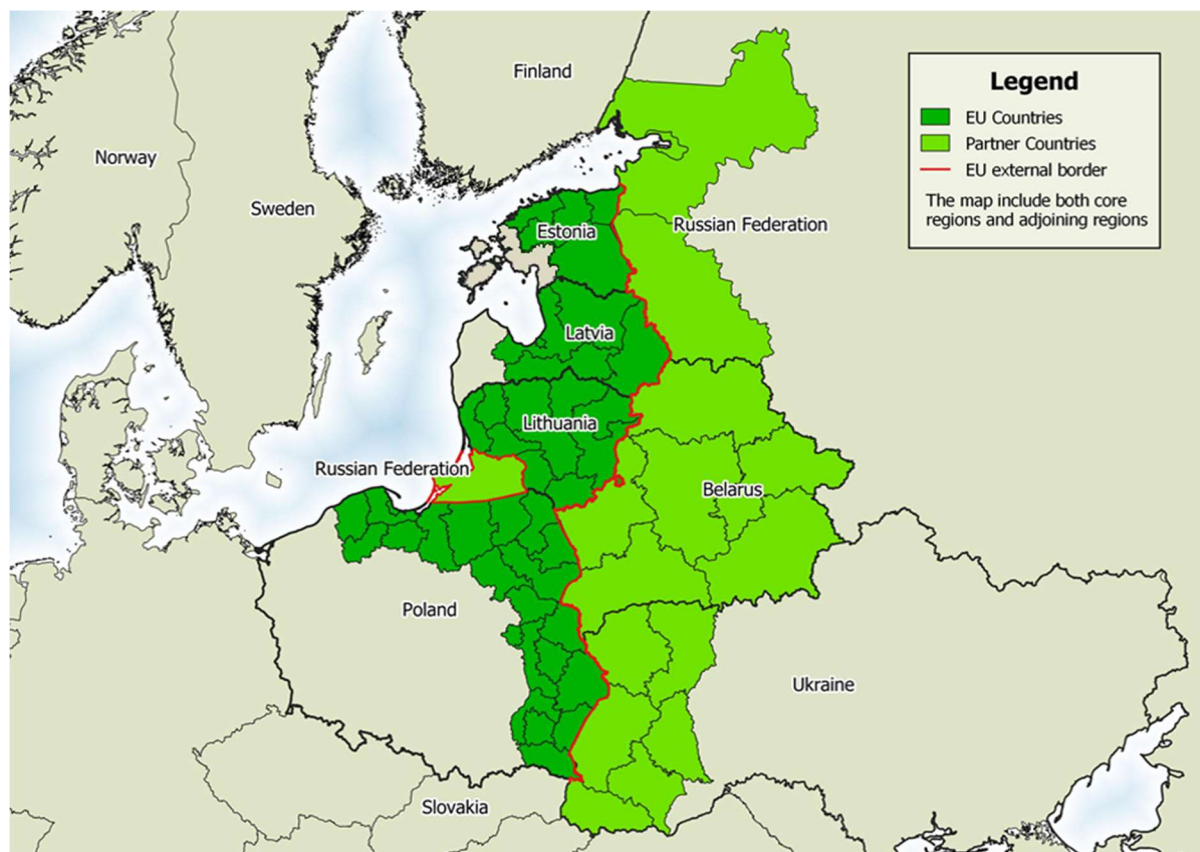


ANNEX II

Orientations for the Interreg NEXT cooperation between Baltic States, Poland, Russia, Belarus and Ukraine



This is the second of the five annexes accompanying the “*Joint paper on Interreg NEXT Strategic programming*”, proposed by the European Commission and the European External Action Service (EEAS).

Notwithstanding that the future cross-border cooperation on the EU’s external borders is designed on the principles of the territorial cooperation between EU Member States, the cooperation with partner countries represents a unique dimension, with his own specificities. The Interreg NEXT programmes are bound both to contribute to the development of cross-border and transnational (sea-basin) areas they cover, but also, to foster people to people cooperation between regional and local stakeholders across borders.

This annex aims at promoting the exchanges on the 2021-2027 cross-border cooperation on the EU external border with the partner countries (Russia, Belarus and Ukraine) and EU Member States covered by this geographic cluster area. It does *not* represent the negotiating position of the European Commission and EEAS, but it rather aims at providing ideas, options and orientations on the thematic focus of the future programmes.

The document presents the socio-economic and territorial characteristics of the countries that are part of the cluster area, currently covered by 6 ENI CBC Programmes¹, within the general framework of the future Interreg NEXT. The document offers in particular orientations for potential cooperation themes and actions.

Executive Summary

The cluster area is very heterogeneous. It includes four EU Member States (Estonia, Latvia, Lithuania and Poland) and three partner countries (Belarus, Russia and Ukraine). The cluster area includes land borders between the Baltic States and Poland with Russia, Latvia, Lithuania and Poland with Belarus and Poland with Ukraine. The structure of the currently ongoing ENI CBC 2014-2020 programmes is also very diverse. There are **six different programmes**:

- 1) two trilateral ones between Latvia, Lithuania, Belarus and Poland, Belarus, Ukraine, and
- 2) four bilateral ones between Baltic States, Poland and Russia.

Poland and Lithuania cooperate with Kaliningrad region while Estonia and Latvia cooperate with larger Russian regions, which include a major metropolis: Saint Petersburg. The total financial size of the programmes varies **from rather small bilateral programmes** with an allocation of 27 million EUR to the **programme between Poland, Belarus and Ukraine**, which has a **significant allocation of over 200 million EUR**. All those factors contribute to the complexity and variety of this cluster area.

Besides existing differences, there are also some similarities, which can be found for the whole or at least part of the cluster area. Baltic States, Poland and Russia share the coastline of the Baltic Sea, also Belarus is present in the Baltic Sea region cooperation. The EU Member States are involved in the **EU Strategy for the Baltic Sea Region (EUSBSR)**. The EUSBSR is also open for cooperation with Belarus and Russia as one of the horizontal actions of the EUSBSR is specifically designed for cooperation with the EU neighbours. Another joint factor is nonetheless the predominance of the land borders in the cluster area.

Cross-border cooperation with Ukraine and Belarus is also a key component of the multilateral dimension of the European Neighbourhood Policy, the Eastern Partnership (EaP). Furthermore, the cross-border cooperation remains one of the means for practical cooperation between EU and the Russian Federation. It should focus namely on people-to-people cooperation and ensure a participative approach, fostering exchanges and cooperation between the EU and the local and regional authorities of the partner countries.

