

SOUTH BALTIC CROSS-BORDER CO-OPERATION PROGRAMME

- DRAFT OPERATIONAL PROGRAMME -

MARCH 2007

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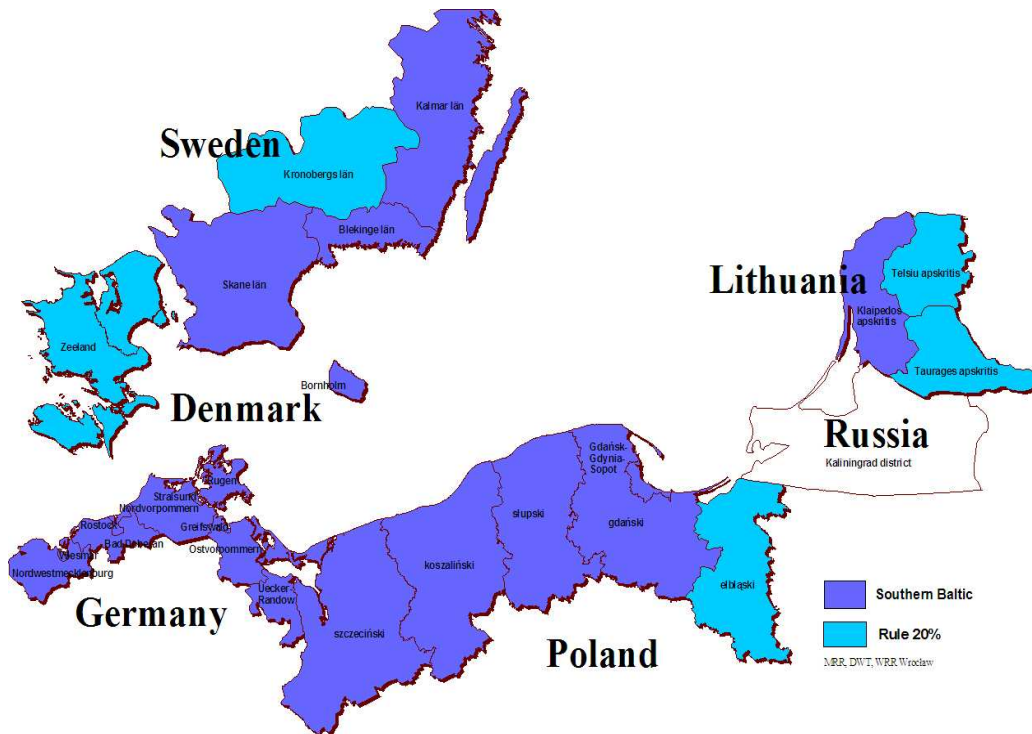
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1. ELIGIBLE AREA

The programme area includes the following NUTS III units:

- in **Poland**: Szczecinski, Koszaliniski, Slupski, Gdanski, Gdansk-Gdynia-Sopot sub-regions and as adjacent (according to the “20% rule”): Elblaski sub-region,
- in **Sweden**: Kalmar, Blekinge, Skane Counties and as adjacent: Kronoberg County,
- in **Germany**: sub-regions of Mecklenburg-Vorpommern: Greifswald, Rostock, Stralsund, Wismar, Bad Doberan, Nordvorpommern, Nordwestmecklenburg, Ostvorpommern, Rügen, Uecker-Randow,
- in **Denmark**: Regional Municipality of Bornholm and as adjacent: Zealand sub-region,
- in **Lithuania**: Klaipeda County and as adjacent: Taurage and Telsiai Counties.



2. DESCRIPTION OF THE SOCIO-ECONOMIC SITUATION IN THE ELIGIBLE AREA

HISTORY OF CROSS-BORDER CO-OPERATION IN THE SOUTH BALTIC AREA

The co-operation between local, regional and national governments in the Baltic Sea area has been developing for many years and over the recent decades it has grown rapidly and gained new quality in terms of the European Union enlargements. The cross-border co-operation plays a significant role as it concentrates on common problems of neighbouring regions and aims to make the regions more competitive and attractive. The number of initiatives which involves regions from the countries participating in the South Baltic Programme has been regularly increasing.

Since the mid-nineties individual regions from Poland, Denmark, Sweden, Germany, and Lithuania have been collaborating within the two euroregions: *Baltic* and *Pomerania*. The

overall goal of this kind of cooperation is to start up joint activities in order to create a well-balanced development of the Euroregions and promote bonds and contacts among local communities. Strategic areas of activities of the Euroregions are the following: competitive business environment, transport infrastructure, social dimension, environment and energy policies, encouraging economy cooperation and freedom of movements of tourists, labour and goods.

High activity of local communities in the South Baltic area is one of its main advantages. It is reflected in the dynamic development of local initiatives and structures that are open for and focused on co-operation in all dimensions of the societal and economic life. In particular, it is visible in the cultivation of the local and regional cultural and ethnic heritage, development of cultural activities, education in the broad sense, exchange of best practices in environmental protection and tourism.

The South Baltic Programme partners also cooperate within regional organizations, institutions and initiatives, inter alia: HELCOM (Baltic Marine Environment Protection Commission), Ars Baltica, BSPC (The Baltic Sea Parliamentary Conference), CPMR BSC (Conference of Peripheral Maritime Regions of Europe), UBC (Union of the Baltic Cities), BCCA (chambers of commerce), BARDI (regional development institutions), and intergovernmental CBSS (Council of the Baltic Sea States).

At the local level the history of the Four Corners co-operation is noteworthy. The municipalities in Swinoujscie (Pl), Rügen (De), Bornholm (Dk) and southeast Skåne (Se) have developed a politically based network where issues such as democracy, communications, culture and tourism have been analysed with a cross border perspective and activities as the Youth parliament are implemented annually.

BACKGROUND INFORMATION ON THE ELIGIBLE AREA

The total programme area amounts to 114.63 thousand km² (including 16.27 thousand km² of adjacent regions). All the territorial units covered by the Programme lie within the Baltic Sea region.

Geographical conditions – especially the Baltic Sea as a natural barrier for co-operation – as well as huge development disparities among regions in the programme area require special efforts aimed at removing co-operation barriers and facilitating full integration and thus foster convergence. In the South Baltic Area this particularly applies to the infrastructural barriers and the creation of favourable conditions for sustainable development of a knowledge-based economy, support for innovativeness, utilisation of the tourist potential and the wealth of cultural heritage. Also important mental barriers stemming from different historical experiences still exist in the programme area, which hamper development of cross-border contacts. The Baltic Sea location of the eligible support area calls for particular attention to environmental issues. Sustainable development of the entire region has always been the priority of Baltic co-operation in all its dimensions and forms.

Geographical conditions of the South Baltic Area influence the settlement pattern, which is relatively highly fragmented. The high percentage of forest and woodland and numerous lakes present in the area result in a low population density in most of the regions within the programme area. The population is concentrated in the largest urban centres which are the axis of social and economic development. The urban population in the South Baltic Area amounts to over 62.9 percent of the total population. The highest rate (beside metropolitan sub-regions of Greifswald, Rostock, Stralsund, Wismar, Szczecin and Gdansk-Gdynia-Sopot)

is found in the Skane County (87,4%) and the lowest in the Ostvorpommern sub-region (30,1%).

The settlement structure of the analysed area poses a challenge for sustainable development. Economic and social development is concentrated in large urban centres, which implies challenges for the creation of appropriate development conditions in rural areas and small urban centres. From the ecological perspective the fragmented settlement pattern may cause problems in the rational utilisation / expansion of the environmental protection infrastructure (eg. waste water treatment plants, landfills, recycling plants) and the efficient use of available energy.

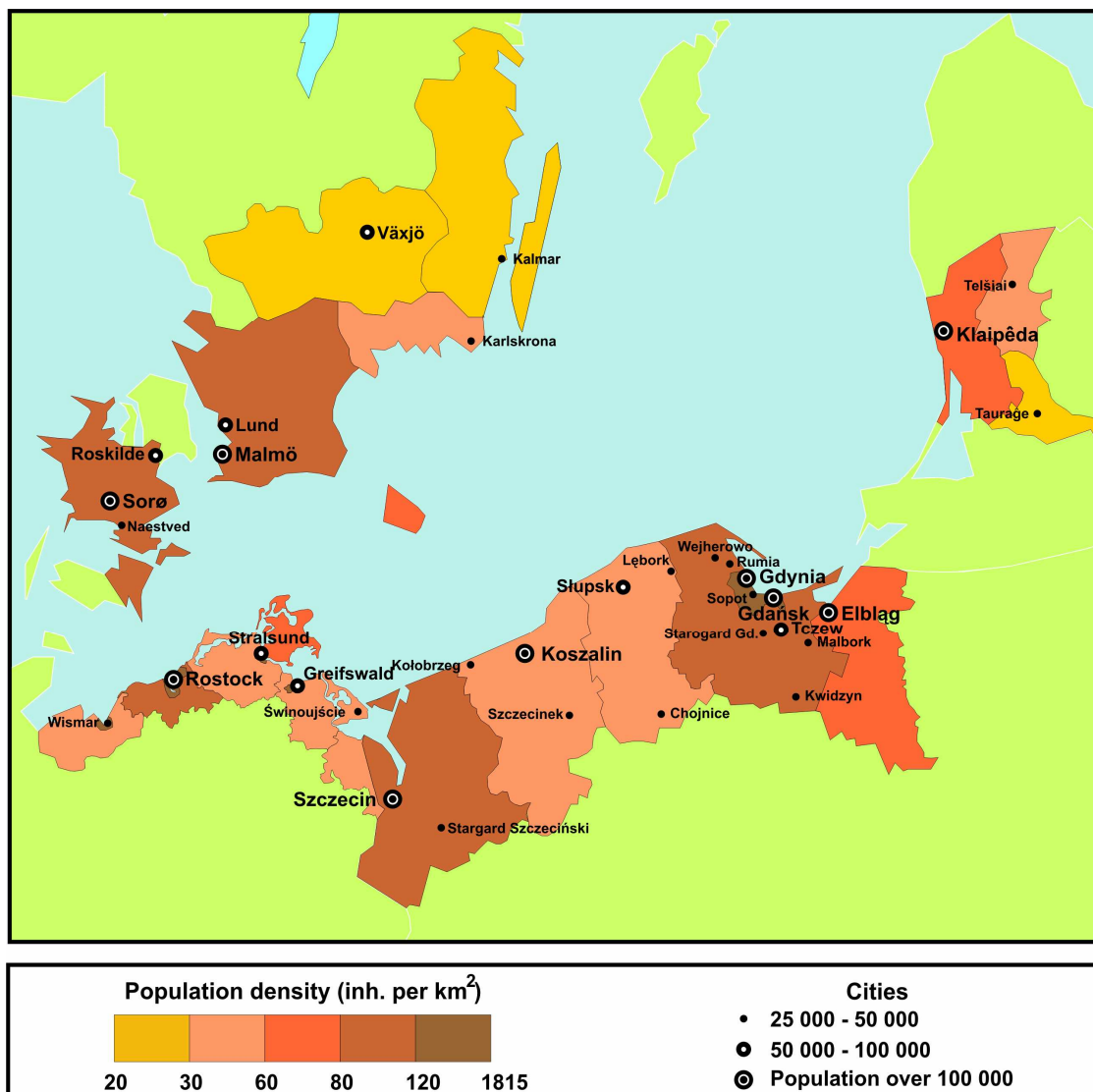
High activity of local communities in the South Baltic Area is one of its main advantages. It is reflected in the dynamic development of local initiatives and structures that are open for (or even focused on) co-operation in all dimensions of the societal and economic life. In particular it is visible in the cultivation of the local and regional cultural and ethnic heritage, development of cultural activities, education in the broad sense, exchange of best practices in environmental protection and tourism.

DEMOGRAPHIC SITUATION

The programme area was inhabited by a total of almost 8.67 million people in 2005. In the entire South Baltic Area the number of inhabitants has declined since 2001 (8.69 million people). Recent trends show an increase in number of inhabitants though. This is caused by the relatively high positive population growth rate in the Gdanski, Slupski, Elblaski sub-regions and the Skane County, slightly positive rate in the Koszalin and Szczecin sub-regions as well as the positive migration balance in the Gdanski region, the Swedish counties and Zealand. The negative migration balance noted in the Lithuanian counties and most of the Polish and German subregions as well as Bornholm constitute a major threat to the future demographic situation. Negative migration balance in rural areas and smaller urban centres is caused mainly by the outflow of young people seeking better education and job opportunities in large urban centres. For areas with a negative migration balance it is a challenge to preserve and create attractive jobs, also for highly qualified people, in order to reduce the outflow of people.

The population density in the South Baltic Area is strongly diversified on a local and regional scale. It amounts to an average of 76 inhabitants/km² for the total eligible area. This indicator is clearly lower than the EU average of 114 inhabitants/km². It varies from 21 inhabitants/km² in the Kalmar and Kronoberg Counties to over 1.8 thousand inhabitants/km² in the Gdansk-Gdynia-Sopot metropolitan sub-region.

In 2005 a major part of the programme area's population (65.1%) was in the productive age. 18.9% of the Programme Area's population was in the pre-productive age and 16.0% in the post-productive age. The age structure of programme area's population is strongly diversified. The oldest population is found in the German part of the South Baltic Area (9-11% in the pre-productive age), the youngest – in the Polish and Lithuanian regions (over 20% in the pre-productive age). The ageing of the population is a common challenge for the South Baltic Area and makes the question of the future labour supply pressing. The ageing of the population has enormous economic implications. Indeed, it has the potential to have an impact on all sectors of the economy and all aspects of economic and social activity.



