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**NEW MODES OF GOVERNANCE AND EU  
STRUCTURAL AND COHESION POLICY  
IN ESTONIA, LATVIA AND LITHUANIA**



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## SUMMARY

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The paper aims to identify, measure and assess the emergence and evolution of new modes of governance (NMG) in the regional development policy of the new Baltic EU-member states: Latvia, Lithuania and Estonia. The author applies theoretical and empirical investigation and case studies, to illustrate the application of new forms at different levels of governance. It is shown how new political institutions and legal frameworks were founded and old institutions restructured during the transformation process in the three countries, and how the structure of governance changed at macro and micro levels. As the NMG has developed, parallel with the preparations for EU membership and since accession, the paper also examines what role the EU has played in the process and to what extent new institutions have been modelled on those in older member-states. What lies at the core of the NMG is activity by the civil sphere. So special attention is paid to connections between political institutions and civil society. The overall picture of good governance in these countries includes an account of the obstacles to new governance. Particular attention is paid to transnational, cross-border cooperation, which is one of the most developed fields of the NMG in the region. Also presented are views taken by the Baltic states on the EU idea and practice of NMG. With its findings and case studies, the paper sets out to add to knowledge of what types and changes of institutions and governance fit best with the socio-economic development needs of the Baltic states.

## INTRODUCTION<sup>\*</sup>

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The idea of new modes of governance (NMG) in economic literature is still somewhat vague and artificially generated. It can simply denote differences from the methods used in a previous period, but it can imply additional criteria, such as greater efficiency in an economic or social sense, broader scope, a higher level of aggregation, *etc.*

From an economist's point of view, there is undoubtedly something new about present-day decision-making processes, generated and determined by the nature of current globalization, with the overwhelming power of transnational corporations. As the structure of socio-economic power has changed (become 'new'), so, necessarily, has the way of exercising power (governing socio-economic relations).

This has eroded the role of nation-states, with decisions being made beyond or instead of them – through sophisticated methods of lobbying, 'informal connections', 'mutual interest', *etc.*, and cruder forms (corruption, illegality, *etc.*)

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\* Institute for World Economics, Hungarian Academy of Sciences (NEWGOV Cluster One). NEWGOV. New Modes of Governance. Integrated Project. Priority 7. Citizens and Governance in the Knowledge-based Society. 6th Framework Programme, Contract No. CIT1-CT-2004-506392. The integrated project to which this paper contributes aims to identify, measure and assess the emergence and evolution of new modes of governance (NMG) in the European Union. The author investigates the question with an eye of an economist, through the example of the new Baltic member states: Estonia, Latvia and Lithuania. This vantage point may differ from that of a political scientist, as an economist may concentrate more on the economic and social dimensions and roots of the developments. Such differences in approach are permissible and explicitly desirable, as they bring fruitful cross-disciplinary insights and help to arrive at an overall picture closer to reality.

It has given rise to several 'new forms' of exercising power that can be called extra-national governance.

However, the prevalence of market powers causes tensions in policy and society, and makes the management of production in a broad sense more difficult in several other ways. In this situation, it becomes even more necessary to have vertical and horizontal integration of strata in society. Local governance, civil and semi-civil organizations and the interests of different trades, socially or economically oppressed groups, *etc.* are welcome as sources of negotiation, evaluation, criticism and policy and project implementation, in cooperation with each other and the ruling economic and political circles. In this relation, 'multi-level governance' (Marks and Hooghe 1999) or 'network governance' (Kohler and Koch 1999) are the relevant 'new' methods.

But the most important aspect in a context of globalization is that new forms of governance are necessitated by the transnationalization of economic and social relations and mechanisms: inter-governmental, international, supranational, and transnational governance, as 'governance *beyond* the nation-state' (Jann 1993; Kern and Löffelsend 2004).

Since there is a natural need for integration of the whole Baltic region, the development, functions, goals and forms of new governance in the three Baltic states cannot be separated from the development, functions, goals and forms of international regional cooperation over the whole region. However, governance beyond the nation-state is not characteristic of the Baltic region alone. It is increasingly symptomatic of the whole EU in the last decade, and so much of the paper is devoted to showing the forms and levels of transnational, interregional cooperation in the Baltic region.

