

Macro-regional strategies in the European Union

1. Summary

This paper starts with an analysis of the macro-regional concept as applied in the European Union. After discussing issues of definition, objectives and resources, it summarises the essential content of a strategy, sets it in the context of the territorial cohesion concept and looks forward to the possible evolution of the approach in the future. The next section reviews the European Union Strategy for the Baltic Sea Region (EUSBSR), focusing on those elements that, in the opinion of the Commission, have most contributed to its so far successful development. Finally, the EUSBSR experience is applied to the concept to summarise the essential issues to be addressed in developing new macro-regional strategies.

2. The Macro-regional Concept

2.1. Definitions

There is no standard definition for macro-region: the term has been used to describe both globally significant groups of nations (the EU, ASEAN etc.) and groupings of administrative regions within a country (Australia, Romania). The definition applied here, developed during the preparation of the European Union Strategy for the Baltic Sea Region, will be **“an area including territory from a number of different countries or regions associated with one or more common features or challenges.”** This carries no implication of scale: however, in an EU context a macro-region will involve several regions in several countries but the number of Member States should be significantly fewer than in the Union as a whole. Note that while the macro-region will maintain a consistency thanks to the common features or challenges, it is not essential that the limits of the region be precisely defined. Following the principles of place-based policy in functional regions, the physical boundaries may vary according to the relevance of the policy area in question. Indeed functional regions may well overlap, so that a given location is in more than one region.

The definition for a macro-regional strategy used in the EUSBSR is “An integrated framework that allows the European Union and Member States to identify needs and allocate available resources thus enabling the Baltic Sea Region to enjoy a sustainable environment and optimal economic and social development.” This formulation incorporates the ideas of integration and facilitation: that all relevant policy areas should be included, and that the strategy should facilitate – but not impose – ways of better addressing them.

2.2. Objectives

The objectives of a macro-regional strategy will clearly vary according to the needs of the regions concerned. In all cases, the principle will be to add value to interventions, whether by the EU, national or regional authorities or the third or private sectors, in a way that significantly strengthens the functioning of the macro-region. Moreover, by resolving issues in a relatively small group of countries and regions the way may be cleared for better cohesion at the level of the Union. Working together can become a habit and a skill. In addition, overall co-ordination of actions across policy areas will very likely result in better results than individual initiatives.

In some cases there will be very specific and visible opportunities or problems that cannot be satisfactorily addressed by regions or countries acting alone, or even by jointly working on a

sectoral basis. Thus, in many cases, environmental challenges, to take one example, need action not only from environmental actors but from the wider society. For it to be in the interests of these 'non-motivated' actors to contribute to the solution it may be necessary to frame the environmental actions in a wider context that will also bring social or economic benefits. The same could apply to challenges in the transport, maritime or other domains.

In other cases there may be no obvious primary issue, or issues, to stimulate the creation of a macro-regional strategy but a group of regions may nonetheless be convinced that by preparing a joint, integrated strategy the regions will be better equipped to compete in the global marketplace while maintaining social and environmental standards. In particular, the new and innovative integrated way of working across a wide number of sectors may offer significant opportunities for specialisation, cooperation and greater efficiencies (for example through networking).

The distinction between the two types of macro-region is important, particularly in the short term. Given limited resources, especially in the Commission, it is essential that macro-regional strategies are prepared only where the impact, in the form of clear, concrete actions, is high and visible. This implies that the concentration should be on the first type of macro-regional strategy at this stage.

2.3. Content

The one indispensable element in a macro-regional strategy is the resulting action. Strategies that consist of words in documents, and nothing more, will not achieve their objectives. An action plan, or something comparable, is therefore the sine qua non of an effective strategy. However, an action plan that stands alone risks being little more than a wish list. There is a need for an organising approach that explains and justifies the selection, prioritisation and sequencing of selected actions. The action plan must therefore emanate from a strategic document that performs this function: in the case of the European Union Strategy for the Baltic Sea Region, the Communication of the Commission.