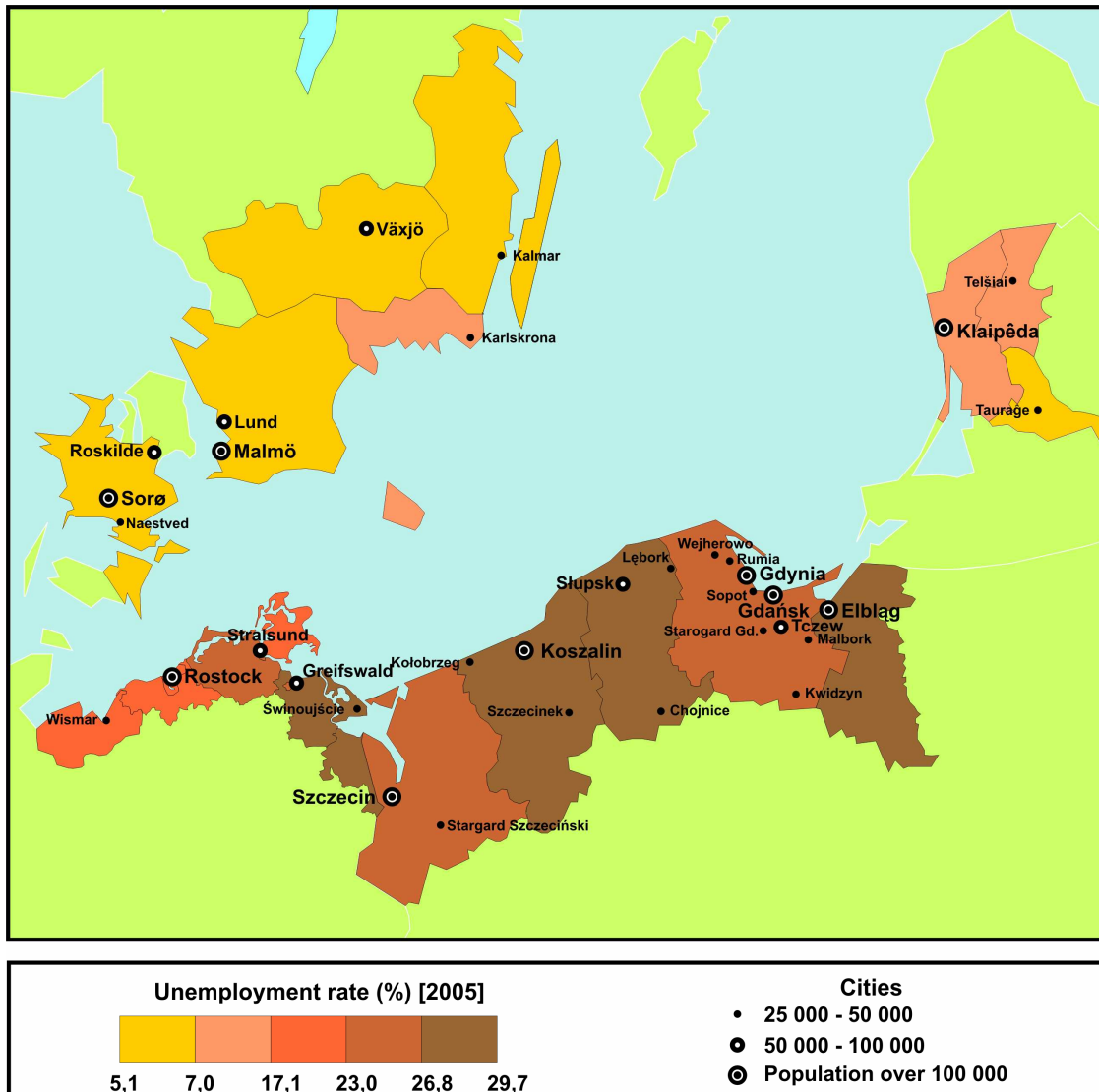
LABOUR MARKET AND UNEMPLOYMENT

High disparities in the levels of socio-economic development between the analysed regions are reflected in the situation on local and regional labour markets. Not only are there large differences in unemployment rates, but also differing structures (by age, gender and education of the unemployed people). Similar diversification is observed among the employed. In any case the most important indicator confirming the magnitude and scope of the labour markets disparities is the unemployment rate. The South Baltic Area includes regions where the value of this index lies significantly below the EU average (8.8 percent in 2005) as well as those where it reaches the highest levels in the entire Union. In the end of 2005 the worst situation in this aspect was recorded in the German regions (ranging from 29.7 percent in Uecker-Randow, 26.8 percent in Ostvorpommern, 25.7 percent in Nordvorpommern down to 17.1 percent in Nordwestmecklenburg) and Polish regions: with the exception of Gdansk-Gdynia-Sopot (9.0 percent) in all Polish regions the unemployment rate exceeded 20 percent (ranging from 29.5 in Koszalin, 28.1 in Slupsk, 28.0 in Elblaski down to 23.5 in Szczecinski). The level of unemployment in those regions is one of the highest in Poland (the country average in 2005 was 17.7 percent). In the Swedish Counties the unemployment rate varied between 5.1 percent in the Kronoberg County and 7.1 percent in the Blekinge County and was lower than

the EU average. However, those rates have been growing in the Swedish counties for the past few years. The level of unemployment has been rising also in the German regions since 2001. In the Regional Municipality of Bornholm the unemployment level reached 9.0 percent in 2005, exceeding not only the EU average but the Danish average of 4.8 percent as well. Also the rate in Zealland (5.3 percent) was higher than the national average. In Lithuanian regions the unemployment rate in 2005 varied from 7.9 in the Telsiai County down to 6.0 in the Taurage County (the average rate for Lithuania was 8.3 percent).

Recently the Lithuanian and Polish regions have experienced a significant decrease of unemployment levels. Their unemployment is of a structural character and is caused by the historical heritage of inadequacies on the labour market. This is reflected in the high percentage of people remaining without work for a prolonged time especially in the Polish regions (approx. 65 percent in Pomorskie as opposed to 11-16 percent of the unemployed remaining without work for 12 months and more in the Swedish counties). Higher unemployment among women than men is a problem in the Polish and Danish parts of the South Baltic Area (in the Swedish and German regions the situation is opposite).

The differentiation of the situation on the regional and local labour markets within the South Baltic Area is a major challenge for the cross-border co-operation. In order to fully utilise the potential of that co-operation, an effective development convergence process is needed that will decrease unemployment in the most affected regions. Required are also actions aimed at removing barriers to the free flow of labour force. Labour market liberalisation is conducive to a more effective and fuller utilisation of the labour force resources, which in turn contributes to better development conditions for the entire area undergoing integration. Spatial and vocational migrations are still subject to numerous restrictions and barriers, which cause the persistence of strong disparities and structural inadequacies on the local labour markets.



EDUCATION AND RESEARCH

The situation in terms of the quality and structure of the educational system in the South Baltic Area is overall good, however regionally and locally differentiated. There are over 2.8 thousand primary schools, 1.9 thousand secondary schools, 629 professional education institutions, 96 universities or other higher education institutions and almost 900 thousand students in the South Baltic Area (year 2004/2005). On the average there were 104 students per 1,000 inhabitants in the Programme area in 2005.

Student exchange programmes and international co-operation of higher education institutions offer good development opportunities in the SBA. More importantly, existing co-operation has been constantly improving in the entire eligible area. Many universities cover almost all faculties of education and research and offer good opportunities of positive development. Since many of these universities are young, they are open to developing an interesting cooperation with the public and private sector, so called triple helix cooperation, in order to be more competitive and innovative.

Structural differences in the educational systems as well as their effectiveness (quality of education) result mainly from the developmental, cultural and systemic disparities of the regions covered by the programme. The biggest problem lies in the adjustment of the

educational systems to the changing requirements of the labour market. Development of an effective system for supplementary training and re-qualification / re-training is the common challenge. It will allow to better fight the structural lack of alignment between demand and supply on the labour market. Currently it is becoming more and more difficult to find workers with specific qualifications and skills even in the regions affected by highest unemployment. The Career and Technical Education Systems (formerly: *Vocational Education and Training*) leave much to wish for. A growing deficit can be observed in the supply of technical and engineering professions. At the same time most educational systems focus on general education and humanities. This could cause unfavourable conditions for the development of a knowledge- and innovation based economy.

The general level of education of the South Baltic Area inhabitants has been gradually improving, however the structure of education is not fully aligned with the labour market needs. This is also a challenge for the Baltic co-operation that should strengthen the common programming of adjustments in the educational systems and curricula in response to the labour market integration. The common labour market requires joint planning in the area of education and lifelong learning (for those who want to improve their qualifications, bring their skills up to date or retrain for a new line of work). It is necessary to improve the co-operation of the labour market institutions and business organisations with the institutions of the educational system.

The problem of unqualified school leavers should also be underlined, it is necessary to undertake efforts to reduce the number of the school leavers without graduation (esp. in German part of the programme).

Another problem of the educational systems in the analysed area is their economic and spatial accessibility. Unemployment and poverty in some parts of the South Baltic Area and low population density, typical for the most part of the region, make the educational accessibility a major development issue. In addition to effective scholarship programmes, improvements of transport accessibility of educational centres and expansion of the educational infrastructure, new forms of education (eg. e-learning) are needed to facilitate the access to education on each level and in a more flexible way.

Development of a knowledge-based economy and strengthening of the enterprise innovativeness in the South Baltic Area requires improved effectiveness of the research and development (R&D) system. The key issue is improvement of the co-operation between the scientific sector and the business community. Also the effectiveness of the research financing and organisation system should be enhanced according to the triple helix concept. All those measures are much more important than increased R&D spending. The situation in that aspect also significantly varies in the analysed area. Some regions are considered to be leaders in innovations, but the effectiveness of their R&D spending definitely leaves much scope for further improvement. The Polish and Lithuanian regions are now at the implementation stage of their regional innovation strategies and creation of regional R&D support systems.

Baltic co-operation should support the dissemination and promotion of best systemic and organisational models, their adjustment to the local and regional conditions (benchmarking according to the *Learning Regions* concept) as well as on increasing the level of integration of the regional knowledge and information markets.

LEVELS AND DYNAMICS OF ECONOMIC DEVELOPMENT

Per capita GDP is the most important synthetic indicator of the economic development level. The analysis of this indicator for the South Baltic Area shows strong developmental disparities between respective regions. In 2003 per capita GDP measured in the Purchasing Power Parity (PPP) in relation to the EU25 average (EU25=100, in 2003: 21 740.6 EUR) was

highest in the Swedish counties (from 100.9 in the Kalmar County to 107.6 in the Skane County) and in the Zealand region (from 88.3 in the Storstroms County to 95.6 in the Vestsjallands County). In the German regions the index varies between 53.9 in Nordwestmecklenburg and 94.9 in Rostock. The same indices for the Lithuanian and Polish regions are significantly lower: they vary from 24.5 in the Taurage County, 34.5 in Elblaski to 65.9 in the Gdansk-Gdynia-Sopot agglomeration. The Regional Municipality of Bornholm index is 88.7.

The South Baltic Area includes therefore some of the richest EU regions as well as some of the poorest. This poses an immense challenge for the development policy, including Baltic co-operation. In order to fully utilise the development potential of the South Baltic Area the developmental convergence process must be effective. In recent years the dynamics of economic development in the Lithuanian and Polish regions has notably exceeded economic growth in the remaining part of the South Baltic Area. Sustaining this positive convergence trend will require fast increases in competitiveness and innovativeness of those economies, as their simple (cost-based) comparative advantages will gradually disappear with the advancement of their economic development.

STRUCTURE OF THE REGIONAL ECONOMY

The service sector is clearly dominant in the structure of the South Baltic Area economy. In 2003 it created 71 percent of the gross value added (GVA), while the industrial sector accounted for 26 percent and the agriculture, hunting, forestry and fishing for 3 percent of the GVA. This structure is roughly similar to the EU25 average (72%, 26% and 2% respectively).

The industrial sector in the programme Area is highly diversified. The South Baltic Area has important chemical, petroleum and pharmaceutical industries, food industries, shipyard industries, engineering industries, including a large enterprise manufacturing bodies for vehicles, packaging industries linked to the food industries, the wood processing, paper and construction industries.

Regional disparities in the South Baltic Area are also reflected in the economic structure. The area includes both typical service-industrial regions, where the agriculture is of marginal role (Gdansk-Gdynia-Sopot with its 0.2 percent and Roskilde with its 1 percent share in the creation of gross value added) as well as regions where this sector accounts from 7-8 percent (Telsiai County and Elblaski, Slupski, Koszaliniski sub-regions) up to 20 percent in the Taurage County.

The structure of employment can also serve as evidence for high differentiation of economic structures. In the Gdansk-Gdynia-Sopot agglomeration the number of workers employed in agriculture does not exceed 1 percent, in industry it equals to 28 percent and in services – 71 percent. In the Gdanski and Elblaski sub-regions those shares are 19, 31 and 50 percent respectively, while in Zachodniopomorskie region (szczecinski and kozlinski sub-regions) 12,4 (agriculture), 30,3 (industry) and 57,3 (services), which reflects serious differences even at national level. In the Swedish counties the share of agriculture in employment varies between 2.2 (Skane) and 3.8 (Kalmar) percent, while in case of industry between 24.0 (Skane) and 31.8 (Kalmar) percent, and in services – 64.5 (Kalmar) to 73.8 (Skane) percent. The employment structure in the Klaipeda County is similar to some Polish and German regions (agriculture 10.4%, industry 28.4%, services 61.1%). The highest rate of employment in industry was found in the Telsiai County (36.8%) and the highest share of employment in agriculture – in the Taurage County (44.4%). In the German regions the share of agriculture in employment varies between 0.7 (Rostock) and 8.3 (Nordwestmecklenburg), in industry: between 13.3 (Greifswald and Rugen) and 30.1 (Wismar), in services: between: 62.1 (Nordwestmecklenburg) and 85.9 (Rostock).

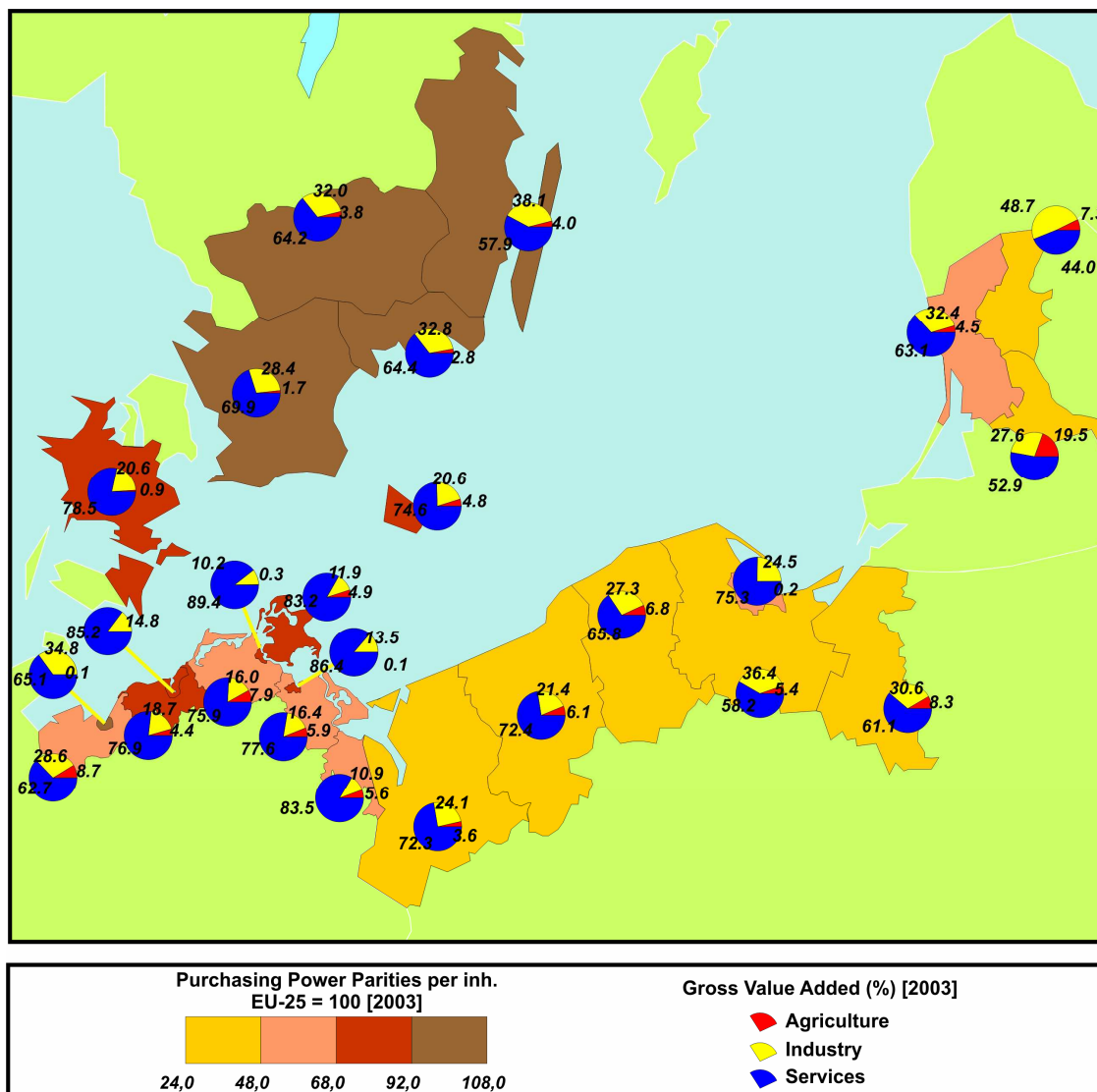
Increasing business cooperation and corresponding capital flows within the programme Area allow for the creation of complementary advantages and intra-regional specialisations, resulting in the increase of competitiveness against global competition.