Based on the analysis of the area, the principle of thematic concentration and the added value which could in particular be provided by the future Interreg NEXT, the following thematic areas are suggested to be primarily tackled by programmes in this cluster area:

1. **Policy Objective 2** (focusing on climate change, natural risks, biodiversity, natural resources and air pollution) **for the whole cluster area.**
2. **Interreg Specific Objective 1** (focusing on institutional capacity, civil society, minorities) **for the whole cluster area.**

¹ Estonia- Russia ENI CBC 2014-2020; Latvia – Russia ENI CBC 2014-2020; Latvia-Lithuania-Belarus ENI CBC 2014-2020; Lithuania –Russia ENI CBC 2014-2020; Poland- Russia ENI CBC 2014-2020; Poland-Belarus-Ukraine ENI CBC 2014-2020.

3. **Interreg Specific Objective 2** (focusing on border crossing management) **for the whole cluster area.**

A horizontal recommendation for the whole cluster area is to support **people-to-people activities**. This can be done through small project funds under **Policy Objective 5** (territorial instruments, Europe and neighbourhood closer to citizens). Such actions could also be implemented under **Interreg Specific Objective 1** or other relevant Policy Objective. The importance of these objectives is also reflected in the principles that guide EU relations with Russia, which were defined by EU Foreign Ministers in March 2016. CBC is thus one of the few areas of cooperation that is still operational with Russia and it reinforces the people-to-people component of the EU's overall approach towards Russia.

In addition to the horizontal recommendations enlisted above programmes are also encouraged to support the following areas.

Bilateral programmes between Estonia and Latvia with Russia are suggested to tackle also **PO 1** (focusing on innovation, entrepreneurship and SME support).

Trilateral programmes between Latvia, Lithuania with Belarus and Poland with Belarus and Ukraine are suggested to tackle **PO 4** (focusing on employment, education, health).

Two bilateral programmes between Lithuania and Poland with Russia are encouraged to invest in any of the policy objectives recommended for the whole cluster area. **Trust building** through **people-to-people** activities should be supported as a horizontal objective.

Given the fact that intervention under **PO 3** (focusing on connectivity) demand very high investments in infrastructure which can be better achieved under other EU instruments cooperation under this objective is not encouraged.

Due importance needs to be paid to the governance of these programmes. The programmes will be able to build in the future on cooperation governance developed for internal Interreg programmes during the past 30 years. E.g. the selection of the projects has to be genuinely joint and based uniquely on the criteria of quality of the applications.

The programmes should strongly coordinate among each other from the programming phase: this is especially relevant e.g. in case of the programmes involving the Kaliningrad Region.

Based on the analysis of the thematic and functional areas, the political dimension and the need to start implementing the future programmes on time it is recommended to continue with the current geography for this cluster area.

Table of Contents

Introduction	1
Executive summary	2
Analysis of the border areas	5
Major strategic frameworks and political initiatives covering the cluster area	9
Thematic concentration	11
PO 1: “A smarter Europe and its neighbourhood”	11
PO 2: “A greener low-carbon Europe and its neighbourhood”	13
PO 3: “A more connected Europe with its neighbourhood”	17
PO 4 “A more social Europe and its neighbourhood”	18
PO 5 “Europe and its neighbourhood closer to their citizens”	19
ISO 1: A better cooperation governance for Europe and its neighbourhood	20
ISO 2: A safer and more secure Europe and its neighbourhood	21
Main geographic features and possible synergies with other cooperation programmes	22
Governance of the programmes	24
Conclusions	25

I. Analysis of the border areas²

- 1 The cluster area includes four EU Member States (Estonia, Latvia, Lithuania and Poland) and three partner countries (Belarus, Russia and Ukraine). The area comprises the land borders between the EU and the three partner countries, around the southern basin of the Baltic Sea and along the Polish-Belarusian-Ukrainian border.
- 2 The cluster area's borders consist of 3,781.3 km (including 240 km of sea border) from the Gulf of Finland in the North to the Poland-Ukraine border in the South.
- 3 This area comprises six different ENI CBC programmes³:
 - Estonia- Russia (Budget: 34.2⁴ MEUR)
 - Latvia – Russia (Budget: 27 MEUR)
 - Lithuania –Russia (Budget: 27.2 MEUR)
 - Poland- Russia (Budget: 62.3 MEUR)
 - Latvia-Lithuania-Belarus (Budget: 81.4 MEUR)
 - Poland-Belarus-Ukraine (Budget: 201.3 MEUR)
- 4 The cooperation area has a population of approximately 48 million inhabitants⁵.
- 5 All countries in the cluster area are characterised by negative demographic trends. In particular, EU Member States have experienced an overall reduction of the number of inhabitants during the last decade, while in the partner countries the population growth rate is nearly static (close to zero). In all countries, most inhabitants live in urban centres, however, in particular in the four EU Member States, the percentage of urban population is on average lower than in partner countries.
- 6 There is a wide social and economic gap between the cluster area's EU Member States and partner countries. All the EU Member States have a similar GDP per capita, ranging from \$ 15,332 in Latvia to \$ 19,257 in Estonia. These values are significantly below the EU-28 average of \$ 36,735, but higher than the GDP per capita in partner countries where values range from \$ 2,996 in Ukraine to \$ 11,452 in Russia. Moreover, the gap in terms of GDP between the two groups of countries is widening.

Table 0-1 GDP per capita (constant 2010 US\$)

	Trend 2014-2017	2017
Belarus	-1.1%	6,529

² **Important Note:** the situational analysis of the cluster area is based in part on data collected at national level. Conclusions should be interpreted in the light of these limitations in terms of data. Where regional data is available, this is used to create more a fine-tuned analysis of the regions composing the cluster area. For the purposes of this study “adjoining regions” are considered as regions composing the cluster area.

³ <http://www.eaptc.eu/en/eni-cbc-programmes.html>

⁴ The figures represent the total programme budget, including both EU and national co-financing.

⁵ For regions in EU countries data refer to 2018 (Eurostat), while for Russia data at regional level refer to 2015 (OECD). For regions in Belarus and Ukraine, data on population refer to 2011 and 2009 respectively and is taken from ESPON (2013) “Territorial units in Russia, Ukraine, Belarus and Moldova and NUTS classification”.

Russian Federation	-0.5%	11,452
Ukraine	-1.0%	2,996
Estonia	2.5%	19,257
Latvia	3.1%	15,532
Lithuania	3.0%	16,839
Poland	2.9%	15,823

Source: World Bank indicators, statistics at national level

- 7 In terms of unemployment, both EU Member States and partner countries present a similar picture, with average unemployment below the rate recorded at EU-28 level (7.6%). Exceptions are Latvia with 8.7% and Ukraine with 9.5% where the rate of unemployment is above the EU average.

