns for the whole region. In some specific regions the problem lies in the creation of safe conditions for the population of urban and rural areas in spite of radioactive pollution.

Solving the environmental problems will be a key issue in the development of the BSR. The whole of the BSR must adopt sustainable growth strategies, which take into account economic, social as well as environmental factors. This work has to be carried out under different conditions in the traditional market economies than in the transitional countries in the BSR. Structural economic changes in agriculture and industry are primarily responsible for reduction in the levels of nitrogen and phosphorous from agriculture and industry in rivers and lakes in the 1990s. The number of farms decreased, as did the total amount of agricultural land, during the 1990s. Changes in agricultural practices, including decreased use of chemical fertilisers and manure and pollution upgrades, have contributed to decrease in pollution. However, resumption of economic growth in the eastern part of the BSR, including increased industrial activities, bigger crops in agriculture, expansion in transport infrastructure, growing numbers of private vehicles and increase private consumption present a

¹⁵ For an overview of the situation for the Baltic Sea, see Dahlberg, K. & Jansson, B.-O., *The environmental status of the Baltic Sea in the 40s, now and in the future*, Technical Report No 24, Department of Systems Ecology, Stockholm 1997.

¹⁶ See Dahlberg & Jansson, op.cit

challenge, if we hope to avoid the same detrimental effects visible in the west. **Significant investments in environment and infrastructure will be needed to ensure the success of the economic transition** process. The new market economies now have the possibility – if the resources are not lacking – to invest in **eco-efficient technology** and to base their management systems on sustainable principles¹⁷. The traditional market economies also need to move gradually in this direction. An important obstacle to set this process in motion is that sufficient resources and competence are not available in the transitional countries. The environmental problems in the energy sector need special attention. The use of coal in Poland and Germany is a major source of pollution, as is oil shale use in Estonia and oil use in the Baltic States as a whole. Uncertain nuclear installations also call for action.

Nature protection has been identified as an important element of the negotiation process for EU membership and the Birds and Habitat Directives need to be adopted. With regard to environmental legislation, prior to membership and accession countries need to identify and protect sites to be included. The importance of integrating environmental considerations into policy, planning and management systems is being recognised at strategic levels. This is reflected in VASAB, Baltic 21 and the work of the Helsinki Commission and the Baltic Sea Joint Comprehensive Environmental Action Programme (JCP) provides an environmental management framework for the long-term restoration of the ecological balance of the Baltic Sea. The programme includes all countries of the drainage basin and identifies highly polluted areas, so-called hot spots, in the drainage basin. These sites are recommended for action under the programme and are directly connected to investment activities and financing.

The term **institutions** is used here in a broad sense, to include formal rules, behaviour, unwritten law and actions and attitudes of individuals that govern enterprises and households, markets, financial institutions and the role of the state. “Social capital” plays an important role in this context. Social capital can be defined as the acceptance of and voluntarily compliance with established laws, trust, co-operative behaviour and basic codes of conduct. It is the interaction of formal rules and social capital that determines the outcome and efficiency of the markets and economic transactions¹⁸. Efficient institutions ensure that the actors in the markets – enterprises, households and capital owners – feel that transactions on the market are carried out in an equitable manner even if they lose capital. Efficient institutions should at the same time facilitate the allocation of resources in a way that promotes growth. **Appreciable differences in the presence and efficiency of institutions** can be found between the traditional and transitional market economies in the BSR. This is not surprising, considering the difficult problems associated with a transformation from a centrally planned to a market economy. Changing the laws can be carried out relatively easily, but it is much more difficult to build social capital and genuine trust in the market mechanism. There are also internal differences within the transitional group of countries in the BSR. The Baltic States, in particular Estonia, and Poland are much better off concerning the

¹⁷ Accounts of the environmental situation in the BSR and proposals for actions to achieve sustainable development are given in reports produced in connection with the Baltic 21 process. The reports cover seven sectors: agriculture, energy, fishery, forestry, industry, tourism and transport. The reports can be found on the website for Baltic 21.

¹⁸ See *Transition Report 1999*, op.cit., pp 4-13 for a discussion about the role of institutions in the transition process.

building of effective institutions, partly as a result of the accession process, than are Russia and Belarus. In a regional perspective, it also is sensible to take into account that the building of institutions as programmes and projects – for example, business development across boundaries – can fail if not supported by developed market institutions. The importance of the market institutions has also been learned the hard way, through experiences in connection with the implementation all kind of economic reforms in the transitional countries.