Chapter 1 puts forward some theoretical considerations. The frames for the emergence and evolution of the NMG

are provided by the general state of governance. The chapter offers an overall picture of 'good governance' in the new Baltic member-states, using other Eastern members and the OECD as comparisons. Chapters 2 and 3 present the legal and institutional frameworks of the three new Baltic member-states. Chapter 4 covers the emergence of NMG and the obstacles to it. Chapter 5 deals with the evolution of the NMG in planning and implementation on a national level and Chapter 6 with these at international level. Chapter 7 concentrates on the characteristic forms of NMG in transnational cooperation at various levels. Chapter 8 presents the Baltic states' views on the EU ideas and practice in NMG. Chapter 9 contains the conclusions. There is extra information in graphs, figures and tables that supplement and illuminate the text.

## 1) SOME THEORETICAL CONSIDERATIONS

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### 1.1 Systemic change, globalization and membership

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The initial change in methods of governance resulted in the post-socialist countries from the system change that followed the collapse of communism. However, the change itself cannot be seen separately from the overall development of globalization, in which the reasons and forms of transformation are deeply rooted, so that the NMG are determined to a large extent by the structure and way in the functioning of the globalized world market and its actors: the transnational corporations.

Changes call for flexibility. The transition economies, including Latvia, Lithuania and Estonia, began to transform their centrally, *ex ante* planned economies into market economies based on private ownership, decentralization and *ex post* correction mechanisms. This replaced a centralized/rigid/binding/etatist mode of governance with a more decentralized/flexible/soft/cooperative one. Entailed in this was a need to build or deepen links with neighbouring Baltic Rim countries. The move towards a largely informal mode of governance 'outside' and 'beyond' the nation-state is adequate for the instinctive character of the capitalist economic system that has been reintroduced.

Although the EU encourages these NMG, they emerged as natural components of the development in these countries, rather than as a product of their EU membership. But this does not mean the NMG are developing irrespective of EU practices, notably EU structural policies. These countries face serious regional inequalities, so that the structural policies, with their regional development effects, have given important incentive to develop the NMG further. The EU has acted as a stimulus through its demands on the one hand and the experiences of older member-states on the other. In many ways, the use of NMG becomes a prerequisite of successful planning and implementation of structural and cohesion policy. Positive evaluation of these policies by the Commission also depends on the use of NMG, as they concern, for example, the role of civil organizations in planning. The desire to comply written or unwritten, required and recommended expectations of the EU acts as an impetus behind the introduction of new institutions and NMG. This impetus is stronger in the new, transforming states than in the older members.

So the following assumptions can be made:

- \* The genesis of NMG in the Baltic states derives from a socio-economic transformation process that has developed on the basis of globalization in general.
- \* The role of EU membership in shaping these NMG is only secondary, but increasingly important in recent years of preparation for accession and of EU membership.
- \* The impetus behind the development of NMG in the new Eastern/Baltic members of the EU was the systemic change, which allowed the effects of globalization to be felt, but the fuel for the development was the EU and its common structural policies.

## 1.2 The need for NMG and consequences of them

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Large, EU-type entities intent on integrating very divergent interests face in-built inertia in their functioning, from bureaucracy, which tends to expand and become decreasingly flexible over time. However, lengthy, complicated methods of legislation and traditional methods of governance cease to be adequate for achieving competitiveness in a globalized world marked by increasingly fierce competition.

It was thoroughly understandable that the European Council, in founding the EU's Lisbon strategy in 2000, should have sought better and quicker mechanisms in market regulation and set up a Committee of Wise Men (the Lamfalussy Committee) for the purpose. Its proposals for a new regulatory infrastructure in the EU securities sector became a model for transforming governance in other EU policy areas as well (Bouwen 2005).

As the NMG entail policy-making without legislation, they offer flexibility in implementing socio-economic goals or EU

policies. But they entail a risk that stronger social agents will become more successful in representing their partial interests, thus reproducing inequalities in an undesirable way.

- \* Bureaucratic inadequacy makes NMG indispensable, but the NMG bring new biases into the interest-assertion process.

## 1.3 Europeanization or globalization in NMG?

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It has been mentioned already that the emergence of NMG in the Baltic post-Soviet states antedated their EU membership. Chapter 6 returns to this, for transnational, cross-border cooperation among the Baltic states is older and deeper than the process of adaptation to EU structural and cohesion policy, although the development of the transnational, interregional cooperation has been stimulated to some extent by the experiences of the EU countries.

- \* The NMG are not distinguishing marks of European integration. They are a feature of globalization, the new world order.