Table 0-2 Unemployment rate

	Trend 2014-2017	2017
Belarus	-1.0%	5.7%
Russian Federation	0.3%	5.2%
Ukraine	0.6%	9.5%
Estonia	-5.9%	5.8%
Latvia	-5.3%	8.7%
Lithuania	-9.8%	7.1%
Poland	-14.1%	4.9%

Source: based on WDI.

ENI CBC Programmes with Russia

- 8 Programming for the seven 2014-2020 ENI-CBC programmes involving Russia coincided with the beginning of the crises in Ukraine. Despite this potentially complex starting situation, the CBC Programmes involving Russia are all progressing relatively well and some of them extremely well (those involving Estonia and Latvia).
- 9 Even though programmes between Estonia-Russia and Latvia-Russia are small in financial terms, they were very positively assessed as making major contributions to cross-border communities. Given the remoteness of the Russian border area in the Latvia-Russia programme from Saint Petersburg, then the main beneficiaries on that side are local Russia municipalities keen to cooperate through mainly local development actions with partners in Latvia. Relations are considered to be close in the

Joint Monitoring Committee and the Russian national authorities indicated their satisfaction with this programme.

- 10 The Estonia-Russia programme is also seen as successful and much appreciated by regional and local authorities on each side of the border even though 71.1% of the total financing is dedicated to Large Infrastructure Projects (LIPs), one including border crossing points and one being a major environmental project (ex. environmentally sustainable Lake Peipsi area).
- 11 ENI-CBC Programmes with the Russian enclave of Kaliningrad are generally more complex. There appear to be several reasons to explain this result. Firstly, unlike the other programmes there is no long history of interaction between the communities that reside in these border regions. Secondly, political relations at a high level between Poland and Russian and Lithuania and Russia are difficult: this is e.g. demonstrated by the decision to revoke facilitative travel conditions for Kaliningrad residents to enter Poland. Thirdly, the Kaliningrad region is rather undiversified; there is an objective limit on areas for useful cooperation especially within the responsibility of local or regional authorities.

ENI-CBC Programmes with Belarus and Ukraine

- 12 Belarus and Ukraine are partners to the highly successful Poland-Belarus-Ukraine programme and Belarus is also a partner to the Lithuania-Latvia-Belarus programme.
- 13 These programmes enable Belarussian and Ukrainian partners to be involved with Lithuanian, Latvian and Polish partners in projects that for both programmes focus on: TO 1 (Business and SMEs), TO 3 (local heritage and culture), TO 5 good (generally local) governance, TO 7 (accessibility), TO 8 (safety and security) and TO 10 (border management). This involvement is likely to draw significant partners' institutions and actors in contact with their EU counterparts in areas that have some potential to enhance trust and cooperation.

Lessons learnt from the previous programming periods

- 14 During the 2007-2013 programming period, the Baltic States, Poland, Belarus, Russia and Ukraine had four **ENPI CBC Programmes** funded by the European Neighbourhood and Partnership programmes (ENPI), covering the same eligible area.
- 15 Based on the analysis of the specific objectives, programme contributions to the overarching strategic objectives are as follows:

PROG	SPECIFIC OBJECTIVES	Promotion of sustainable economic and social development	Dealing with common challenges	Ensuring efficient and secure borders	Promoting local cross border "people-to-people" actions
PL-BY-UA	SO1. Increasing competitiveness of the border area	X			
	SO.2 Improving the quality of life	X			

	SO.3 Networking and people-to-people cooperation				X
LT-PL-RU	SO1. Contributing to solving common problems and challenges		X		
	SO 2. Pursuing social, economic and spatial development	X			
EE-LV-RU	SO 1. Make the wider border area an attractive place for both its inhabitants and businesses through activities aimed at improving the living standards and investment climate.	X			
LV-LT-BY	SO 1. Promoting sustainable economic and social development	X			
	SO 2. Addressing common challenges		X		

- 16 Strategic objective 1 (the most relevant one by the number of programmes contributing to this objective) was the key driver of successful performance of all ENPI CBC Programmes in the cluster area. Strategic objective 2 was less populated, while objectives 3 and 4 were selected by the smallest number of programmes.
- 17 The 13 ENPI CBC Programmes implemented during the 2007-2013 period covered nine EU land borders, which included Large Scale Projects (LSP). For the cluster area it is relevant to mention that the funding for LSP concerned border management, transport and energy infrastructure as shown in the figure below:

Programme	Project Contracted
Estonia – Latvia – Russia	5
Lithuania – Poland - Russia	7
Latvia – Lithuania – Belarus	3
Poland-Belarus-Ukraine	9

ENI CBC Programmes 2014-2020 covering the cluster area

- 18 ENI-CBC programmes are built on the experience and lessons learnt from the programmes funded by the European Neighbourhood and Partnership Instrument (ENPI) CBC programmes for the period 2007-2013. They also draw on experience with cross-border cooperation within the EU programmes under the European Territorial Cooperation goal (also known as Interreg) and CBC between EU Member States and IPA beneficiaries under the Instrument for Pre-accession Assistance.
- 19 Bottlenecks and lessons learned from the previous ENPI CBC programmes had been taken into account in the current programmes, leading to more efficient and timely procedures, improved partner search tools and opportunities, the introduction of an electronic system for applications, strengthened communication and additional training provided on programme and financial management. In fact, the majority of programmes

are launching the calls via online application systems, which should simplify the application procedure and speed up the selection of proposals.

- 20 Most ENI CBC programmes included into their strategy four thematic objectives. Most preferred topics relate to the environment (TO 6) and security (TO 10), while business and SME development (TO 1) and culture and heritage (TO 3) are also largely popular. Cooperation in the energy field (TO 9) has not been chosen by any of the programmes.

Programme / TO	1	2	3	4	5	6	7	8	9	10
Estonia – Russia										
Latvia – Russia										
Lithuania – Russia										
Poland – Russia										
Latvia – Lithuania – Belarus										
Poland-Belarus-Ukraine										

- 21 Border Management has been supported on a large scale through the CBC programmes, not only since 2014 but even previously. In the current programming period at least six (out of nine) TO 10 projects concern the land border, as well as a major investment in Saint Petersburg port.

Programme	Total LIPs approved	LIPs contracted under TO 10
Estonia – Russia	5	-
Latvia – Russia	4	2
Lithuania – Russia	-	-
Poland – Russia	3	-
Latvia – Lithuania – Belarus	6	5
Poland-Belarus-Ukraine	10	3

II. Major strategic frameworks and political initiatives covering the cluster area

- 22 The future Interreg NEXT programmes will not operate in isolation but will be part of a larger set of programmes, initiatives and strategies in the cluster area. This factor needs to be considered when designing the future external cross-border cooperation programmes.
- 23 The Interreg transnational programme Baltic Sea Region covers a big part of the cluster area. Therefore, the 2021-2027 programme for the Baltic Sea Region should be an important partner for the Interreg NEXT programmes.
- 24 Future Interreg NEXT programmes should be coordinated with the existing national and regional strategies developed in the EU Member States and partner countries for the sectors related to cross-border cooperation.