2.4. Resources

The resources required by a macro-regional strategy can be classified in two parts: resources for preparing and running the strategy – essentially administrative costs – and the resources needed to implement the actions and projects associated with the strategy – the operational costs.

The resources to implement the actions and projects associated with the strategy – the operational costs – will depend largely on the content of the strategy. However, as the guiding principle of a macro-regional strategy is to facilitate and co-ordinate the implementation of actions, the issue will be one of establishing the necessary priority for strategy-related interventions. It is not therefore necessarily appropriate, or even possible, to attempt to calculate these expenses too closely: the EU contribution will not normally be additional to what would be available in the region. However, the strategy may well encourage stakeholders to identify and employ additional resources, for example from International Financing Institutions.

The administrative costs may well fall largely 'below the line' – in other words be assumed by existing departments as part of their regular work so that they are not budgetised – but will not be negligible. Whether in the coordinating body or in stakeholder organisations, considerable effort will be needed to identify and reach agreement on the appropriate areas for cooperation and prioritisation. The consultation process will also have costs and as many vital participants

may well be from poorly funded organisations it will be necessary to have resources to subsidise participation in these meetings. All these costs may be higher in the preparatory phase than during implementation but it would be quite misleading to suppose that a macro-regional strategy can run on 'nothing' once adopted.

Finally, the importance of human, or social, resources should not be overlooked. A successful strategy will develop its own momentum based on the commitment of all the various stakeholders and the value of this input will greatly lever any financial investment in administration or operational costs.

2.5. Territorial issues

In the above definition of a macro-region, the concept of territory was introduced from the start. While the macro-regional approach is not an alias for territorial cohesion it is clear that there are significant synergies between the two concepts. Each is place-based, inclusive and, in principle, prepared and implemented on a multi-level basis. The difference lies, perhaps, in the underlying driving force. Macro-regional strategies are endogenous, focused on addressing the challenges and exploiting the opportunities within the macro-region.

As already mentioned, the frontiers of a macro-region do not have to be precisely defined. Moreover, there is no requirement that any given territory be part of only one macro-region.

2.6. Institutional and prospective issues

It is important that the establishment of a macro-regional strategy does not become a cover for extending competences by one or more existing institutions in the region. In the case of the EUSBSR the existing institutions sufficiently covered the field of activities to the extent that any new body would be superfluous and perhaps wasteful, yet none of them was sufficiently broadly based or accepted to act as the overall coordinator: hence the call for the Commission to play an ongoing role, the terms of which are still being discussed. In other areas these conditions do not necessarily apply and it may be necessary to set up a capability to monitor and facilitate progress on the strategy as a whole.

However, since the strategies are European Union strategies, it is important that responsibility and accountability is established from the outset at EU level. This has been a particular concern of the Friends of the Presidency group working in the Council to prepare Conclusions on the European Union Strategy for the Baltic Sea Region. The approach currently under consideration – a High Level Group from all Member States convened by the Commission and reporting periodically to the General Affairs Council – is intended to be adaptable in the case of a generalisation of the macro-regional approach.

Looking to the medium – post 2013 – future, the nature and function of macro-regional strategies could evolve rapidly. Within the next Multiannual Financial Framework, it may be envisaged to allocate some fraction of funding of cohesion policy explicitly to support macro-regional strategies. If this were seen as desirable, it would be essential to avoid some of the pitfalls that have hampered the efficient implementation of parts of the territorial cooperation objective so far. Thus, for example, it would be advisable to avoid earmarking funds to specific regions within a macro-region. The funding could be made available on a competitive basis – the criterion being how well the proposed intervention supports and implements the strategy.

More generally, the macro-regional strategy concept could evolve from a means of solving problems and meeting challenges in specific regions to an innovative and potentially powerful method of promoting European integration and territorial cooperation while preserving the

subsidiarity, flexibility and inclusiveness essential for efficient, effective and popular interventions.