According to Kern and Löffelsend (2004, p. 4), the end of the Cold War coupled with the UN environment conference in Rio de Janeiro in 1992 encouraged cooperation at different levels of government and in many policies, well before the Eastern enlargement of the EU. But they also stress that membership for the Baltic Sea states (1995: Sweden, Finland; 2004: Poland, Latvia, Lithuania, Estonia) brought with it Europeanization of the whole region, and has helped new, transnational, cross-border modes of governance to develop (p. 7). Baltic cooperation is increasingly turning into European cooperation.

- \* Globalization and corresponding modes of governance were channelled to new Eastern/Baltic member-states as Europeanization and EU-type modes of governance.

## 1.4 Participation of private and civil actors in policy formulation

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When trying to define what ‘new’ modes of governance are, a negative definition can be used first. ‘New’ modes are ones that differ from traditional legislation performed with directives and regulations. But defining the ‘new’ modes in a positive way brings us closer to the essence of NMG: they are modes that allow private (non-governmental: business, civil) actors to participate in the decision-making process, through on broad consultations mechanisms (Eberlein and Kerwer 2002)

This we call public/private/civil cooperation (PPCC), as opposed to public/private-partnership (PPP). The latter denotes a common state/business project with private capital involvement, while the former means any type of cooperation among, with or without a profit motive, on a project, measure or procedure supported or initiated at least partly by the state. ‘Co-regulation’, ‘self-regulation’, ‘network governing’ can all fit into the PPCC category, which offers frames for the ‘Open Method of Coordination’ (OMC). The origin of the OMC concept lay in the European Employment Strategy (Amsterdam Treaty, 1997). After the Lisbon European Council, it became a generally recommended mode of implementing EU policy.

- \* Open methods help to spread ‘best practices’, by allowing experiments adapted to the special local situation and sharing experiences of national and local reform measures, because

its actors are represented in PPCC. The wide links of PPCC partners offers channels through which the lessons from practices can spread elsewhere.

## 1.5 The state of ‘good governance’ in the new Baltic member-states

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When studying NMG, it is useful to have a comprehensive picture of the state of governance in the countries examined. World Bank researchers and analysts have found that by improving the quality of governance a country can increase its income per capita considerably in the long term. The modes and effectiveness of governance in EU structural and cohesion policy cannot be separated from governance performance in general. It is clear that a stabile, reliable and flexible set of traditions and institutions, by which authority in a country is exercised, offers better soil for the emergence and evolution of ‘new’ modes, than a less favourable state of general governance does. So the intention in devoting a chapter to the development of governance in the Baltic states in the last decade is to foster better understanding of the possibilities and perspectives of NMG in EU structural and cohesion policy.

The World Bank home page presents six aggregate governance research indicators for 209 countries, using 352 variables drawn from 32 sources and 30 different organizations (individuals or domestic firms, analysts at the major multilateral development agencies, non-governmental organizations (NGOs), commercial risk rating agencies, *etc.*)<sup>1</sup> So the data sources reflect perceptions of a very diverse group of respondents. From

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<sup>1</sup> <http://www.worldbank.org/wbi/governance/govdata>.

these six indicators, four have been chosen here for investigation, as the most relevant to the subject:

1. *Government effectiveness* combines responses on the quality of public-service provision and the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies.
2. *Regulatory quality* includes measures of the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development.
3. *Rule of law* includes several indicators that measure the extent to which agents have confidence in and abide by the rules of society. These include perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts.
4. *Control of corruption* measures the extent of corruption, conventionally defined as the exercise of public power for private gain, including both petty and grand corruption and state capture. It is based on scores of variables from polls of experts and surveys.<sup>2</sup>

Using the interactive Governance Research Indicator Country Snapshot,<sup>3</sup> four charts were made containing indicators for the three Baltic states for 1996 and 2004. To allow better judgement of the development, five new Eastern member-states were added, along with the averages for the OECD and for Eastern Europe and the Baltic average.

The charts show the percentile rank for each governance indicator. Higher values imply better governance ratings according as follows. The percentile rank indicates the percentage of countries worldwide that rate below the selected country. For instance, a bar of length 75 per cent with the thin black lines extending from 60 per cent to 85 per cent means that an estimated 75 per cent of countries rate worse and an estimated 25 per cent of the countries rate better than the country concerned. However, only 60 per cent of the countries rate worse, while only 15 per cent of the countries rate better.

Estonia is always on the top of the ranking, in the best quartile (over 75 percentile, coloured green) and in regulatory quality it is in the top 10th (coloured darker green), exceeding even the OECD average.