EU Strategy for the Baltic Sea Region (EUSBSR)

25 The EU Strategy for the Baltic Sea Region (EUSBSR) covers the EU part of the cluster area. Partner countries, in particular Belarus and Russia, form part of the wider Baltic Sea region cooperation and share many challenges reflected by the EUSBSR.

26 The EUSBSR has **three overall objectives** with **four sub-objectives**:

1. Save the sea

- Clear water in the sea
- Rich and healthy wildlife
- Clean and safe shipping
- Better cooperation

2. Connect the region

- Good transport conditions
- Reliable energy markets
- Connecting people in the region
- Better cooperation in fighting cross-border crime

3. Increase prosperity

- Baltic Sea region as a frontrunner for deepening and fulfilling the single market
- EUSBSR contributing to the implementation of Europe 2020 Strategy⁶
- Improved global competitiveness of the Baltic Sea region
- Climate change adaptation, risk prevention and management.

Eastern Neighbourhood and Eastern Partnership (EaP).

27 In recent years, ENI-CBC has become an essential part of the EU's external action toolbox to achieve political and policy objectives jointly agreed with our Eastern partners. It has proved successful in promoting "people-to-people" exchanges and the implementation of the strategic framework of the EU's relation with the Eastern partnership countries.

28 The promotion of cross-border cooperation between the Eastern partners is also a key component of its multilateral dimension, the Eastern Partnership (EaP). Cross-border cooperation, especially considering its "people-to-people" focus and participative approach, can contribute to further fostering exchanges and cooperation between the EU and the six EaP partner countries, as well as between the Eastern Partners themselves and their local and regional authorities.

⁶ <https://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

III. Thematic concentration

- 29 In this section, orientations are presented with respect to the five policy objectives of the Cohesion Policy and to the two specific objectives of the future Interreg programmes⁷, under which funding of the Interreg NEXT programmes on the external borders can take place in 2021-2027.
- 30 In view of the requirement to focus support on limited budgetary resources and to focus support on areas where EU funds can achieve the highest benefit, the programmes should concentrate on thematic key objectives on which joint actions can have the biggest impact.

Policy Objective (PO) 1: “A smarter Europe and its neighbourhood”

- 31 The region’s **innovation and competitiveness** levels illustrate mainly differences between urban and rural regions as well as between the North-East of the area (the regions of Estonia, Latvia, Russia) and the South-East of the area (Lithuania and the regions of Poland and Belarus).
- 32 In terms of investments in **Research and Development (R&D)** as a percentage of GDP, all the countries involved in the cluster area are below the EU average (EU-28), which is 2%. Countries where investment is higher are Estonia (1.3%), Russia (1.1%) and Poland (1%), while the lowest rate is in Latvia (0.4%) and Belarus (0.5%).
- 33 R&D across the whole cluster area, including Russia, can be compared through the patent applications per million inhabitant’s indicators (PCT indicator)⁸. At the national level, the rate is 18.7 for Estonia, 15 for Latvia, 2 for Lithuania, 14 for Poland, and 6.5 for Russia. The Federal City of Saint Petersburg is significantly over the national average, with 27.2, while the Leningrad Region (6) is close to the national average. Pskov Region and Kaliningrad Region are lower than average (5 and 3.7 respectively).
- 34 In terms of employment in the R&D sector, measured as the number of researchers in R&D per million people, the countries involved in the cluster area present lower values with respect to the EU-28 average (3,750). Estonia present the highest value (3300), followed by Russia and Lithuania (nearly 3,000), Latvia (1,600) and Ukraine (1,037).
- 35 In terms of the number of researchers as a percentage of total employment, the average rate at EU-28 level is 1.3%, while the rate in the Baltic Sea part of the cluster area is 0.8% for Latvia and Poland, 1.1% for Estonia, and 1.3% for Lithuania.
- 36 The country with the lowest high tech export rate is Russia (28%), although this rate increased by +2.6% over the 2010-2015 period, Ukraine (38%) and Belarus (39%), both recording a negative trend over the period. Regional data is available under this indicator for the Polish regions that form part of the cluster area. In two of these regions, the medium/high tech export rate is higher than the national average:

⁷ <https://interreg.eu/about-interreg/>

⁸ Data provided by Organisation for Economic Co-operation and Development

Pomorskie with 77% and Podkarpackie with 63%. Mazowiecki region, Podlaskie and Lubelskie perform in line with the national average, while Warminsko-Mazurskie has a lower rate (with 30%).

- 37 Most of the cluster area's countries **SMEs** lack the process, culture and skills on how to design cases for co-creation and implementation of projects with external partnerships. The capacity to create a new business is closely related to characteristics of the business environment⁹.
- 38 In terms of **new business density** across the EU-28 the average is 4.8 following a sustained increase since 2010 (3.6). In the Baltic Sea part of the cluster area, the rate in Estonia (20.8) is significantly higher than the EU average, while Latvia (8.8) is also higher than average. The rate in Russia is 4.3, while the lowest rate is recorded in Belarus (1.1). Ukraine and Poland have witnessed the highest yearly growth rate in the period between 2014 and 2017, with rates in both countries of slightly over 10%. Poland also experienced a sustained positive trend during the 2010-2013 period (+13.4% per year). Overall there has been a decline in business registrations in in Latvia (-6.6%) and Lithuania (-5.6%).
- 39 In the 2014-2020 period, of all ENI CBC programmes operating in the cluster area, only two specifically financed innovation and business and SME cooperation (Estonia-Russia and Latvia-Russia ENI CBC), who did so in order to address urban rural polarisation in the region. Other programmes fund this theme indirectly through funding to develop tourism assets (Lithuania-Russia; Poland-Russia; Poland-Belarus-Ukraine).
- 40 **Tourism** is one of the key business sectors for the entire area. The overall number of tourism arrivals in the seven countries involved has substantially increased during the last decade, though a certain slow-down has been observed since 2013.

Summary of challenges

Countries in the cluster area do not belong to innovation leaders (Estonia is the strongest performer). In all countries, there is a big demand for investments in the R&D sector.