The main export articles of the SBA consist of petrochemicals, telecommunication equipment, automotive and transport equipment, metal manufacturing, forest products, and various production technologies.

The composition of specific cross-border clusters by individual regions varies from case to case – but as a general pattern – the Swedish, Danish and German regions hold key coordinating positions in such clusters, while Polish and Lithuanian partners have largely assumed the role of a low-end subcontractors over the last decade. This situation has been changing gradually for the very last years, giving a more balanced picture of the cooperation structures.

The type of industry in the SBA vary between the regions, however there are some common areas that can contribute to the development of attractive area's profiles:

- Woodwork industry – the Swedish regions are substantial importers of goods from the Baltic countries and Russia. End products are sold all over the world. Within the pulp and paper industry there are substantial flows of goods across the Baltic Sea,
- Furniture industry – there is a lot of activity in the programme Area (esp. in Kronoberg, Kalmar, Blekinge, and the Pomeranian region),
- Tourism and visiting industry – all of the regions around the Baltic Sea have a great extent of tourism industry,
- Transportation and logistics – for some industries, for example related to timber, oil and gas the South Baltic Area functions as a transit region,
- Energy and environmental technology industry – there is a big potential for knowledge transfer, especially concerning nuclear industry and renewable energy (for example: the long coastline around the Baltic Sea is suitable for wind energy plants). There is also a great potential for exchange of knowledge and products within the environmental technology industry,
- Maritime industry – most of the programme subregions have a long history of maritime activities, ship building, fishery and naval activities constituting a potential for a successful competition on the global maritime markets. It also gives the regions a certain maritime atmosphere, which can be attractive for tourists,
- Healthcare and wellbeing industry – there is a lot of competence and qualified personnel as well as high-quality infrastructure and superior natural conditions in the SBA to meet an increasing demand for the health and wellbeing services.



ENTREPRENEURSHIP AND INNOVATIVENESS

Small and middle-sized companies are essential to the economy of the South Baltic Area. High levels of entrepreneurship among the area's inhabitants were fundamental to the successful historical development of the wealthy Swedish and Danish regions (almost 55 thousand SMEs in the programme Area) as well as for the rapid development of the Polish (almost 680 thousand SMEs), Lithuanian (almost 11 thousand SMEs) and German regions following the re-introduction of the market economy in early 1990s. However the ineffective local and regional entrepreneurship support system is still a major problem. It needs to be developed according to the public-private partnership concept. In any case it is the macroeconomic conditions and the institutional system that are crucial for the development of SMEs. Administrative and legal barriers that restrain entrepreneurial development must be removed. Actions to that effect should be implemented on all administrative levels: local, regional, national and EU. The Baltic cooperation could have a major contribution to the tackling of those issues through eg. the exchange of best practices and removal of trans-border barriers.

High entrepreneurship in the Polish and Lithuanian parts of the South Baltic Area does not result in high innovativeness of these economies. The Swedish regions on the other hand

belong to the most innovative economies in the entire EU. However the R&D financing system, which is an important innovativeness factor, should be more effective also there.

TOURISM

With its relatively unspoilt natural conditions and resources, picturesque scenic landscape and cultural heritage the South Baltic Area has favourable conditions for the development of tourism of all kinds, which already is an important segment of the region's economy.

The SBA possesses outstanding natural values, not seen in other parts of Europe. The region's seaside location with its scenic properties creates a natural recreational base. The sandy beaches running along the entire Danish, Swedish, Polish, Lithuanian and German coasts are a huge tourist attraction. The large number of lakes creates excellent conditions for the development of sailing and kayaking as well as other water sports. Several well-known health resorts are located in the SBA. Geothermal and therapeutic water resources, the rich deposits of therapeutic mud and brine springs in the SBA create additional possibilities for the development of health resorts. Sojourn and holiday tourism dominates in the region, while agrotourism is experiencing dynamic growth. Products associated with cultural traditions, such as handicrafts and souvenirs, as well as amber, particularly characteristic for the region, are an important tourist attraction.

The outstanding cultural heritage, formed over the ages, predestined the SBA to become one of the most attractive tourist regions in the EU. The cultural attraction of the region is evident in the multiplicity of historic objects and places formed by the overlapping layers of various traditions. Numerous sacral objects, castles (incl. of the Teutonic Knights), the fortifications connected with the defence of the ports, are the region's exceptional attractions. Moreover, many localities are more than 1000 years old.

Tourist traffic in the South Baltic Area has been growing rapidly, especially in the Polish and Lithuanian regions that are an increasingly popular destination due to improvements in tourist infrastructure and price attractiveness. In 2005 there were over 17 million tourists visiting the SBA. In 2005 there were 6550 collective accommodation establishments (hotels and similar establishments, tourist campsites, holiday dwellings and others) in the entire South Baltic Area, including 2389 hotels and similar establishments (with over 164,4 thousand beds). The total number of beds in all collective accommodation establishments in the SBA amounted to almost 774 thousand in 2005.

NATURAL ENVIRONMENT AND ITS PROTECTION

Stopping the eutrophication of the Baltic Sea and the region's many lakes is one of the main goals. Although the transport of mineral nutrients along the streams and rivers of the SBA has been reduced, very limited affects on the environment have been noted. The accumulation of substances caused by excessive fertilisation has taken place over a long period of time and any action taken now will not have an instant effect. The coastal water, which is an important spawning ground for different fish species in the Baltic Sea, is sensitive to emissions of nitrogen and industrial emissions in the form of chloride organic material and heavy metals.

There is a serious problem with the treatment of household and farm wastewater in the low inhabited areas. The vast majority of rural areas in the Polish and Lithuanian regions do not have a sewage network or wastewater treatment plant. Also there is a need for further increase of the percentage of wastewater used to be completely treated using biological water treatment technology.

Booming coastal and sea tourism sector also imposes increasing environmental pressure on the Baltic Sea. Other sources of environmental threats are: intensified agri- and aquaculture, increasing risks from maritime transport across the sea basin, development of almost all

marine-related industries (with especially high rate for sea bottom excavation of mineral resources), the growing use of the energy, forestry, and living stock of the Baltic Sea as well as to global climate changes. These threats result in a higher risk of further eutrophication, pollution by hazardous substances, losses in biodiversity. One of the most visible negative consequences of the disrupted natural Baltic Sea balance are abnormal algal blooms on the surface waters and lifeless areas on the seabed, observed in the Baltic Sea starting from 1960s.

The Baltic Sea carries some of the busiest shipping lanes in the world. This increases pressure on the marine environment resulting e.g. from oil spills or release of hazardous substances carried by ships. According to the forecasts, the risk of accidents and environmental damage may even increase with fast growing ferry services and with increasing transports of crude oil and oil products by seas.

The SBA is characterised by valuable natural properties, some of which are reflected in the percentage of forest and water areas, larger than the EU's average. The state of resources and the condition of the environment is not satisfactory, although emissions of particulate and gaseous pollutants into the atmosphere, wastewater as well as generated industrial waste have been reduced in recent years. Unfortunately, intensified industry production and increased traffic are having the opposite effect.

Because of its geographical location, the SBA is affected by air pollution, which has its origin on the European mainland. The acid-rain problem has above all affected the forested areas in the northern part of the SBA. This problem cannot be solved without international cooperation. It is also important to reduce even further the amount of the pollutants, which are still produced by the South Baltic Area's own agricultural and industrial sectors and traffic.

The environmental awareness has augmented substantially in the SBA. Local, regional and national governments have invested large amounts of money in improving environmental protection. These measures have led to positive results but much more needs to be done, especially in the Polish and Lithuanian part of the SBA, where outlays calculated per capita were much lower than the national and the EU's average.

Relatively high percentage of the SBA is subject to various forms of protection: national parks, nature reserves and scenic parks, the Natura 2000 network as well as many so-called individually protected properties, which comprise: nature monuments, ecological areas, documentation sites and natural and scenic complexes.

Development of sustainable energy sources and increased energy efficiency are also of primary importance since the energy sector is the main contributor to global greenhouse gas emissions and one of the main air pollutants. Improved energy efficiency and a decline in the industry sector's demand for energy in many parts of the SBA, have been offset by rising levels in consumers' and the service sector's energy consumption. In addition, significant challenges remain in reducing CO₂ emissions, which is a major greenhouse gas resulting in climate change. Thus, increasing the share of the renewable sources of energy per Total Primary Energy Supply is an important method by which the energy sector's impact on the environment can be reduced not having a negative consequence on the security of energy supply.

Increased investments in the renewable sources of energy, promoting the efficient use of available energy, pressure on industry and agriculture to reduce emissions to the atmosphere and water, building new and more effective sewage treatment works and programmes for sorting and recycling of all waste are needed.

TRANSPORT ACCESSIBILITY

The South Baltic Area is an important junction for sea, land and air transport. Increased transport opportunities have been a key element in the integration processes in the area. The programme area is to a great extent peripheral to the main TEN transport corridors, linking major European and global markets and prioritised by the EU and national governments. Therefore, the SBA runs the risk of lagging behind those regions with more direct access. It influences negatively almost all sectors of regional economy including tourism. Economic and social developments in the SBA generate more and more demand for enhanced transport infrastructure in the South East Baltic area.

The road network is well developed in the Swedish and German regions, in Zealand and in the Lithuanian counties, although there is a need for improvement in the overall road (as well as rail) networks. The Polish regions are characterised by the largest road network deficit that lowers their competitiveness and development potential. The density of this network and its technical condition is lower than the national and the EU's averages. Thus it requires intensive modernisation.

The North-South transport corridor, with the Polish A1 motorway being its part, is especially critical for the development of the South Baltic Area. In this respect the Central European Transport Corridor initiative linking Skane region, through Polish western regions, with Czech Republic and Slovakia should also be underlined.

One of the main elements of the road and rail transport infrastructure in the South Baltic Region is the Oresund Bridge between Copenhagen and Malmo opened in July 2000. The Oresund Bridge has been of significant importance for the dynamic growth in trade and industry in this part of the SBA.

Similarly, disparities in the density and quality also exist in the rail transport infrastructure. Its expansion and modernisation are a prerequisite for the railroads to become a safer and more environmentally friendly alternative to road transport.

Maritime transport as well as the port infrastructure also needs modernisation and expansion. Connection links between ports and the road and rail infrastructure are the key to the development of this means of transport. Those links are worst in the Polish ports. Maritime passenger traffic connects main ports in the South Baltic Area.

Increasing competition fosters the development of air transport. Due to geographical conditions it is a very important means of transport in the South Baltic Area. Its further development will however depend on the expansion and modernisation of the local and regional airports.

Numerous transport development projects have been implemented within the INTERREG IIIB BSR Programme (e.g. Baltic Master, Baltic Gateway, Baltic Tangent, Seagull, SEB, Trans-Link, South Baltic Arc, Baltic Palette). Their results should be taken into account in the development of joint activities aimed at improvement of accessibility in the SBA.

TELECOMMUNICATIONS AND INFORMATION TECHNOLOGIES

The South Baltic Area consists both of regions, where the development of telecommunications and information technologies is at the highest global level (the Swedish counties) as well as those where catching up with the EU average will require time and investments (the Polish regions, the Klaipeda County). Even though the ICT development is very dynamic, those regions are still lagging behind in terms of internet penetration and use, the number of PCs per household and school pupil. As a result of the mobile telephony boom access to telecommunications is no longer a problem.

Further development of the knowledge-based economy requires improvements in the density and quality of the telecom infrastructure. Its accessibility – also from the price perspective – has a great impact on development opportunities. In spite of the huge advancements achieved in the recent years, the accessibility is worst in the Polish regions. The main barrier is the lack of market deregulation and liberalisation. As in the case of air transport the opening of the market for competition will spur rapid development of services and thus result in increased accessibility.

Table 1. Basic statistical data about the programme NUTS III areas

Region	Land area (sq. km)	Number of inhabitants (1000)		Unemployment rate (%)		Purchasing Power Parities per inhabitant in % of the EU average
(core regions)		2001	2005	2001	2005	2003
(adjacent regions)						
Szczecinski	12492	1104.0	1100.9	21.2	23.5	47.6
Koszalinski	10404	594.5	593.3	30.9	29.5	39.0
Slupski	8185	476.8	478.1	29.8	28.1	36.6
Gdanski	9693	944.2	970.0	23.1	24.0	35.5
Gdansk-Gdynia-Sopot	415	757.3	750.9	9.5	9.0	65.9
Elblaski	7514	533.1	531.7	30.1	28.0	34.5
Kronoberg	8 467	176.6	178.4	3.5	5.1	106.7
Kalmar	11 219	234.7	233.9	5.1	5.3	100.7
Blekinge	2 947	150.0	150.7	4.6	7.1	103.2
Skane	11 035	1136.6	1169.5	5.6	6.7	107.6
Greifswald	51	65.5	53.3	19.5	23.0	87.2
Rostock	181	244.5	199.3	16.9	21.4	94.9
Stralsund	39	71.6	58.7	21.7	23.9	90.1
Wismar	42	54.5	45.4	20.3	20.3	92.2
Bad Doberan	1 362	92.6	119.9	16.3	18.0	68.0
Nordvorpommern	2 172	118.7	112.2	23.1	25.7	53.9
Nordwestmecklenburg	2 076	107.8	120.3	15.2	17.1	53.4
Ostvorpommern	1 911	118.2	110.3	21.6	26.8	56.6
Rugen	975	83.6	71.3	20.4	21.7	68.8
Uecker-Randow	1 624	93.6	77.2	26.3	29.7	58.2
Bornholm	588	44.0	43.3	9.5	9.0	88.7
Region Zealand	7 273	789.8	806.0	5.1	5.3	91.5
Klaipeda County	5 209	386.1	382.2	17.0	7.0	48.2
Taurage County	4 411	134.3	131.5	16.4	6.0	24.5
Telsiai County	4 350	180.0	177.0	18.6	7.9	38.3

3. STRENGTHS – WEAKNESSES – OPPORTUNITIES – THREATS (SWOT ANALYSIS)

STRENGTHS
<p>Accessibility, competitiveness and innovativeness:</p> <ul style="list-style-type: none">○ the SBA as an important junction for sea, land and air transport○ growing potential of the maritime transport○ economic growth that is predominantly generated by small and medium enterprises○ high levels of entrepreneurship among the area's inhabitants○ highly skilled labour force in such economic sectors as forestry, timber works, general engineering, maritime industry, shipping, food processing, and chemical industry○ well-developed educational infrastructure: high number of universities and high schools with an extensive array of educational and research programs covering nearly all aspects of sciences and humanities;○ openness of the educational institutions that are relatively young for cooperation with the public and private sector (triple helix model) in order to be more competitive and innovative○ highly innovative Swedish regions and Zealand that are competitive in knowledge and technology intensive sectors○ decreasing but still important cost competitiveness of the Polish and Lithuanian regions in traditional industrial and service sectors
<p>Tourism and natural environment:</p> <ul style="list-style-type: none">○ outstanding natural values and cultural heritage that create favourable conditions for the development of tourism of all kinds○ significant potential for renewable energy sources○ fast growing networks and structures of trans-regional cooperation, including twinning activities and social and cultural initiatives

WEAKNESSES

Accessibility, competitiveness and innovativeness:

- peripheral location of the regions relation to their respective national centres and the main European transport corridors
- insufficient transport infrastructure in many parts of the SBA
- negative impact on the economy imposed by the regressing traditional functions of the maritime and agriculture sectors
- significant competitiveness, innovativeness and entrepreneurship disparities within the BSA
- problems of high unemployment and decreasing population in most parts of the region caused by the generally scattered urban system and vast rural areas
- inadequate work opportunities in rural areas, especially for women