Lithuania lags slightly behind, being in the second best (yellow) quartile. Its best performance is in regulatory quality, where it is in the second quartile (over 50, green).

The same applies to Latvia, except that it ranks worse than Lithuania in all four cases. The worst position is in the rule of law.

However, the prospects are very promising. All three Baltic states improved their position in the four indicators, some of them considerably (e.g. Lithuania in regulatory quality and Latvia in control of corruption). This is very important, as the other countries, and even the OECD average, deteriorated in at least one of the four aspects of governance over the eight-year period. (The Czech Republic and Poland were the worst performers in the sample.)

To sum up, the quality of public service and of the bureaucracy, the credibility of the government, the state of market-friendly policies, the quality of contract enforcement, and control of corruption have been developing in the

<sup>2</sup> For the methodology, see Kaufmann *at al.* (2005) and World Bank (2005).

<sup>3</sup> <http://info.worldbank.org/governance/kkz2004>.

new Baltic member-states faster than in other new East European EU members. This helps the emergence and evolution of new forms of governance in every segment of the governance.

## 2) THE LEGAL FRAME FOR STRUCTURAL AND COHESION POLICY: TOWARDS GREATER FLEXIBILITY

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The following sections show how the legal framework for structural and cohesion policy have shaped in the three Baltic states and what forms and characters the rules have taken.

### 2.1 Lithuania

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The legal and institutional framework of Lithuanian regional policy began to take shape in the mid-1990s. In 1998, Parliament adopted Guidelines of Regional Policy, which were followed by a government enabling decree. In 2000, Parliament adopted a Law on Regional Development, based on the earlier documents. But basically, implementation of regional policy is in the hands of an enabling act passed in 2002, containing plans for all 10 counties of Lithuania. It can be seen from this that the legal framework of Lithuanian structural and cohesion policy takes many different forms, from decrees and government resolutions through to parliamentary legislation.

The regional policy strategy for Lithuania up to 2013 proposes establishing five regional growth centres surrounded by territories with currently low standards of living. However, discussion about doing so continues (Začesta and

Pūķis 2005, p. 4). The next step in policy formation will be to prepare individual set of measures for each area, regional growth centre or developing territory, so as to reduce the socio-economic development imbalances between the regions of the country. These individualized measures will appear in a National Programme and be implemented by sectoral ministries.

On the nature of the Lithuanian legislation, the 2003 report of the Commission states that the essential feature of the legal framework are in place, *i.e.* the ability to ensure a budget programming over several years and the necessary institutional structures for preparing and implementing the Structural and Cohesion Funds. The legislation provides some leeway for the government or its designated institutions to shift funds between investment areas or sectors (European Commission 2003, p. 41).

### 2.2 Latvia

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The legal framework and institutions changed frequently in Latvia in the 1990s.<sup>4</sup> After the basic institutions of regional development were established in 1993 (see Chapter 3), guidelines on regional policy development were adopted in 1995 by the government, which drew up the concepts and laws in subsequent years. Thanks to the changes, regional policy is framed by many types of legislative means: acts of Parliament, government orders and 'concepts'.

The basic principles are laid down in the Act on the Assisted Regions, which defines which regions can be assisted by what regional development assistance means, and establishes the Regional Development Council and the Regional

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<sup>4</sup> See Ministry of Foreign Affairs of the Republic of Latvia  
<http://www.am.gov.lv/en/eu/4358/4359/4380>



Fund. The system of development planning is regulated by the Act on Planning Territorial Development and by a government order.

The concept documents define the aims, objectives and framework of regional policy. There are three acts regulating the planning, approval and implementation of the budget for regional development.

The Cabinet of Ministers defined the management structure of the EU Structural Funds in the form of *regulation* and *decree* in 2003 (See *Appendix* ) Newer legal instruments have been made and adjusted according to the norms of EC directives. (E.g. the '*Environmental Impact Assessment Law*' in force since 1998, the '*Law on Procurement for Government and Municipal Needs*' July 2001, '*Law on Control of Aid to Commercial Activity*', 2002<sup>5</sup>)

As far as the nature of the Latvian legislation is concerned, *first* it is in line with the *acquis*. *Second*: the Commission Report (2002) states that the majority of the primary legislation has been put in place, and considerable efforts have been made to strengthen its administrative capacity. In implementation there is some *flexibility*. For example the law '*On Budget and Financial Management*' and also the annual state budget law allow transfers of financial resources between measures and priorities, which are included in the state budget programs. Transfers of funds can be made at management *i.e.* related ministry level.