Most relevant areas for cooperation:

Innovation

- *Cooperation can increase economies of scale and scope for innovation. The cluster area is heterogeneous in its current innovation potentials so cooperation may bring much benefit in spreading the culture for innovation.*
- *Involvement of strong SME and medium/high tech export sectors (in certain areas) could provide catalyst for R&D expansion.*

⁹ The countries with the lowest values (i.e. most business-friendly environment) are the Baltic countries: Lithuania with 14, Estonia with 16 and Latvia with 19. The highest value is in Ukraine with 71, while Russia, Poland and Belarus have 31, 33 and 37 respectively.

Entrepreneurship

- *One of the region's strengths is the good business environment. However, this only extends to certain areas of EU Member States. Cooperation could capitalize on these good practices and address the imbalance in the region.*
- *Cooperation between tourism stakeholders can further improve the region's tourism offer and generate greater visibility.*

Potential cooperation actions should take into account the revised Action Plan of the European Strategy for the Baltic Sea region.

Potential cooperation actions:

Innovation

- *Creation of joint or complementary research infrastructure;*
- *Exchanges or joint R&D programmes to increase cooperation between the universities and the R&D centres of the area.*
- *Creation of spin-offs able to operate at cross-border level;*
- *Creation of cross-border living labs, technology centres to support R&D and technology transfer;*
- *Cross-border innovation advisory services.*

Entrepreneurship

- *Cross-border innovation advisory services.*
- *Creation or support to existing clusters or networks*
- *Joint branding (e.g. at trade fairs)*
- *Networking and connectivity among tourism stakeholders*
- *Joint development of environmentally friendly tourism strategies*
- *Development of joint promotion strategies,*
- *Development of joint tourism products and services, development and joint marketing of cross-border tourism products and transnational thematic itineraries*

Policy Objective (PO) 2: “A greener low-carbon Europe and its neighbourhood”

- 41 **A greener, low-carbon Europe** demands rethinking energy production, consumption storage and distribution as well as general economic value chains. This is closely linked to UN Sustainable Development Goal number 7 on affordable and clean energy. Changing energy production and consumption habits supports dealing with climate change.
- 42 According to the sub-regional classification of IPCC¹⁰ (report 2015), the area is classified ‘Northern’ (for Estonia, Lithuania, Latvia, Russia and Belarus) and ‘Continental’ (for Poland and Ukraine). In these areas, climate change is mainly characterised by an increase in the average temperature and changes in the precipitation regime, both with high regional and seasonal variability. Consequences can be more floods and periods

¹⁰ Intergovernmental Panel on Climate Change reports cover the "scientific, technical and socio-economic information relevant to understanding the scientific basis of risk of human-induced climate change, its potential impacts and options for adaptation and mitigation."

of drought distributed over the year with potential damage to human made infrastructure, more heat waves (with impact on human health) and higher risk of forest fires in continental zones. Decrease in electricity production is also expected in the continental area, due to the changes in the water cycle (less precipitations); while energy consumption is expected to decrease.

- 43 Due to the high premature deaths, decrease in health, productivity, and damage to ecosystems it causes, air pollution deserved to be considered as a priority, also in a cooperation environment.
- 44 The EU cooperates with Russia about the reduction of air pollution through the Convention on long-range transboundary air pollution (CLRTAP) and supports its efforts to be part to the protocols of the convention.
- 45 In the recent years, there has been interest from Belarus and Ukraine in cooperating with the EU on air quality (e.g. TAIEX requests). This indicates that improving air quality is of interest in the Eastern neighbours. As air pollution is transboundary, less air pollution in Eastern neighbours will mean better air quality in the EU. Moreover, many of the problems are similar.

Transition to low carbon energy

- 46 Energy intensity is higher in most of the cluster area's EU Member States (Lithuania, Latvia and Poland) than in Russia, Belarus and Ukraine. This suggests different dynamics in energy use (production and consumption), as well as in the technologies adopted. However, across the area, energy consumption is declining in all these countries. The carbon footprint of the cluster area's economies, measured in CO₂ emissions per unit of GDP, demonstrate a gradual decoupling of economic activity from fossil fuel consumption. Emissions per unit of GDP are high in Russia, Estonia, Belarus and Poland, while lower in Latvia and Lithuania. The rate decreased in all the countries over the period 2010-2015, showing a slow decoupling between emissions and economic activity.
- 47 Regarding the use of renewable energy is still lower in partner countries where on average less than 5% of total energy consumed comes from renewable sources. This can be compared to an average of 27% in the EU Member States (whereof Latvia has the highest percentage and Poland the lowest). The main renewable sources used for EU Member States are wood and renewables waste. Resulting emissions of PM should be addressed by common approaches.

Water availability, quality and pollution

- 48 The water exploitation index measured at river basin district level is below 5% for the countries comprising the cluster area, indicating low pressure in terms of freshwater abstraction (water demand) against water availability (water supply). This is mainly due to the low population density, the lack of large urban areas and the low level of irrigation in agriculture.

49 The state of the chemical and ecological status of surface waters is of reasonable quality across the regions' EU Member States, although some differences can be observed at river basin level. Domestic water is almost completely treated in Lithuania and Estonia, whereas water treatment is less comprehensive in Belarus and Latvia; and significantly worse in Poland. Finally, most of the population in the cluster area uses safely managed drinking water (percentage higher than 80% in all countries), except for Russia where only 75% of the population receives safely managed water.

Circular economy and waste management

50 In 2016, in Latvia and Lithuania **waste generation** per capita is lower than the EU-28 average (5 tonnes per inhabitant). The rate in Poland is in line with the EU average and is higher in Estonia. Waste treatment is mainly based on recycling (e.g. Latvia, Poland) and landfill (Estonia, Lithuania). The main environmental impacts from waste generation are contamination of water and soils, degradation of natural ecosystems, over-consumption of resources and emissions of air pollutants. The circular material use rate shows a good performance for Estonia (higher than the EU average); while this is lower for Poland and weak for Lithuania and Latvia.

Biodiversity and natural resources

51 Forest area as a percentage of the land area is quite high for the northern part of the cluster area (in Estonia, Latvia, Lithuania, Russia and Belarus), while less for Ukraine and Poland. The percentage of ecosystems with protected status is unequal between EU Member States and partner countries; with for example a high proportion of protected Freshwater Key Biodiversity Areas in Lithuania, Estonia, Latvia and Poland (higher than 90%) compared to a relatively low proportion in Russia, Belarus and Ukraine. It is worth noting also the high number of Natura 2000 sites in EU Member States close to borders.

52 In the 2014-2020 period of ENI CBC programmes operating in the cluster area, there is a clear division between coastal programmes (those bordering the Baltic Sea) and inland programmes, when it comes to funding environmental projects. Estonia-Russia, Poland-Russia and Lithuania-Russia are all funding actions related to water quality and waste management. Inland programmes have funded the protection of the natural assets in the context of promoting tourism and boosting the rural economy.