Tourism and natural environment:

- insufficient infrastructure within the tourism sector that is well below international standards
- insufficient number of direct air and sea transport links between the region's urban centres
- underdeveloped potential of inland water tourism
- lack of coordination and cooperation in the tourism sector
- local environmental hot spots caused by industrial, agricultural and/or military activities
- eutrophication of the Baltic Sea and the region's many lakes
- lack of proper treatment of household wastewater in the low inhabited areas

OPPORTUNITIES

Accessibility, competitiveness and innovativeness:

- crossborder and pan-Baltic cooperation facilitated by more intensive European integration
- due to its more central location following the EU enlargement, the South part of the Baltic Sea may become an important transfer centre for cargo and passengers, attracting investments in logistics, transport infrastructure, railways, etc.
- establishment of a structural system supporting the development of small and medium enterprises, particularly those implementing innovative technologies
- support to science parks, technical parks, incubators, clusters and innovative centres, pursuing cooperation within the triple helix concept
- promoting the development of life-long learning and new forms of learning
- growing importance of human resources and of labour force mobility
- development of the 'human services' sector (healthcare, well-being, elderly care, education, entertainment) in the SBA catering for the entire population of the area and the EU

Tourism and natural environment:

- promoting crossborder tourism and developing trans-regional tourism products, with particular emphasis placed on water and inland-water tourism
- developing crossborder tourism infrastructure, with special focus on improving region's tourism accessibility and intra-regional transport links
- inclusion of the region's environmental benefits into the tourist offer, with strict adherence to the rules of sustainable tourism
- increasing investments in the renewable sources of energy, promoting the efficient use of available energy, pressure on industry and agriculture to reduce emissions to the atmosphere and water, building new and more effective sewage treatment works and programmes for sorting and recycling of all waste

THREATS

Accessibility, competitiveness and innovativeness:

- further delays in the development of transport infrastructure, making some parts of the area lacking behind in development due to low standard of infrastructure and in other parts causing capacity problems and increasing environmental problems
- small and medium enterprises are often too weak to implement new technologies and expand beyond regional and national limits
- lack of motivation for co-operation of the local authorities, business and scientific communities
- deepening economic stratification of the society, especially through the concentration of areas of unemployment, poverty and civilisational underdevelopment
- risk of brain drain and outflow of people to more central parts of each country as well as to the western parts of Europe or to other countries

Tourism and natural environment:

- threat to sustainable development posed by the increase in tourism flows and insufficient tourism infrastructure
- expansion of the transport and energy sectors
- risk of accidents of oil tankers that could severely damage the sensitive shore areas and archipelagos in addition to the effects on the water eco-system

4. STRATEGIC FOCUS AND OBJECTIVES OF THE PROGRAMME

The overall objective of the South Baltic Area Programme is:

To strengthen the sustainable development of the South Baltic area through joint actions increasing its competitiveness and enhancing integration among people and institutions

The South Baltic area constitutes a geographically large territory with border regions of five EU Member States. The location of water basin in the very centre and wide economical and social disparities between the old and the new EU Member States are major challenges for competitiveness of the South Baltic area, its economic and social integration and its overall sustainable development. Lack of cross-border structures covering the whole area has been an additional factor hampering interactions among the South Baltic area communities and governance institutions.

In the context of the Community Strategic Guidelines on economic, social and territorial cohesion 2007-2013 the programme intends to strengthen the sustainable development of the South Baltic area by concentrating the assistance on common problems requiring common solutions. In line with the analysis of the present situation, this assistance shall promote joint efforts to provide favourable conditions for growth and job creation over the national borders and to safeguard good social, cultural and natural environment for the residents, tourists and investors in the South Baltic area.

The South Baltic Area Programme has two priorities:

- Economic competitiveness, where the focus is on actions promoting: integration of economic and labour markets in the area, co-operation in technical and higher education, transfer of knowledge and know-how between public and private actors and better transport connectivity.
- Attractiveness and common identity, where the focus is on management of environmental threats, actions promoting: sustainable economic use of natural resources and cultural heritage, with particular attention to tourism, development of renewable energy sources and energy saving, as well as local initiatives supporting people-to-people contacts.

5. PROGRAMME PRIORITIES

PRIORITY 1: ECONOMIC COMPETITIVENESS

Strategic orientation

Economic competitiveness of the South Baltic area as a whole is determined by several factors inherited from the historical past but also caused by the contemporary globalisation trends. As described in the analysis of the present situation, these factors speak for high disparities in:

- level of economic development between north-western and south-eastern parts of the South Baltic area, as demonstrated by substantial differences in GDP ratios or innovative potential indices of the national economies
- situation on the regional and local labour markets within the South Baltic area, as displayed by the character, structure and rates of unemployment
- public support for the knowledge economy and effectiveness of the research and development systems in the South Baltic countries, as exemplified with territorial distribution of scientific and technological clusters

- spatial pattern of economic growth processes, with their concentration in large urban centres and their scarcity in rural areas and small urban centres.

Following recommendations of the Lisbon strategy, the South Baltic Area Programme can contribute to tackling of these disparities by stimulating convergence processes over the national borders towards a more integrated functional market. Although being restrictive to direct subsidies to private companies, the programme may still support the entrepreneurial development by creating platforms and networks for liaising between the area's small and middle-sized enterprises. It can also enhance co-operation between intermediary support structures for SMEs, aimed to improve absorption of innovations and increase of competences in the private sector.

The programme can act towards improvement of effectiveness of the research and development (R&D) system to make it more oriented to the business community and more responding to the public policy needs, as featured in the triple helix concept. The programme can hence catalyse the dissemination and promotion of best systemic and organisational models, their adjustment to the local and regional conditions (benchmarking according to the *Learning Regions* concept) as well as the integration of the regional knowledge and information markets.

The programme has its vital role in improvement of co-operation and readjustment of the educational systems and curricula in response to the changing requirements of the labour market and its advancing integration in the South Baltic Area due to gradual lifting up of legal barriers to labour flows. The common labour market requires joint planning in the field of education and lifelong learning, especially for those who want to improve their qualifications, bring their skills up to date or retrain for a new line of work. It is thus necessary to improve the co-operation of the labour market institutions and business organisations with the institutions of the educational system to make the latter more compatible with the market demands in the specific fields and better prepared for serving the positive demographic development in the South Baltic area. The programme can look at the accessibility of educational centres and cater for expansion of the educational infrastructure (wherever it is economically justified) and for new forms of education (e.g. e-learning) in order to facilitate the access to education at each level.

Equally important is co-operation of labour market institutions in order to facilitate mobility of the labour force, and to combat labour market bottlenecks, social exclusion and negative impacts caused by 'brain-drain' processes in the South Baltic regions.

In pursue for an integrated economic and labour market in the South Baltic area, the programme can also investigate on quality of physical connections between its individual regions. Looking from the cross-border perspective the programme can identify missing links and bottlenecks indispensable for creation of a coherent multimodal transport system in the South Baltic area and through the joint actions it can prepare the needed investments. The geographical specificity of the area demands that special attention be given to maritime and air transport. A good point of departure for further investigations is provided by transport development projects in the South Baltic area co-funded by the Baltic Sea Region Interreg IIIB Neighbourhood Programme, which emphasise the gateway role of this area in serving transport flows between Western Europe and Far East markets.

All initiatives and efforts improving transport accessibility shall be based on environmentally friendly solutions.

Further, the programme can analyse the supply and demand sides of the transportation services and to provide incentives for improvement of passenger transport services in the South Baltic area.

Indicative actions:

Entrepreneurial development

- Strengthening of platforms and networks for better liaising between small and medium sized enterprises in the South Baltic area
- Joint initiatives of intermediary support structures for SMEs (development agencies, business foundations, chambers of commerce and industry, chambers of crafts, technological parks, business incubators etc.) aimed to improve absorption of innovations and increase of competences in the private sector
- Enhancement of research networks (universities and R&D institutions) towards their better linkages to enterprises and local and regional governments
- Development of practical solutions increasing application of international research findings in a concrete business environment
- Testing and dissemination of best systemic and organisational models for the triple-helix concept

Integration of higher education and labour markets

- Joint actions of labour market institutions dedicated to an increase of the labour force mobility and to counteract negative processes on the cross-border labour market (e.g. 'brain-drain', youth unemployment, exclusion of gender or age groups etc.)
- Joint actions of labour offices, business organisations and educational institutions for the preparation of practical solutions in the field of education and lifelong learning, adaptable to changing requirements of the labour market and its advancing integration in the South Baltic area
- Development of practical solutions to improve accessibility of educational centres and availability of new forms of education (e.g. e-learning, exchange courses for researchers) on the integrating labour market in the South Baltic area
- Provision and testing of training programmes for SMEs in their activities on the cross-border labour market in order to improve their communication and inter-culture skills

Transport accessibility

- Preparation and implementation of feasibility studies for transport bottlenecks and missing links hindering formation of a coherent multimodal transport system in the South Baltic area, based on a prioritised list of investments of the cross-border relevance
- Joint actions of infrastructure owners, cargo owners and traffic operators dedicated to quality improvement of transport connections and creation of new links
- Provision of practical solutions to increase sustainability and quality of passenger transport services in the South Baltic area

PRIORITY 2: ATTRACTIVENESS AND COMMON IDENTITY

Strategic orientation

Eminent natural and cultural heritage resources are a serious asset for economic and social integration of the South Baltic regions, a considerable fundament for the competitiveness of the whole area, and not least a clear denominator for its common identity.

In line with the Gothenburg strategy, sustainable development of the South Baltic area requires actions complementary to the growth and jobs measures in order to improve awareness about the natural, social and historical amenities in the programme area. Similarly

important are actions aiming at improvement of the intercultural dialogue and hereby at decreasing mental barriers and prejudices as well as efforts to create a broader anchoring of the cross-border co-operation with the involvement of the broader public.

Sustainable use of the natural resources in the South Baltic area calls for a diligent management of the Baltic Sea environment, which faces serious threats related with pollution produced by agriculture and industries in this area as well as by increasing maritime traffic. Vital role of water management for a stable development of the South Baltic area, its status as a common concern issue for the whole Baltic Sea and a willingness at both the local and regional levels in the participating regions to take an active part in the work for better water quality - make this programme instrumental in improving water and waste management schemes.

In relation to the upcoming EU Maritime Policy, the programme can promote preventive and response measures in case of natural and/or environmental disasters on the Baltic Sea, which may affect economic and social stability of the South Baltic regions. These measures will bear a cross-border character and will look at improvement of competence of and co-operation between local and regional authorities in the field of local contingency planning and functional strategies and methods for Integrated Coastal Zone Management and Marine Area Spatial Planning.

The programme is an adequate tool for sharing knowledge and developing joint action plans on renewable energy sources and energy saving, which would address the needs of more efficient use of energy and diversification of supply sources. By preparing particular investments in e.g. such fields as bio-energy or wind power energy, the programme may contribute to decreasing of differences in using the renewable energy across the South Baltic area and to enhancing production and exporting capacities of the energy industries in this area.

Relatively unspoilt natural values, picturesque scenic landscape and cultural heritage, traditions (e.g. food, dances, festivals, etc.) and sites in the South Baltic area provide favourable conditions for the sustainable development. Tourism is already an important segment of the area's economy and may be further enhanced through the programme actions to create international tourism products, which respect natural and cultural protection needs. In effect of envisaged network co-operations, developed strategies and prepared infrastructural investments, the South Baltic area may strengthen its identity as one of the most attractive tourist regions in the EU.

In that respect the programme can also propagate environmental excellence patterns for companies and other organisations, which in light of a growing demand from consumers for products that do less harm to the environment wish to improve their environmental performance. The EU Eco-Management and Audit Scheme (EMAS) as well as a voluntary eco-labelling for developed environmentally friendly products are expected to bring long-term benefits for the sustainable development of the South Baltic area.

In pursue for a common identity of the South Baltic area, the programme can also build upon the high intensity of contacts between local communities, with already well developed and fast growing networks and structures. However, it is necessary to orientate these co-operation schemes so that they contribute to a deeper integration of the South Baltic area. The support will thus focus on increasing the awareness of the economic, social and cultural diversities in order to improve the cross-border identity, the intercultural dialogue and understanding. Drawing on legacy of euroregional co-operation, the programme will offer ground for developing co-operation networks at the cross-border level reaching out to all South Baltic regions, with broad involvement of local communities, administrative structures, NGOs and media.

Indicative actions:

Management of the Baltic Sea environment

- Preparation and implementation of small-scale pilot projects for modern water and waste management, with particular attention for environmental hot-spots in the coastal areas
- Joint cross-border actions aiming at decreasing the outflows of nutrients from small and diffuse sources, such as farms, farming land, smaller settlements and private households
- Joint cross-border actions to enhance local and regional preparedness and response in case of natural and/or environmental disasters on the Baltic Sea, including cross-border risk management systems and related infrastructure
- Competence building and co-operation between local and regional authorities in the field of local contingency planning
- Development of strategies and methods for Integrated Coastal Zone Management and Marine Area Spatial Planning based on joint cross-border solutions

Energy saving and renewable energy

- Exchange of knowledge, preparation and implementation of joint action plans on renewable energy sources and energy saving patterns
- Preparation of small-scale pilot investments in the field of renewable energy
- Promotion of South Baltic achievements in the field of energy saving and renewable energy on internal and external for a

Sustainable use of natural and cultural heritage for regional development

- Development of cross-border strategies for preservation and use of natural and cultural heritage sites, areas, landscapes and traditions for regional development
- Joint creation of sustainable tourism products (e.g. cross-border thematic routes) respecting protection needs for natural and cultural heritage
- Preparation and implementation of small-scale pilot investments enhancing tourism infrastructure in the South Baltic area (e.g. chains of tourist facilities along the Baltic Sea coast, like small ports or yacht marinas)
- Capacity-building actions and joint campaigns targeting cross-border networks of authorities responsible for management of natural and cultural heritage sites
- Joint actions promoting the South Baltic area as a tourist destination
- Exchanging know-how and promotion of Eco-Management and Audit Scheme as well as joint eco-labelling actions for environmentally friendly products
- Development and dissemination of good practice in the field of equal access to the tourist offer in the South Baltic area (including physical access to sites)

Local community initiatives

- Joint events increasing involvement of local communities and institutions, administrative structures, media and NGOs, with a particularly focus on young generation and on rural areas in the South Baltic area
- Conferences, training seminars and study visits for an exchange of good practice within specific fields of interest, e.g. economic planning, employment, social inclusion, youth policies, rural development, environmental protection, natural and cultural heritage etc.

- Establishment and development of durable networks between NGOs within specific fields of interest, e.g. social and health care, culture and cultural heritage, environment and natural heritage, youth, local community development etc.
- Preparation of cross-border cultural and sport events with a multi-annual perspective
- Preparation of pilot and innovative projects focusing on common values, such as good governance, exchange of good practice, promotion of gender equalities etc.
- Joint actions to create sustainable development conditions in rural and small town communities.

PRIORITY 3 TECHNICAL ASSISTANCE

Technical Assistance (TA) is essential for providing effective implementation of the Programme. In accordance with Article 46 of the General Regulation, the limit for the TA in case of European Territorial Co-operation objective is set at the level of 6% of the total amount allocated to the Programme. It is earmarked for financing the preparatory, management, monitoring, evaluation, information, and control activities of the Operational Programme, as well as activities to reinforce the administrative ability to implement the funds.

Under this priority expenditure shall be eligible to cover costs incurred by the bodies involved in the implementation of the programme and particularly of the Joint Technical Secretariat.