3. Lessons learned from preparing the Baltic Sea Strategy

3.1. Introduction

Most of the above discussion results from the experience of preparing the European Union Strategy for the Baltic Sea Region. Moreover, the request from the European Council for a European Union Strategy for the Baltic Sea Region and the preparatory work undertaken by the Commission have created much interest in the potential extension of this approach to other regions of the Union. This section therefore briefly reviews the lessons learned from the preparation of the EUSBSR.

3.2. Scope

All relevant policy areas, EU, national, regional and local should be included. IFIs, NGOs and the private sector should also be fully involved.

This proposition is central to the success of the (preparation of the) EUSBSR. Concerning the wide scope of the strategy, a purely sectoral approach, focused on the environment or on maritime issues for example, could not succeed. This was because other organisations were already in place but more importantly because no sectoral approach could address the range of pressures and responses relevant to each sector. In particular, approaches to ‘cleaning up’ the Baltic Sea have, time and again, stumbled on the disconnect between environmental concerns and economic concerns that have very different weights in different countries. While the integrated strategic approach does not dissolve all these differences it does offer the opportunity for all partners to identify gains as well as costs from the different areas covered.

It has been effective to work at EU level, keeping third countries informed on practical matters, and involved when they wish.

The first question to be resolved is whether there is any reason for the EU to be involved in this type of macro-regional, or sub-Union, initiative. The short answer is that, if the almost unanimous opinions of governments, regions, organisations, enterprises and other groups are to be believed, there is indeed substantial added-value from the involvement of the EU in this type of initiative. The points below indicate some of the key reasons for this but the following can be highlighted:

The wide range and overarching nature of Union policies make it essential that a strategy be prepared in full awareness of the demands and constraints of EU policies and legislation.

Despite the existence of numerous cooperation mechanisms and institutions, the problems and challenges confronting the Baltic Sea Region have not been met effectively. Therefore the no-change option is unsustainable.

The Member States in the Baltic Sea Region all expressed a clear political will, from the very highest level. This leadership was indispensable in creating credibility and momentum for the preparation of the strategy.

Regional sensitivities and interests may require an ‘external’ facilitator which can appreciate and balance the various national and sectoral interests in a manner acceptable to all. The Commission’s openness to a wide range of stakeholders, the extent of its policy expertise and its pan-European mandate enable it to play the role of an impartial honest broker.

The involvement of different partners, too, has been a positive feature of the strategy. Again and again, different stakeholders have expressed their appreciation of both the consultation process and the results in terms of visibility in the final documents. The consultation procedure certainly imposed a significant strain on both Commission resources and the timing of the work but the process has greatly strengthened the final results.

3.3. Content

Strategy statement should recognise consensual approach,

From the start, the need for a consensual approach was a key driver in the preparation of the strategy. In order to ensure that the result would gain the full commitment of the widest possible range of actors, an exceptionally open consultation process was launched. Particularly through stakeholder conferences and internet consultations, virtually all institutions and organisations active in the region, and a number of individuals, were able to input to the process at an early stage. Regions and communities such as cities and associations of municipalities were particularly invited to contribute.

It was recognised that the absence of new money or legislative measures would limit the overt power of the Commission to impose specific content. However, this absence was turned into a positive asset. The development of the strategy, unencumbered by negotiations on division of funds or detail of regulations, could become a genuine search for areas of agreement on what needs to be done. Thus the “Three No”s – no new funds, no new legislation, no new institutions – became rather positive messages – better co-ordination of resources, coherent implementation of regulations and laws, minimal structures making use of those that exist – that enabled constructive contributions from all parties.

Action plan should be indicative and inclusive – able to evolve as needed.

It was agreed at the outset that a strategy without associated actions would not be a useful addition to the already plentiful material on the problems and challenges of the region. However, the development of an action plan posed specific problems. Could this be done without clear funding sources? How could the Commission identify the most worthwhile actions? Would particular stakeholders have the right of veto over actions, or the power to insist on their inclusion?