Summary of challenges

- *In general, there is low use of renewable energy in partner countries in the region, although there is a gradual decoupling of economic activity from fossil fuel consumption.*
- *The region is characterised by different water treatment methods, although the main environmental impacts from waste generation are contamination of water and soils, degradation of natural ecosystems.*

- *Much of the region of the cluster area is characterised by an increase average temperature and changes in the precipitation regime. Therefore, types of effects of climate change are predicted to be similar.*

Most relevant areas for cooperation

Transition to low carbon energy

- *With varying and overall low levels of use of renewables in the region, cooperation could be an opportunity to invest in new energy sources and share the best practice, including avoiding emissions of air pollutants.*
- *Potential for more ambitious actions (for example, communities of energy users and producers) would depend on political support.*
- *Large infrastructure projects must be based on thorough analysis of cross-border local energy communities or cross-border energy supply and demand.*
- *Linked to energy is the problem of air pollution. There is interest in cooperation and exchanging best practices.*

Water availability, quality and pollution

- *Current data and focus of current programmes suggest this is predominantly **a priority for coastal programmes**, not the whole cluster area.*

Circular economy and waste management

- *Focus of current programming period suggests this is predominantly a **priority for coastal programmes**, not the whole cluster area.*

Climate change and natural risks

- *Cluster area is composed of two relatively distinct climate systems. However, the types of risks related to the climate change may be similar. Concrete areas to be defined on programme - by - programme basis.*

Biodiversity and natural resources

- *Cluster area composed of two relatively distinct types of natural environment. This suggests that it would be more relevant to address this theme on programme-by-programme basis.*
- *Several protected areas in EU Member States are near national borders. Cross-border coordination could improve management of protection areas.*

Potential cooperation actions:

Climate change and natural risks

- *Monitoring the impact of climate change at a cross border territorial level;*
- *Setting up common alert and emergency management systems; to prevent and manage the risks linked to climate changes and natural and manmade disasters*
- *Join planning for mitigation (emission reduction) and adaptation to climate change;*

- *Public awareness-raising campaigns and trainings of stakeholders related to climate change, potential impacts and adaptation strategies;*
- *Small demonstrative investments and pilot actions for climate change adaptation and mitigation actions.*

Biodiversity and natural resources

- *Joint management of cross-border protected areas;*
- *Joint monitoring and studying in dynamics of cross-border biodiversity losses;*
- *Joint actions and management to protect key species;*
- *Awareness-raising campaigns and training related to the economic and social services provided by biodiversity*

Transition to low carbon energy

- *Sharing best practices and technologies in buildings, industry and combined heat and power supply in cross-border communities;*
- *Sharing best practices and technologies in wind, clean biomass and other local sources).*
- *Sharing best practices, improving monitoring, and modelling to improve cross border warning mechanism in the case of pollution peaks.*

Policy Objective (PO) 3: “A more connected Europe with its neighbourhood”

- 53 Internet usage in Estonia and Latvia is above EU 28 average (80%) with rates of 88% and 81% respectively. For the rest of the countries in the cluster area (except for Ukraine with a rate of 57%) is comparable to the EU average, ranging from 74.4% in Belarus to 77.6% in Lithuania.
- 54 The cluster area’s countries dedicate funding to improving transport infrastructure and border-crossings in the region in the 2014-2020 period and 2007-2013 period. Transport is a priority under 2014-2020 Poland-Belarus-Ukraine and Poland-Russia CBC Programmes.
- 55 Estonia-Russia, Lithuania-Russia and Latvia-Lithuania-Belarus ENI CBC programmes are focussing investments on border crossing points citing the negative effect that existing arrangements have on trade, tourism, and quality of life in border communities.

Most relevant areas for cooperation:

Digital connectivity

- *High levels of Internet usage can be used as a basis for cooperation-driven innovation in other fields (e.g. health and education, or transport).*

Sustainable, intelligent and intermodal infrastructure

- *Connectivity of border regions could be improved through investment in border-crossing and local sustainable transport infrastructure. This can be addressed under ISO 2.*
- *Funding can add value particularly when linked to the national-level investments to provide missing cross-border links, and based on thorough analysis of cross-border impact of previous investments.*

Given that interventions under this field demand very high investments in infrastructure and there is need for concentration of the resources, the cooperation under this PO is not encouraged.

If chosen, potential cooperation actions under this PO could cover:

Sustainable intelligent and intermodal infrastructure

- *Development of IT solutions for public transport facilities*
- *Joint initiatives to improve the safety of users of the transport network*
- *Bilateral activities could include small investments to improve border infrastructure. Cluster-wide activities could involve agreement on common border-crossing policies and procedures. Both can be addressed under ISO2.*
- *Elaboration of joint strategies/policies/plans for improving the cross-border transport infrastructure.*

Policy Objective (PO) 4 “A more social Europe and its neighbourhood”

56 Unemployment is low in the Baltic region compared to neighbouring partner countries. Rates of unemployment among the regions of EU Member States are marked by sharply falling unemployment in the last five years (14.1% decrease in Poland, 9.8% in Lithuania). On average, unemployment in Belarus and Russia is lower than in the EU Member States (5.4% of labour market unemployed compared to 6.6%). It should be noted that unemployment in Saint Petersburg differs from this general picture, with only 1.4% of the St Petersburg labour force not in employment.

57 Youth unemployment is more significant than unemployment overall. The regions composing the cluster area have on average fewer young people categorised as “not in Education, Employment or Training (NEET)” compared to the NDICI CBC average while some specific areas have higher than average rates of young people categorised

as NEET. Meanwhile, all Russian regions covered by the cluster area have a higher than average rate, except for Saint Petersburg where the rate is the lowest in the region (6.3%).

- 58 The countries in the region record similar health provision provisions compared to other cluster area's regions. However, there are disparities within the cluster area: in Russia and Belarus the number of beds is well above the average (9.3 beds per 10,000), while the rate of health personnel in Poland is significantly lower.
- 59 The "healthy life expectancy" index of the region is lower than the average for neighbouring partner countries, with healthy life expectancy in Russia 3.5 years less than the average of all countries involved in future NDICI cooperation. Lower life expectancy can be an indicator of lower levels of social inclusion.
- 60 In the 2014-2020 programming period, the Poland-Belarus-Ukraine ENI CBC programme funded projects under the Priority "Support to the development of health protection and social services" to address low quality of life of citizens in border regions due to worse access to the labour market, insufficient provision of social infrastructure, and poor access to the health care system.