## 2.3 Estonia

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As a first step, general principles of regional policy were formulated in a concept of self-financing issued in 1989.

<sup>5</sup> For further detail, see Single Programming Document, Latvia 2004–2006.

This was necessary because under the previous regime, there had been no serious regional differences and so no need for a regional policy. However, the market reforms accelerated after the country gained independence in August 1991. The regional development principles in the concept on self-financing then served as a basis for several national policy statements (Janikson and Kliimask 2000, p. 85). This means that formulation of regional policy played a leading role in the systemic change. This method of development is generalized in the thesis that the NMG are rooted in transformation of the social order to market-led capitalism.

In 1994, the Estonian government approved a regional policy concept, on whose basis several institutional changes were made in subsequent years.

In 2002 and 2003, when the country was on the threshold of EU membership, the Ministry of Finance drew up a programme and measures for applying the EU structural funds. It established various working groups from other ministers, using orders for preparing to manage the EU Structural Funds and Cohesion Fund. The ministries involved several business and civil organizations in their work of preparation. All the steps the policy-makers took were manifested in decrees of the Minister of Finance, in a process assisted by Finnish consultants. The monitoring and evaluation obligation of the structural policy measures were outlined in the Structural Aid Act of January 1, 2004.<sup>6</sup>

Estonian law has been harmonized with the EU regulations. For example, the legal basis of state aid is stipulated in the Competition Act and its enacting legislation, which are in line with EU law. This is important here because from the competition-policy aspect, the Structural Funds are connected with state aid and public procurement.

<sup>6</sup> Estonian National Development Plan for the Implementation of the EU Structural Funds. Single Programming Document 2004–2006.

Another example is environmental policy, where Estonian legislation has also been harmonized. Thus the conformity of projects with EU environmental policy is ensured.

In planning and implementing structural and cohesion policy, the information and publicity will again be done in conformity with EU legislation.<sup>7</sup> All information in Estonia not classified as secret must be made public, according to the Public Information Act.

### **3) The institutional frame of structural and cohesion policy: towards decentralization**

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This chapter looks at the main structure of the institutions in the Baltic states and at the stages in which these were founded. The general lessons from the evaluation are that the institutional structures have been (i) established in accordance with EU rules and (ii) emerged as 'green/brown' institutes, meaning that the new institutions/departments have frequently been established within an old institute (ministry) and have taken on existing responsibilities delegated by other, older institutions, in addition to their newly emerging functions.

#### **3.1 Lithuania**

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The institutional framework of Lithuanian structural policy has been rather centralized until the most recent years. In 1996–7, during the first phase of the development of regional policy, the Ministry of Public Administration Reforms and Local Authorities was responsible for regionally balanced development. Then in

1999, the new National Regional Development Agency was established as an affiliate of the Lithuanian Association of Commerce, in a reflection of the 1997 establishment of the Estonian Regional Development Agency (Section 3.3) Now regional governments are forming, but in a process which fraught with debate and dissent (Chapter 4).

The managing authority is the Ministry of Finance. The paying authorities are:

- \* ERDF and Cohesion Fund: Ministry of Finance (National Fund Department).
- \* ESF: Ministry of Social Security and Labour.
- \* EAGGF, guidance and FIG: Ministry of Agriculture.

The intermediate bodies are also various ministries:

- \* Ministry of Economy.
- \* Ministry of Social Security and Labour.
- \* Ministry of Education and Science.
- \* Ministry of Agriculture.
- \* Ministry of Environment.
- \* Ministry of Transport and Communications.
- \* Ministry of Health Care.
- \* Information Society Development Committee.

The implementing agencies responsible for daily management of EU Structural Funds and respective national co-financing:

- \* Central Project Management Agency.
- \* Lithuanian Business Support Agency of the Ministry of Economy.
- \* Transport Investment Directorate.
- \* Environment Implementing Agency.
- \* Human Resources Development Programs Support Foundation.
- \* National Payment Agency (ex-SAPARD).

<sup>7</sup> Commission Regulation (EC) No 1159/2000.

The Ministry of the Interior (which became operational in December 2002) provided support to the county governors' administrations in the form of consultations on methodology for preparing and renewing the regional development plans.<sup>8</sup> The Ministry of the Interior also helps regions and municipalities with preparing project applications for EU structural funds.