The solution that evolved was to structure the action plan into pillars and priority areas. By identifying the projects within the Priority Areas as indicative, and the entire action plan as rolling, it was possible to achieve a consensus. This approach might be adapted elsewhere, but it is clear that specific projects are necessary to move a strategy beyond words to actions. Projects included as flagship projects had to be ‘ripe’ and potentially achievable with available resources and within a relatively short timeframe.

How the action plan can be updated and the projects become definitive are questions tied into the issue of implementation management, or governance. The Commission should not necessarily retain control of the action plan: since most of the actions will be implemented and financed by partners other than the Commission it seems appropriate that the action plan should be managed from within the region, with the Commission as a partner.

Responsibility should be placed at the level most appropriate – usually as low as possible – rather than the Commission taking over.

A key innovation in the preparation of the strategy has been the identification of *National Contact Points* for each of the Member States concerned, *coordinators* for Priority Areas and *lead partners* for flagship projects. The National Contact Points, nominated by Prime

Ministers' Offices and normally located in such offices or in Foreign Ministries, have acted as a source of advice and reflection for the Commission in preparation of the strategy and a means of ensuring full information and participation within their respective countries. Coordinators are national administrations (exceptionally regions or inter-governmental bodies) that take a 'first among equals' role for a Priority Area. This involves primarily reviewing and reporting on progress in implementing the actions and flagship projects associated with the area, but also facilitating action when necessary, by ensuring that each project has an active lead partner, holding co-ordination meetings when needed and so on.

The lead partner – an agency or institution that would, in any case, be involved in implementing the project – accepts the role of coordinator and facilitator for the project, pursuing the identification of other partners and funding sources for example, and reports to the Priority Area coordinator on progress on implementation of the project.

The identification of these two functions underlines the insistence of the Commission that while it will not walk away from the strategy, and will continue to ensure that the integrated approach is fully respected, the responsibility for selection and implementation of projects must remain with the key stakeholders. Because the macro-regional approach involves multiple administrations the Commission may have a role as the overall coordinator and facilitator. But this should not be seen as an attempt by the Commission to extend its influence. Rather it is a recognition that the Commission has a 'soft power' in this area that can enhance the strategic approach by empowering different levels.

3.4. Region

One question regularly asked during the preparation of the EUSBSR is: "What, exactly, is the Baltic Sea Region?" In the spirit of territorial cohesion, the region is considered to be defined by the functions in question. Thus, for environmental purposes the area draining into the Baltic Sea is relevant while for economic purposes the Member States provide the relevant definitions (except for Germany where three Länder are included).

However, the absence of a formal definition of the region does not remove the need for a rationale for the existence of a macro-regional strategy. The Baltic Sea, with its environmental state, its historical significance and its geographical influence, for example on transport routes, provides an undeniable unity to the region.

3.5. Third Countries

The issue of third countries is significant and the approach adopted for the EUSBSR – that the strategy is an internal strategy of the European Union and does not constrain third countries – may need to be reviewed in other contexts. However, this approach has been efficient in detaching the complex diplomatic issues surrounding relations with third countries from the preparation of the strategy. We will review progress when implementation of parts of the strategy that have inputs and impacts from outside the borders of the Union is launched. It seems advisable that in the development of future strategies a similar approach be taken as a starting point. It will, however, be essential that communication channels are opened to allow specific issues to be discussed at appropriate levels.

4. Issues for definition of future strategies

The conceptual issues at the start of this note, together with the practical experience of the European Union Strategy for the Baltic Sea Region described above, lead to a number of

guidelines for future macro-regional strategies. These are listed rather briefly here: more detail can readily be derived if necessary.

4.1. Definition of macro-region

This should be based on identifiable, and agreed, features and challenges – geographic, cultural, economic or other. However, the definition should not be rigid but rather functional, so that the proposed policies and projects can be applied to the areas for which they are most applicable. In other words, the strategy should be place-based rather than administratively organised, so that it addresses the real needs of the identified locations.