Summary of challenges:

- *Overall unemployment is low across the region. However, youth unemployment is more significant and tends to be a problem in some parts of the cluster area.*
- *There is a relatively low life expectancy in the cluster area.*

Most relevant areas for cooperation

Unemployment and Education

- *There is scope for cooperation to share best practice on youth employment initiatives.*
- *High level of Internet usage across most of the region could be basis of innovation in delivering youth education and lifelong learning.*

Health and Social Inclusion

- *Life expectancy being lower than in other CBC areas, the good level of internet connectivity could be an asset that could be exploited to deliver joint health services.*

Potential cooperation actions:

Unemployment and education

- *Initiatives to remove legal, administrative and language barriers preventing labour force movement.*
- *Joint analyses of regional skills gaps.*

- *Jointly developed training programmes aimed at young people in isolated areas.*

Health and social inclusion

- *Sharing best practice and co-design and delivery of e-health initiatives aimed at remote communities.*

Policy Objective (PO) 5 “Europe and its neighbourhood closer to their citizens”

- 61 Bringing Europe and its neighbourhood closer to its citizens is a crosscutting issue that goes hand in hand with good governance. It also includes participation of the civil society on all implementing levels. It is therefore strongly linked with the Interreg-specific objective "A better cooperation governance for Europe and its neighbourhood". We are proposing to support the involvement of local communities and civil society under the Interreg Specific Objective (ISO) 1.
- 62 Even though the percentage of urban population is lower than in other cluster areas the rural population is slightly but consistently decreasing. Considering that the area and the adjoining regions include some major urban centres (e.g. St. Petersburg, Riga, Vilnius, Tallinn, Minsk, Vyborg, Tartu), the problems related to urban development and more generally to urban-rural relations represent possible common ground to develop future cross border initiatives.

Interreg Specific Objective (ISO) 1: A better cooperation governance for Europe and its neighbourhood”

- 63 Indicators measuring public sectors performance show that EU Member States in the cluster area perform in line with the EU average.
- 64 Measuring the time required to start a business or to register a property¹¹ the cluster areas of EU Member States generally perform in line with the average performance of the partner countries.
- 65 The overall performance of the partner countries involved in the area, however, is significantly higher. This is when not only compared to EU Member States, but also compared to the average of partner countries involved in current ENI CBC or the future Interreg NEXT¹².

¹¹ World Bank indicators: on average in EU Member States involved in the Baltic cluster area, 13 days are required to start a business (against 12 days on average in EU Member States involved in NDCI CBC) and 18 days are required to register a property (against 19 days in EU Member States involved in NDCI CBC overall).

¹² In CBC Partner Countries in the Baltic part of the cluster area, on average 8.5 days are required to start a business and 11 days are required to register a property (27 days is the average number of days for all Partner Countries involved in the NDICI CBC).

66 Most of the area includes cooperation with Russia, which needs to respect principles on EU relations with this partner, in accordance with the European Council Conclusions of 16 July 2014.

Interreg Specific Objective (ISO) 2: “A safer and more secure Europe and its neighbourhood.”

67 Border Management has been supported on a huge scale through the CBC programmes in the cluster area, not only since 2014 but even previously. In the current programming period at least nine TO 10 projects on the land border totalling at least 30 MEUR as well as major investment in Saint Petersburg port. In the previous programming period, several other TO 10 type investments were made. Therefore, future CBC programmes are also expected to contribute to better cross-border management.

68 In terms of numbers of refugees living in the cluster area, these are low (on average less than 0.1% of the countries’ populations), though the Baltic States and Belarus have experienced a sharp increase in the last five years (28.7%), whereas the number of refugees is decreasing in Poland and Russia. In general, data (see table below) suggest that the countries of this area have been affected by the major refugee flows into the EU of the recent years only to a very limited extent.

Table 0-3 Refugee population by country or territory of asylum

Country name	2017	trend 2014-2017	trend 2010-2013
Belarus	2145	23.4%	0.6%
Estonia	380	43.3%	15.7%
Latvia	638	36.6%	23.9%
Lithuania	1557	11.5%	3.3%
Poland	12190	-6.2%	1.4%
Russian Federation	125986	-14.5%	-8.4%
Ukraine	3211	-0.1%	-0.4%

69 In the 2014-2020 period, all programmes operating in the cluster area have priorities that are addressing at least one of the following challenges: administrative capacity, border management, citizenship, or tourism.

Potential cooperation actions for ISO1 and ISO2:

Local Communities

- *Joint studies*
- *Networking and connectivity among tourism stakeholders*
- *Joint development of environmentally friendly tourism strategies*
- *Development of joint promotion strategies,*
- *Conservation, preservation and adaptation or development of cultural heritage*
- *Joint training of staff and exchange of staff aiming to increase the capacities in the field of natural and cultural heritage management*
- *Development of joint sustainable tourism products and services, development and joint marketing of cross-border sustainable tourism products and transnational thematic itineraries*

Institutional Capacity

- *Pilots for delivering more efficient public services based on best practice*
- *Exchanges of public sector staff*

The whole cluster area should, as a horizontal priority, support trust building through people-to-people activities, which can be done by usage of small project funds under ISO1 or PO5 (territorial instruments, Europe and neighbourhood closer to citizens) or other relevant Policy Objective. This would enable participation of beneficiaries having less administrative and financial capacity such as NGOs.

IV. Main geographic features and possible synergies with other cooperation programmes

- 70 Coordination with European Territorial Cooperation programmes operating on the same territories needs to be ensured from the programming phase. A common territory for „overlapping programmes” can be found in relation to several regions in a single country or in two countries covered by respective programmes. The case of a common eligible area straddling both sides of a border occurs mainly in multi-country programmes overlapping with bilateral programmes (see table below).
- 71 The programmes’ priorities need to be in line with the strategies frameworks and initiatives designed for the cluster area and eligible countries, such as EUSBSR, the Eastern Partnership and EU-partner countries bilateral relations political frameworks.
- 72 The risk of double funding of the projects is real for CBC programmes only in the case of common territories on both sides of the border having similar objectives (TOs). The risk, however, can be mitigated through the implementation process.

73 Beyond a consideration of risk, complementarities and synergies may on the other hand emerge from the availability of funding from different programmes. The actual achievement of meaningful complementarities depends mostly on the ability of the target group/beneficiaries to integrate their project ideas into a wider thematic frame and long-term vision.

74 It is proposed to keep the same geographical area of the programmes in the Baltic Region, Poland, Russia, Belarus and Ukraine. Countries of this cluster area will continue to be eligible for cooperation, under the conditions set by the EU political framework¹³.