The assistance aims to provide high quality service of managing and implementing institutions.

Indicative actions

- expenditure related to the preparation, selection, appraisal and monitoring of projects;
- expenditure on meetings of Monitoring and Steering Committee;
- expenditure on promotion and information actions concerning the Programme (e.g. seminars, South Baltic Area Programme website and publications);
- expenditure related to supporting, consulting, coordinating beneficiaries and institutions involved in implementing the Programme;
- costs of preparation of analysis, surveys, researches, evaluations and reports essential for implementing and managing the Programme;
- costs of translations.

6. QUANTIFICATION OF THE OBJECTIVES (OUTPUT AND RESULT INDICATORS)

Progress in implementation of the programme and projects shall be measured through the system of indicators, which define and set targets for expected results and outputs of the joint co-operation activities.

The system is composed of output and result indicators.

Outputs are understood as concrete deliverables, which help the projects achieve tangible results. Such deliverables may include: internal and external events organised in a project lifetime, analytical reports, strategic documents, political statements, written and visual promotional materials etc. Output indicators hence measure the number of various project deliverables, size of audience at various project events (especially those open for public) or specific spectrum of participants (e.g. politicians, private sector representatives etc.). The programme will recommend some very common output indicators to the projects but it will be

up to the projects to choose the most appropriate ones for their specific co-operation topic and to quantify them (set the targets).

More detailed information on the output indicators is provided in the Programme Manual.

Specific attention of the programme is placed upon tangible results of the joint co-operation. Such tangible results are understood as processes, policies or durable structures set in motion, created or improved because of the project activities. The programme features two kinds of results:

- Results, which are universal for all priorities and which may be easily aggregated to inform about the programme performance (e.g. new or modernised infrastructure, established formal networks, endorsed long-term co-operation agreements etc.)
- Results, which relate to themes addressed under individual priorities and which respond to the context of the socio-economic situation in the South Baltic Area (e.g. new intermediary support structures for SMEs, improved transport solutions, new tourism products etc.).

Due to diversity of co-operation topics and wide range of possible results the programme from the very outset cannot apply very precise and quantified result indicators. It may however use on-the-ground knowledge of projects with regard to concrete development problems and expected effects of the co-operation. Hence, the programme may oblige the projects to quantify indicators attributed to the universal results, and select and quantify indicators for the most appropriate specific results. Furthermore, the projects may define their own results and related indicators, provided they correspond to the objective of the priority.

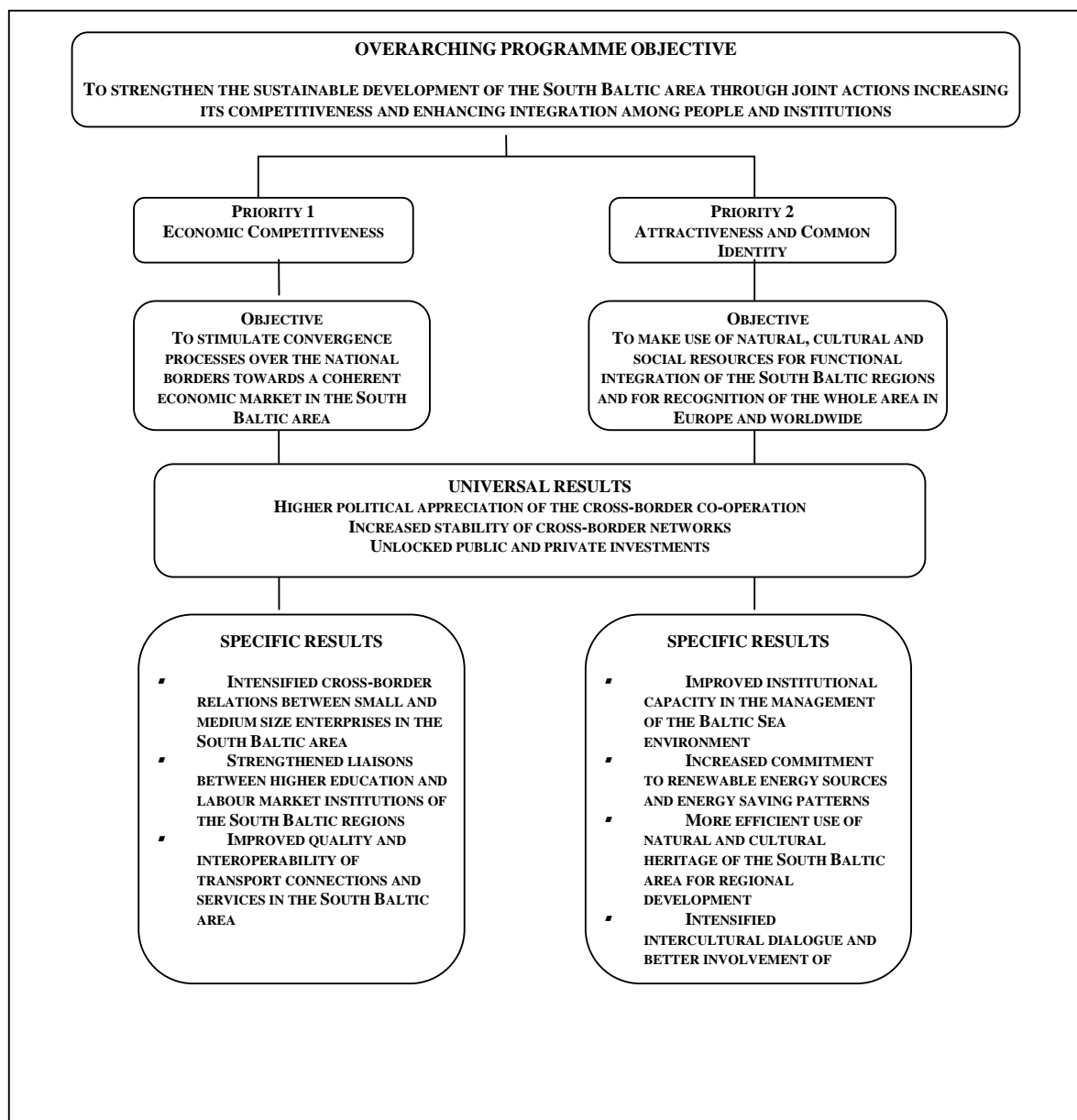
Examples of result indicators to be reflected by the projects are provided in the Programme Manual.

In the context of a creative role of the projects in the system of indicators, the programme assumes a complementary role. It steers the results by deciding on a number of projects in particular thematic fields and by contracting these ones, which reckon the best for tackling challenges and problems common for the whole South Baltic area (see the chapter on socio-economic situation of the programme area). Thus, at the programme level, quantified result indicators are understood as a minimum number of projects achieving the given result.

The baseline value for all targets at the outset of the programme is null.

The hierarchy of programme objectives, priorities and expected results is shown in the diagram below.

Further diagram presents quantification of indicators for both universal and priority specific results.



		RESULTS	RESULT INDICATORS	BASELINE 2007	PROGRAMME TARGETS 2013
PRIORITY 1: ECONOMIC COMPETITIVENESS	UNIVERSAL RESULTS	HIGHER POLITICAL APPRECIATION OF THE CROSS-BORDER CO-OPERATION	NUMBER OF PROJECTS WITH POLITICALLY WELCOMED AND PROMOTED RESULTS	0	AT LEAST 15
		INCREASED STABILITY OF CROSS-BORDER NETWORKS	NUMBER OF PROJECTS CREATING CROSS-BORDER NETWORKS BASED ON FORMAL AGREEMENTS	0	AT LEAST 7
		UNLOCKED PUBLIC AND PRIVATE INVESTMENTS	NUMBER OF PROJECTS UNLOCKING PUBLIC AND PRIVATE INVESTMENTS	0	AT LEAST 7
	SPECIFIC RESULTS	INTENSIFIED CROSS-BORDER RELATIONS BETWEEN SMALL AND MEDIUM SIZE ENTERPRISES IN THE SOUTH BALTIC AREA	NUMBER OF PROJECTS CONTRIBUTING TO INTENSIFIED CROSS-BORDER RELATIONS BETWEEN SMALL AND MEDIUM SIZE ENTERPRISES IN THE SOUTH BALTIC AREA	0	AT LEAST 7
		STRENGTHENED LIAISONS BETWEEN HIGHER EDUCATION AND LABOUR MARKET INSTITUTIONS OF THE SOUTH BALTIC REGIONS	NUMBER OF PROJECTS STRENGTHENING LIAISONS BETWEEN HIGHER EDUCATION AND LABOUR MARKET INSTITUTIONS OF THE SOUTH BALTIC REGIONS	0	AT LEAST 10
		IMPROVED QUALITY AND INTEROPERABILITY OF TRANSPORT CONNECTIONS AND SERVICES IN THE SOUTH BALTIC AREA	NUMBER OF PROJECTS CONTRIBUTING TO IMPROVED QUALITY AND INTEROPERABILITY OF TRANSPORT CONNECTIONS AND SERVICES IN THE SOUTH BALTIC AREA	0	AT LEAST 5
PRIORITY 2: ATTRACTIVENESS AND COMMON IDENTITY	UNIVERSAL RESULTS	HIGHER POLITICAL APPRECIATION OF THE CROSS-BORDER CO-OPERATION	NUMBER OF PROJECTS WITH POLITICALLY WELCOMED AND PROMOTED RESULTS	0	AT LEAST 30
		INCREASED STABILITY OF CROSS-BORDER NETWORKS	NUMBER OF PROJECTS CREATING CROSS-BORDER NETWORKS BASED ON FORMAL AGREEMENTS	0	AT LEAST 15
		UNLOCKED PUBLIC AND PRIVATE INVESTMENTS	NUMBER OF PROJECTS UNLOCKING PUBLIC AND PRIVATE INVESTMENTS	0	AT LEAST 7
	SPECIFIC RESULTS	IMPROVED INSTITUTIONAL CAPACITY IN THE MANAGEMENT OF THE BALTIC SEA ENVIRONMENT	NUMBER OF PROJECTS IMPROVING INSTITUTIONAL CAPACITY IN THE MANAGEMENT OF THE BALTIC SEA ENVIRONMENT	0	AT LEAST 10
		INCREASED COMMITMENT TO RENEWABLE ENERGY SOURCES AND ENERGY SAVING PATTERNS	NUMBER OF PROJECTS INCREASING COMMITMENT TO RENEWABLE ENERGY SOURCES AND ENERGY SAVING PATTERNS	0	AT LEAST 4
		MORE EFFICIENT USE OF NATURAL AND CULTURAL HERITAGE OF THE SOUTH BALTIC AREA FOR REGIONAL DEVELOPMENT	NUMBER OF PROJECTS DEMONSTRATING MORE EFFICIENT USE OF NATURAL AND CULTURAL HERITAGE OF THE SOUTH BALTIC AREA FOR REGIONAL DEVELOPMENT	0	AT LEAST 10
		INTENSIFIED INTERCULTURAL DIALOGUE AND BETTER INVOLVEMENT OF BROADER PUBLIC IN CROSS-BORDER ACTIVITIES	NUMBER OF PROJECTS INTENSIFYING INTERCULTURAL DIALOGUE AND BETTER INVOLVING BROADER PUBLIC IN CROSS-BORDER ACTIVITIES	0	AT LEAST 20

7. COHERENCE WITH COMMUNITY POLICIES AND OBJECTIVES

The programme is consistent with the Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, as well as the Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund.

Thematic scope of the programme derives from the description of cross-border co-operation areas of intervention provided for in art. 6 of the ERDF Regulation.

The **Community Strategic Guidelines on Cohesion** adopted by the Council decision of 6 October 2006 (2006/702/EC) takes account of the territorial dimension of Cohesion policy. Concerning cross-border co-operation the following guidance is given:

“Cross-border cooperation should focus on strengthening the competitiveness of the border regions. In addition, it should contribute to economic and social integration, especially where there are wide economic disparities on either side. Actions include promoting knowledge and know-how transfer, the development of cross-border business activities, cross-border education/training and healthcare potential and integrating the cross-border labour market; and joint management of the environment and common threats. Where the basic conditions for cross-border cooperation are already in place, cohesion policy should focus assistance on actions that bring added value to cross-border activities: e.g. increasing cross-border competitiveness through innovation and research and development; connecting intangible networks (services) or physical networks (transport) to strengthen cross-border identity as a feature of European citizenship; the promotion of cross-border labour market integration; cross-border water management and flood control.”

The programme strategy, priorities and indicative actions envisaged in the programme are well in line with this guidance.

Renewed Lisbon strategy of the European Union focuses on:

- knowledge and innovation for growth,
- making Europe a more attractive place to invest and work,
- creating more and better jobs.

Gothenburg strategy, fostering sustainable development, completed the above priorities with environmental dimension. Activities to be supported within the Programme correspond directly to both the development goals contained in the renewed Lisbon agenda and with the sustainable development principles laid down in the Gothenburg strategy. Specifically, Priority 1 is focused on promotion of economic competitiveness, transfer of knowledge and integration of labour markets, while Priority 2 promotes sustainable development and aims at increasing attractiveness of the cross-border area with respect to environment protection requirements.

The requirement to include **sustainable development** principle (understood as meeting the needs of the present generation without compromising those of future generations) into all European policies is set out in the EU Treaty, so that they contribute in an integrated way to meeting economic, environmental and social objectives. Environmental assets in the South Baltic area are very valuable and at the same time exposed to many different threats. Environmental considerations should be taken into account at the project planning phase as well as during its implementation. Compliance with sustainable development principle will be verified during the project selection procedure.

The Programme will comply with the Community regulations on environment protection and improvements in the natural environment. This relates primarily to the fulfillment of the obligations set out in the Habitats Directive 92/43/EC, the Birds Directive 79/409/EC and directives concerning the European network of protected areas NATURA 2000.

In accordance with Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment the South Baltic Programme has been subject to Strategic Environmental Assessment in order to integrate environmental considerations during the programme preparation process.

General Regulation requires that in accordance with **equal opportunities** principle Member States participating in the programme should take appropriate steps to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation. Equal opportunities perspective will be adopted for all policies and practices supported by the South Baltic programme at various stages of programme implementation, it will also be incorporated into project selection procedure. In particular, the beneficiaries of the projects should ensure that equal opportunities principle is respected and promoted during the implementation of the operations.

Sustainable development as well as **equal opportunities** principles will be treated as cross-cutting themes within the programme.

The Managing Authority will ensure that operations financed by the Funds within South Baltic Programme will be in conformity with the provisions of the Treaty, with instruments adopted under it and with Community policies and actions in the field of **competition**. Any state aid that might be provided under the programme will either be in conformity with the 'de minimis rule' or with aid schemes implemented under one of the block exemption regulations or other exemption regulations or will be notified to the Commission in accordance with notification rules.

The programme is consistent with the European Social Policy Agenda adopted in 2000 and set up in the Communication from the Commission COM (2000) 379 which forms part of the integrated European approach towards achieving the economic and social renewal of the Lisbon agenda. Specifically, it seeks to ensure the positive and dynamic interaction of economic, employment and social policy, and to forge a political agreement which mobilises all key actors to work jointly towards the new strategic goal.

The South Baltic Programme includes activities aimed at developing the information society in line with the strategic framework contained in the initiative "i2010 – A European Information Society".

The SBA Programme corresponds also to the European Spatial Development Perspective and follows-up on the ESPON Programme by addressing in a comprehensive approach additional to above mentioned issues, such as: urban and rural growth, innovation capacity, accessibility, and territorial competitiveness.