Summary of the SWOT Analysis

Strengths/Opportunities	Weaknesses(Disparities)/Obstacles (Threats)
<i>1. Political factors</i>	<i>I. Political factors</i>
a. Growing interest and awareness of the BSR concept, including positive experiences of transnational co-operation at all levels and political commitments to strengthen the region	A. Some parts of the BSR are not satisfactorily politically integrated, as some sub-regions feel more connected to other regions. The split between EU and non-EU countries can be a disintegrative force
<i>2. Economic and social factors</i>	<i>II. Economic and social factors</i>
a. Structural change because of great disparities	A. The social/living/economic conditions differ too much to make social and economic cohesion in the BSR possible
b. Dynamic region with good growth potential	B. Growth might endanger sustainable development
c. Competitive markets	C. Insufficient market institutions in the east
d. Sizeable market	D. The market in the eastern part is still too small/weak
e. Leading business clusters	E. Raw material and low competence manufacturing (i.a. wood, textile, food) in the Baltic States and in Russia
f. International openness for trade and FDI and readiness for the “New Economy”	F. The rural areas might not be able to participate in the new economy because of underdeveloped IT (lack of telecom, PCs, etc.) and inadequate market institutions
g. Bridge-building and contacts	G. Rural areas are not involved satisfactorily
<i>3. Infrastructure factors</i>	<i>III. Infrastructure factors</i>
a. Population concentrated in urban centres, at least one strong metropolitan region in every country or sub-region	A. People in rural areas and smaller cities might end up in a permanent peripheral position in the BSR
b. In general a well-developed infrastructure, especially in maritime transport	B. Infrastructure: lacking networks and co-ordination, especially in the form of multimodal transport system, leading i.a. to transnational bottlenecks. Limited resources for urban planning, in particular in the east
c. Highly developed IT-systems in some parts of the region	C. Low usage of PC/Internet and mobile phones in the east and some rural areas in the west. Deficient infrastructure for high-speed transmission (broadband) in several sub-regions
d. High competence and considerable R&D	D. Low competence in rural areas, especially in sparsely populated areas in both the eastern and western parts of the BSR, and R&D resources are too limited in the Eastern Baltic
<i>4. Nature and cultural values</i>	<i>IV. Nature and cultural values</i>

a. Great nature and cultural values (i.a. as a basis for tourism and recreation)	A. Deficiencies in environmental management and urban planning results in a “devaluation” of the nature and cultural values B. Threats posed by economic transition, industrial decline and restructuring of military areas. C. Lack of tourism infrastructure
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In the summary table above, no separation was made between Strengths and Opportunities, on the one hand, and between Weaknesses (Disparities) and Threats (Obstacles), on the other hand. The logic for this is that every strength is regarded as an opportunity, or rather that every opportunity has to be based on the exploitation of a strength, at the same time as account is taken of the weaknesses and threats. To every strength/opportunity there is a weakness/threat that might endanger the possibilities of taking advantage of the opportunity. The summary table gives a very clear indication of possible obstacles for exploiting an opportunity and indicates only too clearly that the obstacles must be removed in order to be able to succeed.

For example, the BSR has a strength in its competitive markets (2 c) and there is an opportunity to further strengthen this, but that will only be possible if there is an improvement of the market institutions in the east (II c). In this way, the overriding aim of the SWOT-analysis is to identify the weaknesses (disparities)¹⁹ that should be addressed in a programme to make it possible to take advantage of the opportunities in developing a region,

The ambition for the INTERREG programme for the BSR can be phrased as exploiting the growth potential in order to increase the total economic resources (GDP) in a sustainable way and improve living and social conditions in a balanced way that includes all parts of the BSR.

Generally, the SWOT analysis shows that the accomplishment of this overall ambition requires that the programme address the main disparities . This means integration and closing the gaps within the BSR and this has to be carried out in both a north-south and a west-east perspective, although the emphasis should be on the east-west perspective, i.a. to facilitate the accession process.

A preliminary selection of the most important disparities between regions that should be reduced can be found in the following fields:

- Contacts, networking and bridge-building
- Access to information and IT
- Infrastructure and urban development, including transnational bottlenecks in transport systems and c-operation between clusters of cities
- Competence

¹⁹ In the case of the BSR, the prime weaknesses are often the disparities in different respects within the region.

- Market institutions, including social capital and entrepreneurship
- Sustainable policies in relation to urban development, transport, energy, agriculture, industry and natural values

In addition, issues with regard to tourism, cultural and natural heritage should be addressed in the programme.