Table 0-4 Main geographic features of the Baltic-Belarus-Russia-Ukraine cluster area

Member States	Estonia, Latvia, Lithuania and Poland
Partner countries	Belarus, Russia and Ukraine
External land borders	<ul style="list-style-type: none"> ▪ Estonia and Russia ▪ Latvia and Russia ▪ Lithuania and Russia (Kaliningrad Region) ▪ Poland and Russia (Kaliningrad Region) ▪ Lithuania and Belarus ▪ Latvia and Belarus ▪ Poland and Belarus ▪ Poland and Ukraine
External maritime borders	<ul style="list-style-type: none"> ▪ Estonia and Russia (across the Gulf of Finland) ▪ Poland /Lithuania and the Kaliningrad Region (across the Baltic Sea)
Sea basins	<ul style="list-style-type: none"> ▪ Baltic Sea
ENI CBC programmes	<ul style="list-style-type: none"> ▪ Estonia- Russia ▪ Latvia – Russia ▪ Lithuania –Russia ▪ Poland- Russia ▪ Latvia-Lithuania-Belarus ▪ Poland-Belarus-Ukraine
Interreg programmes	<ul style="list-style-type: none"> ▪ Estonia-Latvia ▪ Latvia-Lithuania ▪ Lithuania - Poland ▪ Baltic Sea (Belarus, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia, Sweden) ▪ Central Baltic (Estonia, Latvia, Finland, Sweden) ▪ South Baltic (Denmark, Germany, Lithuania, Poland, Sweden)

¹³ See European Council conclusions of 16 July 2014.

V. Governance of the programmes

- 75 The composition of the joint bodies managing the programme must be representative of the cross-border areas. On the other hand, the Joint Monitoring Committee should include to the extent possible partners relevant to programme objectives (i.e. priority axes), e.g. institutions or organisations representing environment, SMEs, civil society or education.
- 76 Each of the programmes should establish a coordination mechanism for relevant policy and specific objectives, with the authorities managing regional, national and Interreg programmes implemented on areas corresponding to future Interreg NEXT programmes. Coordination implies exchange of information and cooperation; and it should be applied throughout all stages of the programme cycle: planning (e.g. designing complementarities), implementation (e.g. building on synergies) and communication (showing the benefits for the citizens and the region). Representatives of the EUSBSR or EaP key stakeholders should also be regular members of the monitoring committee of the programme, where relevant.
- 77 The geographical overlaps in the programmes must be addressed from the programming phase. This is particularly relevant for the programmes Poland-Russia and Lithuania-Russia (covering the Kaliningrad Region). The programmes should reach an agreement on how to tackle overlaps (e.g. agree on different thematic priorities to address or clear orientations/guidelines between them, organise joint calls, include capitalisation activities, etc.) and reach synergies in order to maximise the impact of the invested funds.
- 78 Some of the programmes in the cluster area in the 2014-2020 period have faced serious delays in the starting phase of programme implementation. Building on the existing structures, timely programme start needs to be ensured by providing sufficient staffing both at the Managing Authority's and Joint Secretariat's levels, including the effective use of branch offices across the programme area, where appropriate.
- 79 As suggested by the Result Oriented Monitoring of 2019, the efficiency of the implementation mechanisms of these programmes needs to be ensured. The management has to be able to provide adequate support to the beneficiaries, enabling them to enhance systematically the quality of project outputs.
- 80 Bottlenecks in some of the partner countries with respect to the programme governance and implementation have been identified, for instance: long procedures for assessment of project proposals or difficulties for lead beneficiaries from a partner country to transfer funds to project partners from EU Member States.
- 81 The selection process of specific projects needs to be genuinely joint, based uniquely on the quality of the applications, with no pre-selection or limitations imposed from the national level.

- 82 There is also room to improve the quality of projects outputs. The performance framework needs to be prepared with the view to ensure high quality results of the programme's support.
- 83 It is important that the capitalisation and dissemination of successful lessons learnt, political relevance and trust gained so far and good practices are well taken into account in the programming exercise.

VI. Conclusions

- 84 The EUSBSR and the Eastern Partnership Deliverables for 2020 are the leading strategic framework for EU's engagement and thematic orientation for the future Interreg NEXT programmes in the Baltic Sea States, Poland, Russia, Belarus and Ukraine.
- 85 Given the size of the area covered and the total budget available for the current programming period (cca **EUR 433 million**), there will be a need for strong concentration of resources.
- 86 Based on the analysis of the area, the principle of thematic concentration and the added value which could in particular be provided by the future Interreg NEXT, the following thematic areas are recommended to be covered by programmes in this cluster area:
- **Policy Objective 2** (focusing on climate change, natural risks, biodiversity, natural resources and air pollution) **for the whole cluster area.**
 - **Interreg Specific Objective 1** (focusing on institutional capacity, civil society, minorities) **for the whole cluster area.**
 - **Interreg Specific Objective 2** (focusing on border crossing investments).

A horizontal recommendation for the whole cluster area is to support **people-to-people activities**, which can be done through of small project funds under **Policy Objective 5** (territorial instruments, Europe and neighbourhood closer to citizens). Such actions could also be implemented under **Interreg Specific Objective 1** or other relevant Policy Objective. The importance of this objective is also reflected in the principles that guide EU relations with Russia, which were defined by EU Foreign Ministers in March 2016. CBC is thus one of the few areas of cooperation that is still operational with Russia and it reinforces the people-to-people component of the EU's overall approach towards Russia.

In addition to the horizontal recommendations enlisted above programmes are also encouraged to support the following areas.

- Bilateral programmes between Estonia and Latvia with Russia are suggested to tackle PO 1 (focusing on innovation, entrepreneurship and SME support); while the other two programmes between Lithuania and Poland with Russia are suggested to tackle the recommendations for the whole Cluster.

- Trilateral programmes between Latvia, Lithuania with Belarus and Poland with Belarus and Ukraine are recommended to tackle PO 4 (focusing on employment, education, health).

87 In comparison to the internal ETC programmes, the programmes on EU external borders face additional complexities. They will not only have to e.g. prepare and sign the financing agreements, but will need to adapt further to the cohesion policy context in 2021-2027. During the previous programming periods, these programmes experienced significant delays at the outset, which significantly reduced the time for the real implementation on the ground.

88 Based on:

- the analysis of the thematic and functional areas
- the political dimension of the cooperation on EU external borders
- the need to start the programmes on time

it is suggested to continue with the current geography for the cluster area.

89 However, the geographical overlapping in the programmes must be addressed from the programming phase. This is particularly relevant for the programmes Poland-Russia and Lithuania-Russia (covering the Kaliningrad Region).

90 It is of utmost importance to apply to the maximum possible extent the governance model developed by internal Interreg programmes during the past 30 years, taking, where necessary, account of the administrative and financial capacities and specificities of the partner countries.

91 Cooperation actions should make the cross-border regions more attractive and contribute to the better quality of life of people in the cross-border area.