4.2. Scope and content of strategy

The benefits of the macro-regional strategy derive, to a large extent, from its highly integrative approach. By being comprehensive, the strategy can recognise the varying weights that partners will place on different elements and thus allow all participants to identify benefits that outweigh any costs that may arise from accepting other parts of the strategy.

On the other hand, there is a need to be clear about the value of specific actions to the strategy as in some cases there will be proposed actions that in fact have relatively little value other than to their promoters. There are two tests that can help identify the significance of specific actions and projects: the market failure test and the indispensability test.

4.2.1. 'Market failure' test

A rationale often used to justify, or reject, intervention in a specific field is the market failure test: is there a reason why the existing market (or administrative) structure is imposing sub-optimal results? In the context of a strategy this can be extended to issues of policy failure: is there a reason why existing policy mechanisms lead to sub-optimal results. If both questions can be answered in the negative there is no *a priori* reason to propose a strategy – no added value available from Commission intervention.

4.2.2. Indispensability test

Assuming that the market/policy failure tests reveal the need for intervention the relevance and importance of specific areas or projects can be tested. This can be done by reviewing each intervention and asking whether it **must** be included in the strategy because there would be no meaningful strategy without it; which interventions **should** be included because the strategy can lead to significant increases in effectiveness or efficiency; and which **may** be included because they build support for more essential actions.

Examples, taken from the EUSBSR, could be:

- the actions to address eutrophication of the Baltic Sea that **must** be included, as the strategy would have no credibility if such important issues were not addressed,
- projects connected to improving the networks connecting the region which **should** be included as they would gain considerably from being prepared in an integrated strategy
- and projects related to cooperation in education which **may** be included in the strategy: while they could conceivably be implemented among any group of regions, by being implemented within the macro-region they help develop a stronger regional and strategic consciousness.

4.2.3. Content

The lesson of the EUSBSR in this context is that there is substantial benefit in a co-ordinated approach to implementation of existing rules and policies. This must, by definition, be

approached in a consensual rather than constraining manner, as there can be no obligation on a Member State or other actor to interpret rules in a specific manner, but nonetheless, when approached in a strategic context it rapidly becomes possible to see substantial benefits. Since this refers to co-ordination and not to modification of EU legislation there is no risk to the *acquis* but rather a reduction in impediments to trade or free movement.

The strategy should, in brief, include proposals to align policy, identify potential funding, improve implementation of the Community *acquis* and strengthen the position and relationships of the relevant region and the Union towards third countries.

5. Conclusion

The experience of the European Union Strategy for the Baltic Sea Region supports the concept described in this paper, that a macro-regional strategy can provide a useful structure and approach for addressing the challenges and opportunities of a region. Moreover, the ‘soft’ outputs like increased networking, growth in trust among stakeholders, even in different domains, and the development of practical means of cooperation suggest that macro-regional strategies will be of benefit even where dramatic problems or opportunities are not so evident. Factors leading to success can be summarised as:

- **Actions:** A strategy will only be successful if there are tangible achievements. Although an inclusive approach is recommended, there should be positive value-added for every action included in the strategy. Moreover all actions should promote networking and tend to increase or streamline compliance with Community policies.
- **Boundaries:** The regions should be defined so as to maximise the efficacy of the strategy. This may well mean flexible, even vague, definitions of the boundaries. However, the limits of the region should be less important than the advantages of participating in the strategy.
- **Constraints:** The macro-regional strategy should not rely on additional dedicated EU funding or special regulatory treatment for its impact although competitive access to a dedicated funding instrument could yield spectacular European added value. Rather, the absence of new money or legislation at the EU level, and the agreement to avoid any duplication of institutions, will allow all the partners to focus on the significant issues: how can existing resources, legislation, structures be better used for the benefit of the region.