8. COHERENCE WITH NATIONAL STRATEGIC REFERENCE FRAMEWORKS

According to the General Regulation:

"The Member State shall present a national strategic reference framework which ensures that assistance from the Funds is consistent with the Community strategic guidelines on cohesion, and which identifies the link between Community priorities, on the one hand, and its national reform programme, on the other. Each national strategic reference framework shall constitute a reference instrument for preparing the programming of the Funds. The national strategic reference framework shall apply to the Convergence objective and the Regional competitiveness and employment objective. It may also, if a Member State so decides, apply to the European territorial cooperation objective, without prejudice to the future choices of other Member States concerned."

The South Baltic Programme 2007-2013 adheres to the national programmes defined in the National Strategic Reference Frameworks (NSRF)/National Development Strategies presented by the Member States in the South Baltic Area.

The SBA Programme corresponds well with the strategic goal of **Poland's** "National Strategic Reference Framework 2007-2013 in support of growth and jobs. National Cohesion

Strategy”, which consists in creating an environment for improving the competitiveness of knowledge-based economy and entrepreneurship to ensure higher employment, and in increasing social, economic and spatial cohesion. It will also contribute to the implementation of the following horizontal goals:

- improved functioning standard of public institutions and development of partnership mechanisms,
- improved quality of human capital and enhancement of social cohesion,
- development and modernisation of technical and social infrastructure of fundamental importance for growth of the competitiveness in Poland,
- improvement of competitiveness and innovativeness of enterprises, including especially of the production sector with high added value and service sector development,
- increase of competitiveness of Polish regions and counteracting their social, economic and spatial marginalisation,
- balancing development opportunities and supporting structural changes in rural areas.

The SBA Programme is well in line also with the **German** National Strategic Reference Framework 2007-2013, which defines following strategic objectives:

- support for innovations and development of the knowledge society as well as strengthening the competitiveness of the economy,
- increase of regional attractiveness for investors and inhabitants by sustainable regional development,
- facing new challenges on the labour market – more and better workplaces,
- regional chances and balanced development.

The horizontal goals of the German NSRF (environment, equal opportunities and sustainable urban development) are also met in the SBA Programme. The German NSRF refers directly to the territorial co-operation underlining its importance for the European cohesion goals. The SBA Programme is in line with all thirteen thematic priorities under two main objectives of the German NSRF (convergence; regional competitiveness and employment).

The **Swedish** National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-2013 has identified the following national strategic priorities for regional competitiveness, entrepreneurship and employment:

- innovation and renewal,
- skills supply and improved labour supply,
- accessibility,
- strategic cross-border co-operation.

Under the cross-border co-operation priority the following overall guidance is given: “The ability to develop functional ways of working and structures across national borders is important in order to achieve regional competitiveness, entrepreneurship and employment. This should therefore be reinforced. Strategic cross-border cooperation should both complement and contribute to fulfilling the national strategy’s priorities for regional competitiveness, entrepreneurship and employment.”

It also gives more detailed guidelines:

- minimise border obstacles for cross-border commuters and businesses which carry out cross-border operations,
- promote cross-border network cooperation between businesses,
- develop cross-border cooperation solutions to increase access to key community functions,
- promote closer cooperation across national borders in order to strengthen innovative environments,

- contribute towards improving communications between the Nordic metropolitan regions,
- promote sea motorway initiatives across the Baltic in order to improve the effectiveness of transportation within the EU and to improve peripheral regions' accessibility,
- promote cross-border cooperation for sustainable and innovative use and development of natural resources, culture and cultural heritage,
- promote closer cooperation on environmental issues in the Baltic and the North Sea.

The South Baltic Programme strategy, priorities and indicative actions are well in line with above guidelines.

The main aim of the **Lithuanian** Strategy for the Use of EU Structural Assistance for 2007–2013 is to rapidly improve the conditions of investing, working and living in Lithuania so that the benefit provided by the economic growth reaches all Lithuanian residents. According to the Lithuanian Strategy the first goal of the development is to accelerate the economic growth during the long-term period, the second goal of is to create more and better workplaces, and the third goal of the development is to develop social cohesion. The SBA Programme adheres to these strategic goals and to three main priority directions of the Lithuanian Strategy: 1) Productive human resources for the knowledge society; 2) Competitive economy; 3) Life quality and cohesion.

Denmark's National Strategic Reference Framework 2007-2013 will concentrate on the following fields of action: innovation, knowledge sharing and knowledge building; establishment and development of new enterprises; utilisation of new technology and development of human resources. Under each of these fields of action, the following themes for support has been identified:

- innovation, knowledge sharing and knowledge building:
 - development of regional innovative capacity,
 - teamwork with knowledge institutions, other enterprises, including in clusters,
 - knowledge utilisation capacity,
- establishment and development of new enterprises:
 - public-sector and private-sector consultancy,
 - funding for entrepreneurs,
 - entrepreneurial culture and competencies,
- utilisation of new technology:
 - access to knowledge concerning new technology,
 - infrastructure,
 - digitization,
- development of human resources:
 - selection of competencies – lifelong learning,
 - managerial and organisational development,
 - workforce enlargement.

The programme strategy, priorities and indicative actions envisaged in the programme are well in line with above objectives.

The South Baltic Programme 2007-2013 refers to national priorities and, by its strategy, contributes to the fulfilment of above goals in the cross-border context. The projects implemented under the programme will complement the activities carried out under other operational programmes, both at the national and regional levels.

The programme was prepared and will be implemented in collaboration with the regions from the programme area and thus ensuring conformity with the regional development goals and strategies.

9. COMPLEMENTARITY WITH TERRITORIAL CO-OPERATION PROGRAMMES AND OTHER EU PROGRAMMES IMPLEMENTED IN THE SB AREA

In pursue for the competitiveness and better functional integration of the South Baltic area and in accordance with Article 9 of the General Regulation, the South Baltic Area Programme seeks to ensure coherence and complementarity with other EU-funded programmes operating in the same geographical space. This includes a large number of Structural Funds programmes under the convergence objective, regional competitiveness and employment objective, different strands of the European territorial co-operation objective and some sectoral initiatives and programmes.

Convergence and Competitiveness programmes

The South Baltic Area Programme directly corresponds to Convergence or Competitiveness programmes as it contributes to preparation of investments responding to specific development needs of this territory. Although budgets and scope of the Convergence and Competitiveness programmes are far bigger than that of the South Baltic Area Programme, the latter can complement them by adding a cross-border dimension to the development work. Investments planned, decided and prepared by the South Baltic Area Programme may be placed in the project pipeline for national and/or regional programmes or implemented by a public-private consortium (e.g. partly financed through the Marco Polo II programme). This is particularly true for the development of infrastructure.

Transnational programmes under the territorial co-operation objective

In contrast to the transnational Baltic Sea Region Programme 2007-2013 operating in the same space, the cross-border South Baltic Area Programme features such economic, social and environmental topics, which are specific for this area and which result from a joint use of infrastructures and facilities as well as from existence of close-range networks built on people-to-people contacts.

The BSR Programme may provide inputs for the South Baltic Area Programme by setting a transnational framework for cross-border actions and by rendering solutions developed within the transnational framework for testing on the local ground. In the opposite direction, people-to-people contacts facilitated under the South Baltic Area Programme may produce such practical solutions to identified development problems, which become applicable even at a scale of the whole Baltic Sea Region. Such solutions may be promoted by the BSR Programme and incorporated into transnational strategies and actions, which would form a basis for concrete investments.

A distinction between the two programmes is settled through a decision of the Joint Programming Committee for the BSR Programme not to consider eligible project proposals formulated by partnerships coming merely from inside the cross-border area within the territorial range of the BSR Programme. In effect, the BSR Programme by definition excludes project proposals promoted by partners only from the South Baltic area. This clear principle helps differentiate the South Baltic Area Programme from any actions at the transnational level not only because of specific co-operation topics but also by means of exclusive project partnerships.

Other cross-border programmes

The programme area partly overlaps with co-operation areas of three other cross-border programmes, namely: Öresund – Kattegat – Skagerrak, Mecklenburg-Vorpommern – Zachodniopomorskie and Latvia – Lithuania. While the two last ones are territorially smaller and confined to land-border issues, the large multilateral Öresund – Kattegat – Skagerrak

programme due to affinity of the co-operation content may potentially generate some overlaps with the South Baltic Area Programme.

Although the Öresund – Kattegat – Skagerrak programme has twice as large budget for joint actions, it consists of two sub-programmes, whereof one, named ‘Öresund Region’, operates in the same space as the South Baltic Area Programme but on the bilateral basis. While this co-operation scheme gives already a distinct denominator compared with the South Baltic Area Programme, some provisions have been made in order to minimise a risk of duplication of financial assistance. The South Baltic Area Programme features a clear profile based on the cross-border and multilateral dimension of envisaged actions and on exclusive selection of such co-operation topics, which match the specificity of the socio-economic development of the whole programme area. Further, it is envisaged to establish working contacts between the management structures of the two programmes and to arrange exchange meetings on the project co-operation and drawing on mutual inspiration during the implementation of both programmes.

The South Baltic Programme also overlaps partly with a cross-border co-operation programme implemented within the framework of the European Neighbourhood and Partnership Instrument between Poland, Lithuania and Kaliningrad Oblast of the Russian Federation. Both programmes aim at promoting cross-border contacts, however the ENPI initiative is focused on development of cross-border co-operation with EU partner countries. In accordance with article 21 of the ERDF regulation the possibilities of co-financing project activities outside the EU territory from ERDF resources within the South Baltic Area Programme are very limited (max. 10% of the ERDF allocation to the programme). Consequently, partners from Kaliningrad region should make use of the opportunities offered by the European Neighbourhood and Partnership Instrument within the Poland-Lithuania-Russia programme in cross-border context as well as of the Baltic Sea Region Programme in a transnational environment. The South Baltic Area Programme may complement these activities by encouraging co-operation with Kaliningrad region, under the condition set out in the ERDF regulation that these undertakings will be for the benefit of the EU regions.

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

While the main value of interregional co-operation lies in Europe-wide exchange of experience and commonly developed models, the South Baltic Area Programme may use interregional co-operation structures for disseminating the programme experience in such fields as: development of transport and logistics solutions, combating environmental pollution and eutrophication, energy saving patterns, development of sustainable tourism and many others.

In that respect especially important is channelling of the experience and best practice from the South Baltic networks as laid down in the EU policy instrument named ‘Regions for Economic Change’. This encapsulates themes focused on economic modernisation and the renewed Lisbon agenda (such as bringing innovative ideas faster to the market, managing migration and facilitating social integration, moving to a low carbon economy and bringing e-governments to regions and businesses).

Vice versa, results of interregional co-operation and the transfer of good experience within the framework of the ‘Regions for Economic Change’ can contribute to formulation and implementation of cross-border projects based on collaboration networks.

Special attention shall be given to the services provided by the INTERACT II programme. This EU-wide programme focuses on the good governance of territorial co-operation and provides needs-based support to stakeholders involved in implementing programmes under the European Territorial Co-operation objective. The target groups for INTERACT are

primarily the authorities to be established according to Council Regulations 1083/2006 and 1080/2006 as well as other bodies involved in programme implementation. In order to ensure maximum benefit from the INTERACT programme for the implementing bodies of this programme, the use of INTERACT services and documentation as well as the participation in INTERACT seminars will be encouraged.

Sectoral initiatives

Acting under the territorial co-operation objective, the South Baltic Area Programme adds a territorial dimension to sector programmes, looking at the area development from a comprehensive territorial, socio-economic, environmental and cultural perspective. It intends to contribute to creation of the functional region in the South Baltic area by strengthening its potentials and diminishing its weaknesses, contrary to sector initiatives, which promote rather narrow thematic fields.

As an example, future projects seeking support within the priority of economic competitiveness (heading on transport accessibility) of the South Baltic Area Programme shall refer to European transport and ICT policy documents (e.g. White Paper on European Transport Policy for 2010, TEN-T guidelines, documents on rail transport and interoperability and on more competitive public transport etc.). The approach promoted in the South Baltic Area Programme is, however, much broader, as it features a socio-economic development background of the identified problems and shows a territorial impact of the envisaged solutions. Another example is the EU 7th framework programme on research and technological development, which may be complemented through cross-border actions in the South Baltic area under the priority of economic competitiveness (heading on entrepreneurial development). In the opposite direction, cross-border projects may cater on issues, which may be further investigated in the research framework programme.

The South Baltic Area Programme partly operates in the same sectors as the rural development programmes financed under the European Agricultural Fund for Rural Development (EAFRD), particularly axis 3 (The quality of life in rural areas and diversification of the rural economy) and axis 4 (Local Action Groups). The major difference between the South Baltic Area Programme and actions eligible under the EAFRD is the geographical dimension of operations. Projects expected under the aforementioned axes are targeted at local or regional levels and dedicated to growth of local communities (farmers, forest owners, economic operators). Therefore, in contrast to the South Baltic Area Programme, they do not feature any comprehensive socio-economic development approach and do not intend to contribute to strengthening of a given territory.

In the least-favoured regions in the new Member States the South Baltic Area Programme may supplement actions co-financed by the new European Fisheries Fund (EFF), especially with regard to sustainable development of coastal fishing areas, which are in the process of economic decline. This may occur in case the programme prepares some pilot solutions for the coastal areas based on a territorial and socio-economic development approach to identified problems.

The South Baltic Area Programme also promotes actions of a similar character to the European Social Fund (ESF), especially in the priority of economic competitiveness (heading on integration of higher education and labour markets). These actions will, however, always be done in a territorial and socio-economic development context, bearing in mind competitiveness and cohesion of the whole South Baltic area.

It should be highlighted that the main factor differentiating projects co-financed within the South Baltic Programme from those implemented under sectoral initiatives is their cross-

border character, which implies that undertakings are implemented jointly by partners from at least two programme countries.

10. PROGRAMME IMPLEMENTATION STRUCTURES

With regard to the implementation of the South Baltic Programme, Poland, Denmark, Germany, Lithuania, and Sweden have agreed on the structures and rules presented in this chapter. However, more detailed and supplementing provisions shall be included in a programme manual. The programme manual shall be adopted by the Monitoring Committee. Among other things, it shall contain a more detailed description of rules to determine the eligibility of expenditures financed by this programme and applicable in the entire programme area, guidelines on programme management, and guidelines on management of operations. The provisions of the programme manual shall be binding both to the bodies implementing the programme and to the lead beneficiaries/other beneficiaries of the programme.

MONITORING COMMITTEE

The Monitoring Committee (MC) will be set up within three months from the date of the notification to the Member State of the Commission decision approving the operational programme.

In accordance with Article 14(3) of the ERDF Regulation, each Member State participating in the programme shall appoint representatives to sit on the Monitoring Committee within 30 days of the Commission's approval of the programme. The MC will be composed of the representatives of national and regional levels, euroregions as well as social and economic partners. At its own initiative or at the request of the Monitoring Committee, a representative of the Commission shall participate in the work of the MC in an advisory capacity. A representative of the EIB and the EIF may also participate in an advisory capacity. Representatives of the Managing Authority, and, when appropriate, the Certifying Authority and the Audit Authority shall also participate in the work of the MC. The Joint Technical Secretariat shall assist the work of the MC.

The MC shall be chaired by the representatives of the Member States participating in the programme.

Decisions by the MC shall be made by consensus among the national delegations of the Member States participating in the programme. Meetings of the MC shall be held at least twice a year. Decisions may also be taken in written procedure.

The MC will draw up its rules of procedure within the institutional, legal and financial framework of the Member States concerned, which shall be adopted in agreement with the managing authority.

Details on composition, chairmanship and decision-making in the MC will be determined in the above mentioned rules of procedure.

The Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the operational programme, in accordance with the following provisions:

- it shall consider and approve the criteria for selecting the operations financed within six months of the approval of the operational programme and approve any revision of those criteria in accordance with programming needs;
- it shall periodically review progress made towards achieving the specific targets of the operational programme on the basis of documents submitted by the managing authority;
- it shall examine the results of implementation, particularly the achievement of the targets set for each priority axis and the evaluations;

- it shall consider and approve the annual and final reports on implementation;
- it shall be informed of the annual control report and of any relevant comments the Commission may make after examining that report;
- it may propose to the managing authority any revision or examination of the operational programme likely to make possible the attainment of the Funds' objectives referred to in Article 3 or to improve its management, including its financial management;
- it shall consider and approve any proposal to amend the content of the Commission decision on the contribution from the Funds.

Furthermore the MC shall:

- adopt a programme manual and approve any amendments to it;
- approve the application package;
- decide on the execution of evaluations as referred to in article 48 (3) of the General Regulation;
- approve the communication plan as defined in Article 2(2) of Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (hereinafter referred to as “Implementing Regulation”) and drawn up by the Managing Authority before it is sent to the Commission; the same applies in case of any major amendments to the communication plan;
- confirm the draft description of the management and control systems of the programme as required by Article 71(1) of the General Regulation and Articles 21-24 of the Implementing Regulation before it is submitted to the European Commission by the Managing Authority.

STEERING COMMITTEE

For the purpose of selecting operations for funding and co-ordinated monitoring of project implementation a Steering Committee (SC) will be established.

The Steering Committee will be composed of the representatives of national and regional governments and euroregions. A representative of the European Commission may participate in the work of the SC in an advisory capacity. Environmental experts should be included in the composition of the SC.

The SC will draw up its rules of procedure, including details on composition, chairmanship and decision-making in the committee. Rules of procedure of the SC shall be adopted by the MC. In order to ensure co-ordination of the Monitoring and Steering Committees works the meetings of both committees should be organised, as far as possible, at the same time and place.

MANAGING AUTHORITY

In accordance with article 60 of Regulation (EC) No 1083/2006, the Managing Authority (MA) of a programme is responsible for management and implementation of the Operational Programme in accordance with the principle of sound financial management. The MA is in particular responsible for:

- ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;

- ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring that the evaluations of operational programme are carried out in accordance with Article 47 of the General Regulation;
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held,
- ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- guiding the work of the monitoring and steering committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- drawing up and, after approval by the monitoring and steering committee, submitting to the Commission the annual and final reports on implementation;
- ensuring compliance with the information and publicity requirements.

With regard to verification of regularity of operations and expenditures in relation to national and Community rules, the managing authority of the SB programme satisfies itself that the expenditure of each beneficiary participating in an operation has been validated by an appropriate controller at a national level. Certificates issued by the national controllers for all project partners are submitted by the lead beneficiary together with a payment claim.

Furthermore the Managing Authority shall:

- set up a Joint Technical Secretariat (Art. 14(1) of the ERDF Regulation);
- in collaboration with the MC, carry out monitoring by reference to financial indicators and the indicators referred to in Article 12(4) of the ERDF Regulation specified in the programme (Article 66(2) of the General Regulation);
- in collaboration with the Commission, annually examine the progress made in implementing the programme, the principle results achieved over the previous year, the financial implementation and other factors with a view to improving implementation (Article 68(1) of the General Regulation);
- inform the MC of the comments made by the Commission after the annual examination of the programme as defined in Article 68 of the General Regulation (Article 68(2) of the General Regulation);
- confirm the selection of operations outside the eligible area as referred to in Articles 21(1) of the ERDF Regulation (Article 21(4) of the ERDF Regulation);
- in collaboration with the Audit Authority, draw up the description of the management and control systems of the programme as defined by Article 71(1) of the General Regulation and Articles 21-24 of the Implementing Regulation.

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

The functions of the Managing Authority will be fulfilled by:

Ministry for Regional Development of Poland
Territorial Cooperation Department

ul. Wspólna 2/4
Warsaw

In accordance with Article 59(3) of the General Regulation, the Member States participating in the programme will lay down rules governing their relations with the Managing Authority and its relations with the European Commission. For this purpose, the Member States participating in the programme will make a joint agreement.

CERTIFYING AUTHORITY

In accordance with Article 61 of the General Regulation the functions of the joint certifying authority include:

- drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- certifying that:
 - the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
 - the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
- ensuring for the purposes of certification that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;
- maintaining accounting records in computerised form of expenditure declared to the Commission;
- keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the operational programme by deducting them from the next statement of expenditure.

Furthermore the Certifying Authority shall be responsible for:

- receiving payments made by the Commission (advance, interim payments and payment of the final balance as defined in Article 76(2) of the General Regulation) and making payments to lead beneficiaries;
- at the latest by 30 April each year, sending the Commission a provisional forecast of its likely applications for payment for the current financial year and the subsequent financial year (Article 76(3) of the General Regulation);
- posting any interest generated by the pre-financing (Article 82(1) of the General Regulation) to the programme, being regarded as resource for the Member States participating in the programme in the form of a national public contribution. It shall be declared to the Commission at the time of the final closure of the programme (Article 83 of the General Regulation);
- sending requests for interim payments, as far as possible, on three separate occasions a year. For a payment to be made by the Commission in the current year, the latest date on which an application for payment shall be submitted is 31 October (Article 87(1) of the General Regulation);
- ensuring that lead beneficiaries receive the total amount of the public contribution as quickly as possible and in full. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the lead beneficiaries (Article 80 of the General Regulation);

- without prejudice to the Member States' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, ensuring that any amount paid as a result of an irregularity is recovered from the lead beneficiary (Article 17(2) of the ERDF Regulation);
- by 31 March each year as from 2008, sending to the Commission a statement on withdrawn and recovered amounts and pending recoveries as defined in Article 20(2) of the Implementing Regulation.
- Applying Article 59(4) of the General Regulation, whereby some or all authorities referred to in Article 59(1) of the General Regulation may be part of the same body, the

Member States participating in the programme hereby decide to designate the

Ministry of Regional Development of Poland

Department of Certifying Authority

Warsaw

to fulfill the functions of the Certifying Authority.

To provide for compliance with the principle of separation of functions between the Managing Authority and the Certifying Authority (Article 58(b) of the General Regulation), Ministry of Regional Development of Poland ensures within its organisational framework that both functions are fulfilled by two separate departments.

AUDIT AUTHORITY

The tasks of the single Audit Authority include:

- ensuring that audits are carried out to verify the effective functioning of the management and control system of the operational programme;
- ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- presenting to the Commission within nine months of the approval of the operational programme an audit strategy covering the bodies which will perform the audits ,the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;
- by 31 December each year from 2008 to 2015:
 - submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008.The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration;
 - issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
 - submitting, where applicable under Article 88 of the Council Regulation (EC) No 1083/2006,a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

- submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

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

Where the audits and controls described in this section are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies are functionally independent.

Furthermore, the Audit Authority shall

- draw up the report and the opinion referred to in Article 71(2) of the General Regulation in accordance with Article 25 of the Implementing Regulation;
- chair the Group of Auditors (Article 14(2) of the ERDF Regulation); i.a., chairmanship shall include convening the Group of Auditors to meetings at regular intervals, setting up the respective agenda, etc.

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

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

Ministry of Finance
General Inspector for Fiscal Control
Warsaw

GROUP OF AUDITORS

The audit authority for the programme shall be assisted by a group of auditors comprising a representative of each Member State participating in the operational programme and carrying out the duties provided for in Article 62 of Regulation (EC) No 1083/2006. The group of auditors will be set up within three months of the decision approving the operational programme. The Group of Auditors shall draw up its own rules of procedure. It will be chaired by the audit authority for the operational programme.

JOINT TECHNICAL SECRETARIAT

The Managing Authority, after consultation with the Member States represented in the Programme will set up a joint technical secretariat (JTS), which will assist the managing authority, the MC, and, where appropriate, the audit authority, in carrying out their respective duties.

The tasks of the JTS, inter alia, include:

- promotion and providing information about the programme and its objectives;
- providing assistance and advice to potential programme beneficiaries;
- receiving and registering project applications,
- being in charge of the day-to-day implementation of the programme;
- preparation of the Monitoring and Steering Committee meetings and providing it with all relevant documentation;
- assisting the managing authority in implementation of the programme as well as its monitoring.

The JTS will be located in Gdansk.

The employees of the secretariat shall come from the countries participating in the programme.

The JTS shall be funded from the Technical Assistance budget.

CONTACT POINTS

Taking into account that the programme area is large and includes five Member States, Contact Points (CPs) will be established in Sweden, Germany, Lithuania and Denmark (Bornholm). The CPs shall co-operate with the MA and shall assist the JTS in fulfillment of its tasks and, therefore, will be acting in co-operation with the JTS and under its direction. In particular, the CPs participate in the project generation process (promoting the programme, providing information to potential beneficiaries), they will also take part in the assessment of submitted applications. The costs related to functioning of the contact points shall be co-financed from the programme technical assistance budget.

11. PROJECT SELECTION PROCEDURE

PROGRAMME BENEFICIARIES

The following legal entities may be funded by the programme (within priority 1 and 2) as lead beneficiaries or other beneficiaries of an operation:

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

Within this category the following entities, among others, can be lead beneficiaries or other partners of the joint projects:

- o educational institutions
 - o non-governmental organisations,
 - o R&D institutions,
 - o entrepreneurship and innovation development support structures,
 - o national and landscape parks, bodies responsible for management of protected areas,
- c) associations formed by one or several regional or local authorities
 - d) associations formed by one or several bodies governed by public law as defined under b).

GENERATION OF PROJECTS

The process of creating project ideas and their further development is a vital part of the programme implementation, which should ensure a sufficient number of good quality projects that cover all the programme themes.

The important rule to follow during the generation of projects is to fulfill the fundamental requirements of the programme, which consist in ensuring cross-border effect of the planned

operations. Projects of cross-border character should be prepared jointly by partners coming from different countries and, after approval by the Monitoring and Steering Committees, jointly implemented with the use of lead beneficiary principle.

Throughout the whole process of project preparation, the programme implementation structures shall proactively provide the support to the applicants. In order to support the creation of cross-border partnerships joint international meetings, seminars, and partner search fora should be organised. Programme website shall offer a platform for the presentation of project ideas and ex-change of information about potential project partners. The MA, JTS, Contact Points and national/regional institutions involved in the programme implementation are responsible for diffusion of information about the programme and promotion of partnerships building process. The JTS and contact points will ensure day-to-day contacts with potential beneficiaries. Thematic seminars or workshops may be organised with reference to specific programme priorities in order to provide experts input on a given theme and to facilitate partner search.

ASSESSMENT OF APPLICATIONS AND PROJECT SELECTION CRITERIA

The application form shall be filled in in English.

All applications are subject to formal (eligibility) and quality assessment.

In accordance with Article 65 of the General Regulation, the detailed project selection criteria shall be consider and approved by the MC within six months of the approval of the operational programme.

During the formal assessment, the JTS checks if the operation meets the minimum cooperation requirements according to Article 19 (1) of the ERDF Regulation, meaning:

- beneficiaries co-operate in at least two of the following ways:
 - joint development;
 - joint implementation;
 - joint staffing;
 - joint financing of a project;
- project partnership includes at least two partners from at least two different Member States involved in the Programme;
- the lead beneficiary and other partners are eligible applicants defined in the Programme;
- the project is implemented within the eligible area.

The quality assessment of project applications is carried out together by the JTS and external experts on the basis of unified selection criteria, which shall be approved by the MC. During the quality assessment the following aspects will, inter alia, be verified:

- cross-border impact of the project;
- chosen project strategy, activities and their input into attaining objectives of the Programme;
- long-term project sustainability (organisational, financial, etc);
- budget and economic evaluation of the project (efficient use of allocated funds).

Detailed list of all project selection criteria will be approved by the Monitoring and Steering Committees. A list of applications approved by the Monitoring Committee shall be posted on the programme website.

CONTRACT WITH THE LEAD BENEFICIARY

The JTS informs lead applicants of the MC decision on co-financing of their project proposals. Subsequently, the JTS prepares required documents for legal tying of the ERDF

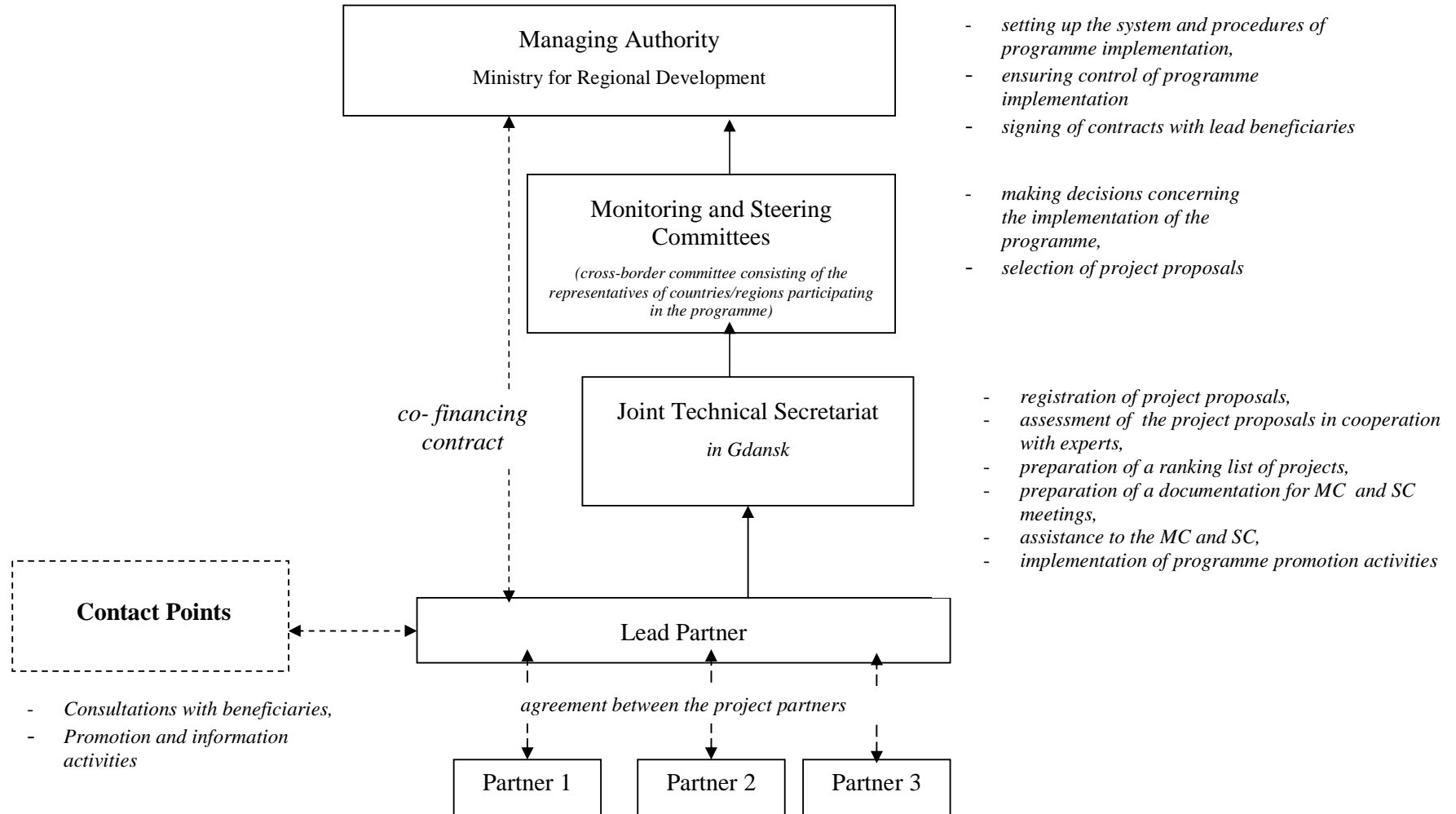
funds with the lead beneficiaries. The contract defines provisions on which ERDF co-financing is awarded to the projects. The contract is signed with the lead beneficiary of a project, who according to art. 20 of the ERDF Regulation, is responsible for:

- laying down the arrangements for its relations with the beneficiaries participating in the operation in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- ensuring the implementation of the entire operation;
- transferring the ERDF contribution to the beneficiaries participating in the operation.

Each beneficiary participating in the operation should implement the activities agreed with other project partners and described in the project work plan. All project partners assume responsibility in the event of any irregularity in the expenditure that they have declared.

In accordance with Article 20 of the ERDF Regulation lead beneficiaries will lay down the arrangements for their relations with other project partners participating in the operation in a partnership agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid.

Contracting procedure in the South Baltic Programme chart:



12. FINANCIAL FLOWS WITHIN THE PROGRAMME

SINGLE BANK ACCOUNT

Joint programme budget will consist of ERDF allocation and national public contributions of the Member States.

In accordance with Article 17 of the ERDF Regulation the contribution from the ERDF to the programme will be paid into a single bank account.

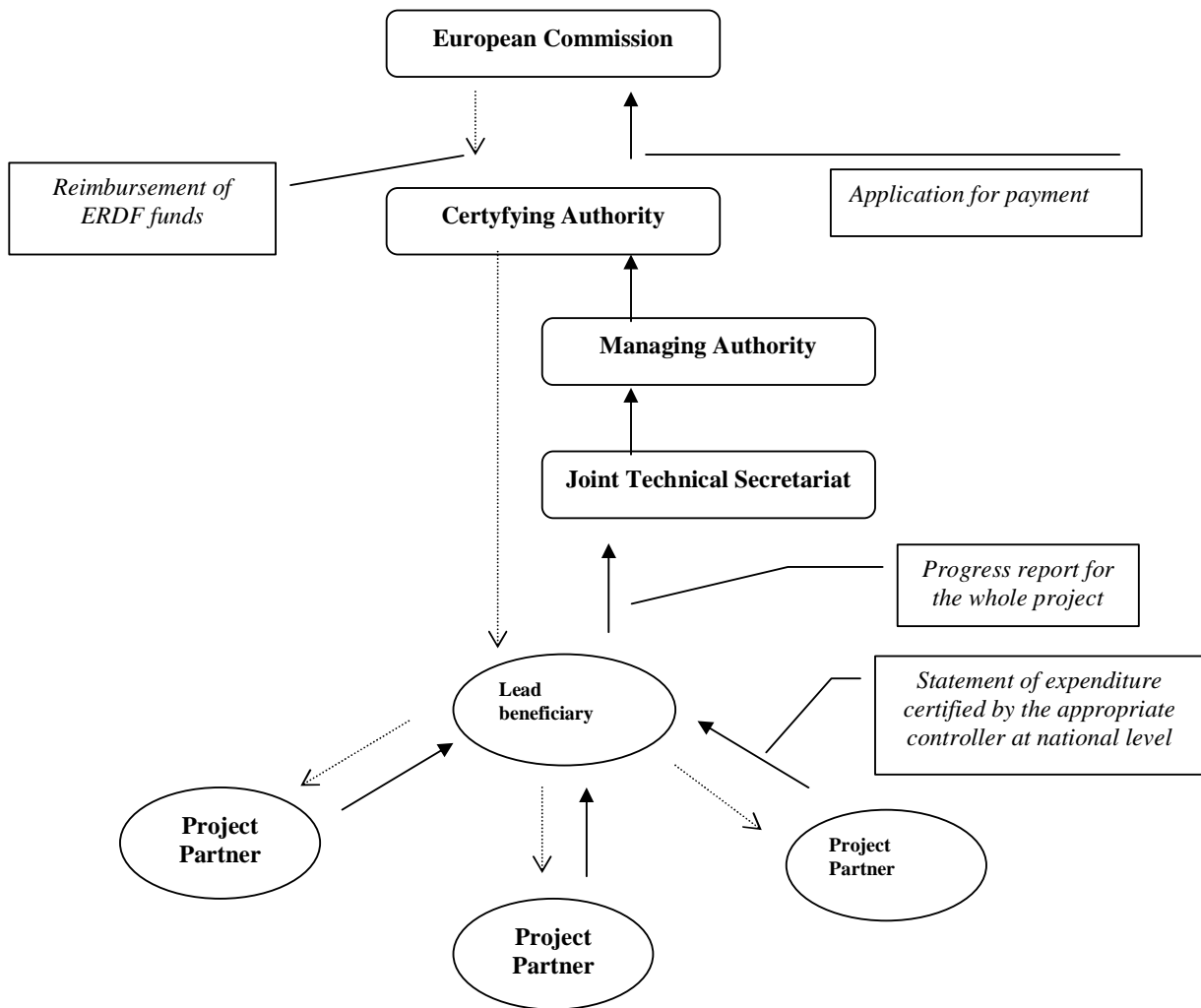
REIMBURSEMENT OF EXPENDITURES OF LEAD PARTNERS AND OTHER PARTNERS

All project partners implement activities planned for them in the description of a project. Expenditures incurred by the partners are presented in the form of statements that need to be verified by appropriate controllers at a national level.

On the basis of statements of expenditure received from the project partners lead partners prepare quarterly progress reports composed of financial and activity reports. Progress reports are submitted to the Joint Technical Secretariat. The JTS compiles joint application for payment at the programme level. Application for payment is verified by the Managing Authority and then send to the Certifying Authority, which initialize payments (in EUR) to the lead beneficiaries.

The Certifying Authority draws-up and submits to the Commission certified statements of expenditure and applications for payment as laid down in Article 78 of the General Regulation. The CA receives payments made by the Commission (payments on account, interim payments and the payment of the final balance, as defined in Article 76(2) of the General Regulation).

Financial flows chart:



RECOVERY OF ERDF FUNDING

In accordance with Article 17 of the ERDF Regulation, without prejudice to the Member States' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, the Certifying Authority shall ensure that any amount paid as a result of an irregularity is recovered from the lead beneficiary. The project partners shall repay the lead beneficiary any amounts unduly paid in accordance with the agreement existing between them.

If the lead beneficiary does not succeed in securing repayment from a project partner, it is the responsibility of the Member State on whose territory the beneficiary concerned is located to reimburse the Certifying Authority the amount unduly paid to that partner.

FINANCIAL CONTROL SYSTEM

In accordance with Article 16 of the ERDF Regulation in order to validate the expenditures made by project partners during the implementation of the operations, each Member State shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations and the compliance of such expenditure with Community rules and its national rules.

Each Member State participating in the South Baltic Programme shall designate controllers responsible for verifying the legality and regularity of the expenditure declared by project partners.

Where the delivery of the products and services co-financed can be verified only in respect of the entire operation, the verification shall be performed by the controller of the Member State where the lead beneficiary is located or by the Managing Authority.

The MA should be regularly informed about the control systems established by the Member States.

13. MONITORING AND EVALUATION OF THE PROGRAMME

PROGRAMME MONITORING SYSTEM

Basic information on projects approved for financing is aggregated in order to serve as a basis for drawing up reports on the Programme and for the purpose of evaluations. All stages of the project implementation shall be monitored.

Data received from lead beneficiaries is compiled at the programme level in order to prepare annual and final reports, which after approval by the Monitoring Committee, are sent by the Managing Authority to the European Commission (in accordance with Article 67 of the General Regulation).

The Managing Authority will submit annual reports by 30 June each year (for the first time in 2008). The annual reports will be drafted by the Joint Technical Secretariat. A final implementation Report will be submitted to the Commission by 31 March 2017.

EXCHANGE OF DATA WITH THE COMMISSION

The exchange of data between the Commission and the Managing Authority will be carried out electronically in accordance with Article 66 (3) of the General Regulation.

Data will be transferred through Structural Funds Common (SFC) Database established by the European Commission.

Data exchange will refer to the information required to Articles 28, 29 and 30 of the Implementing Regulation.

PROVISIONS CONCERNING EVALUATION OF THE PROGRAMME

The evaluation of the Programme is carried out according to Articles 47 - 49 of the General Regulation.

The aim of the programme evaluation is to improve the quality, effectiveness and consistency of the assistance from the EU Funds, and its consistency with the EU and the Programme partners objectives. It also directs to improve the strategy and to make programme implementation more effective. The evaluations will be carried out by external experts.

Draft Operational Programme of cross-border co-operation in the South Baltic area has been subject to *ex ante* evaluation in order to improve the quality of the programming process.

During the programme implementation the evaluations linked to Programme monitoring may be made (especially when programme monitoring reports reveal departures from the goals set in the Operational Programme). The Monitoring Committee will decide about such evaluations.

In compliance with Article 49 of the General Regulation, the *ex-post* evaluation is the responsibility of the European Commission together with the Member States.

14. INFORMATION AND PUBLICITY

According to Article 69 of the General Regulation, the MA and Member States participating in the Programme provide information on the Programme and operations undertaken within it and ensure programme publicity. The aim is to transparently inform the public and beneficiaries about the Programme and the European Community role.

The MA is responsible for providing information and publicity of the whole Programme. The JTS will proactively assist the MA in fulfilment of this task.

COMMUNICATION PLAN

Provisions concerning the communication plan are set down in Articles 2 – 10 (Chapter II, Section 2) of the Implementing Regulation. The Managing Authority will submit the communication plan to the Commission within four months from the date of adoption of the Programme.

According to Article 2 of the Implementation Regulation, the plan and its major amendments are drawn up by the MA and, among the others, shall contain description of the objectives and target groups, the strategy and content of the information measures, indicative budget and bodies responsible for implementation of the plan. All information and publicity measures are aimed at potential and final beneficiaries as well as the public.

The MA shall inform the MC on the plan implementation, information measures taken, and measures for ensuring publicity.

15. FINANCIAL TABLES

In accordance with art. 12 of the ERDF Regulation Operational Programme for ETC Objective should contain single financing plan containing two tables:

- a table breaking down for each year the amount of the total financial appropriation envisaged for the contribution from the ERDF,
- a table specifying, for the whole programming period, for the operational programme and for each priority axis, the amount of the total financial appropriation of the Community contribution and the national counterparts, and the rate of the ERDF contribution.

Funds are allocated to two thematic priorities on the basis of a 40%/60% split with an equal reduction from both for allocation to the Technical Assistance Priority which gives a final division of 57%/37%/6%.

Such a distribution scheme results from several reasons, Priority 2 features a bigger volume of investment projects, the envisaged actions are more numerous and diversified, and costs of achieving the expected results seem higher. Further, priority 2 foresees tourism development and environment protection projects, which have proved to be examples of more budgeted cross-border co-operation initiatives under other cross-border co-operation programmes.

In accordance with art. 21 of the ERDF Regulation within the South Baltic Programme the ERDF may finance expenditure incurred in implementing operations or parts of operations up to a limit of 20 % of the amount of its contribution to the operational programme concerned in NUTS level 3 areas adjacent to the core programme area. The ERDF may also finance expenditure incurred in implementing operations or parts of operations on the territory of countries outside the European Community up to a limit of 10 % of the amount of its contribution to the operational programme concerned, where they are for the benefit of the regions of the Community.

Table 1. European Regional Development Fund allocation to the South Baltic Programme – breakdown by years

Year	ERDF
2007	8 399 387
2008	8 067 444
2009	8 250 293
2010	8 555 025
2011	8 866 764
2012	9 202 493
2013	9 394 253
Total	60 735 659

Table 2. Programme allocation by priorities and sources of financing

Priority	ERDF (a)	National co-financing		Total funding (d)=(a)+(b)+(c)	Co-financing rate (f)=(a)/(d).	For information	
		National public (b).	National private (c)			EIB	other
Priority 1	22472194	5271255	-	27743449	81%	-	-
Priority 2	34619326	8120583	-	42739908	81%	-	-
Priority 3 (TA)			-			-	-
Total:			-			-	-

Table 3: Indicative breakdown by category of the programmed use of the contribution from the ERDF to the operational programme:

PRIORITY 1 Economic competitiveness

<i>Code</i>	<i>Priority theme</i>	%
Research and technological development (R&TD), innovation and entrepreneurship		
03	<i>Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, postsecondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc.)</i>	

04	<i>Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)</i>	
05	<i>Advanced support services for firms and groups of firms</i>	
09	<i>Other measures to stimulate research and innovation and entrepreneurship in SMEs</i>	

Information society

11	<i>Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)</i>	
12	<i>Information and communication technologies (TEN-ICT)</i>	
13	<i>Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)</i>	
15	<i>Other measures for improving access to and efficient use of ICT by SMEs</i>	

Transport

23	<i>Regional/local roads</i>	
24	<i>Cycle tracks</i>	
28	<i>Intelligent transport systems</i>	
30	<i>Ports</i>	
31	<i>Inland waterways (regional and local)</i>	

Urban and rural regeneration

61	<i>Integrated projects for urban and rural regeneration</i>	
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Increasing the adaptability of workers and firms, enterprises and entrepreneurs

62	<i>Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation</i>	
64	<i>Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills</i>	

Improving access to employment and sustainability

65	<i>Modernisation and strengthening labour market institutions</i>	
66	<i>Implementing active and preventive measures on the labour market</i>	
68	<i>Support for self-employment and business start-up</i>	
69	<i>Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons</i>	
70	<i>Specific action to increase migrants' participation in employment and thereby strengthen their social integration</i>	

Improving human capital

72	<i>Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy</i>	
73	<i>Measures to increase participation in education and training throughout the lifecycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial</i>	
74	<i>Developing human potential in the field of research and innovation, in</i>	

	<i>particular through post-graduate studies and training of researchers, and networking activities between universities, research centers and businesses</i>	
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PRIORITY 2: Attractiveness and common identity

Code	Priority theme	%
Energy		
39	<i>Renewable energy: wind</i>	
40	<i>Renewable energy: solar</i>	
41	<i>Renewable energy: biomass</i>	
42	<i>Renewable energy: hydroelectric, geothermal and other</i>	
43	<i>Energy efficiency, co-generation, energy management</i>	
Environmental protection and risk prevention		
44	<i>Management of household and industrial waste</i>	
46	<i>Water treatment (waste water)</i>	
47	<i>Air quality</i>	
48	<i>Integrated prevention and pollution control</i>	
49	<i>Mitigation and adaptation to climate change</i>	
51	<i>Promotion of biodiversity and nature protection (including Natura 2000)</i>	
53	<i>Risk prevention (including the drafting and implementation of plans and measures to prevent and manage natural and technological risks)</i>	
54	<i>Other measures to preserve the environment and prevent risks</i>	
Tourism		
55	<i>Promotion of natural assets</i>	
56	<i>Protection and development of natural heritage</i>	
57	<i>Other assistance to improve tourist services</i>	
Culture		
58	<i>Protection and preservation of the cultural heritage</i>	
59	<i>Development of cultural infrastructure</i>	
60	<i>Other assistance to improve cultural services</i>	
Mobilisation for reforms in the fields of employment and inclusion		
80	<i>Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders</i>	
Strengthening institutional capacity at national, regional and local level		
81	<i>Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes</i>	

PRIORITY 3: Technical Assistance

Code	Priority theme	%
85	<i>Preparation, implementation, monitoring and inspection</i>	
86	<i>Evaluation and studies; information and communication</i>	

16. MAIN FINDINGS OF THE EX-ANTE EVALUATION AND INFORMATION ON STRATEGIC ENVIRONMENTAL ASSESSMENT

to be completed

ANNEXES