Under part of the regional policy, funds are provided for border regions and cross-border cooperation. Here the Lithuanian government (through the Ministry of the Interior) has lent a hand to strengthen the administrative abilities of regional and local actors for implementing such projects, by:

- \* covering Euro-region membership fees for the Association of European Border Regions and the Association of Border Regions,
- \* organizing international conferences, seminars and training,
- \* producing publications about Euro-region activities.

The government recognized the backwardness of the institutional overcentralization and adopted a decentralizing concept, implemented in the form of government resolutions in 2003 (Nos 824 and 1390). As a first stage in the reform process, the reorganization of professional training, general education, culture, health care and social services took place, and some functions of land planning were transferred to the municipalities. In the subsequent stages, county administrations are to be reorganized as well.

In 2003, the European Commission (2003/a, pp. 11 and 42) found that Lithuania must pay more heed in its institutional structures to coordination among the various authorities concerned. Most Lithuanian ministries are under-

staffed, which causes difficulties when managing the Structural Funds. The inter-ministerial cooperation on strategic management is insufficiently developed.

## 3.2 Latvia

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The Ministry of Environment Protection and Regional Development was established in 1993 as the basic institute responsible for regional development, with its Regional Development Department receiving the task of elaborating and implementing territorial planning, urban environment, housing and tourism infrastructure. Several changes took place in subsequent years, in legislation and in institutional structure. In spring 2003, a new Ministry of Regional Development and Local Government Organizations (LGOs) became the main institute of Latvian regional development, with EU structural policies as its main territory.

The institutional framework of structural policies is as follows. According to the government order No. 500 of September 2, 2003 the managing authority is the European Union Funds Department of the Ministry of Finance, and the paying authority the State Treasury.

The following ministries have been appointed as first-level intermediate bodies:

- \* Ministry of Regional Development and LGOs.
- \* Ministry of Economy.
- \* Ministry of Welfare.
- \* Ministry of Education and Science.
- \* Ministry of Agriculture.
- \* Ministry of Transport.
- \* Ministry of Environment.
- \* Ministry of Health.
- \* Ministry of Culture.

<sup>8</sup> Regional development programme of the Republic of Lithuania (2003-2005) Ministry of Interior <http://www.vrm.lt/index.php?id=562&lang=2>.

The second-level intermediate bodies are:

- \* Central Finance and Contract Agency for the ERDF.
- \* State Employment Service for the ESF (measures for development of employment).
- \* Professional Education Development Programme Agency for the ESF (measures for development of education).
- \* Rural Support Service for the EAGGF and FIFG.

The aid scheme managers are:

- \* Latvian Development Agency.
- \* Society Integration Foundation.
- \* Social Assistance Fund.
- \* State Regional Development Agency.

Besides these, there are five regional development agencies.<sup>9</sup>

Before the EU-compatible institutions were running, the Regional Development Council and the Steering Committee of the National Development Plan were responsible for regional development. Based on these, the government established the National Council of Regional Development (NCRD) involving representatives of the European Commission. When shaping this structure of fund management, additional resources from other institutions formerly responsible for regional development were reallocated to the new institutions. This happened, for example, with the Managing Authority (Ministry of Finance), which integrates issues previously under the competence of different ministries, and obtained its resources partly from the NCRD<sup>10</sup> and also from the Ministry of Regional Development and LGOs, a first-level intermediate body.

<sup>9</sup> Ministry of Finance, Latvia  
<http://www.esfondi.lv/page.php?id=610>

<sup>10</sup> Position Paper of the Republic of Latvia. Chapter 21.

### 3.3 Estonia

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The ministry responsible for regional policy in Estonia has been the Ministry of Internal Affairs, with other institutions assisting. In 1995, the Regional Policy Council was formed to develop principles of regional policy and coordinate the application of them. In 1997 came the Estonian Regional Development Agency (ERDA), to arrange regional-policy and aid schemes, to manage the use of state and other funds allocated to regional development, and to formulate and manage the national business-support system (Janikson and Kliimask 2000, pp. 68 and 88–89). In 2000, the ERDA and four other agencies were placed under the newly founded Enterprise Estonia (EE). The process of harmonization of regional policy with the principles of the EU began as early as 1998.

The Estonian government appointed intermediate bodies for the individual Structural Funds and for the Cohesion Fund in decisions taken in February and April 2002. These included information on tasks to be delegated to the intermediate bodies by the managing authority.<sup>11</sup> The following structure of responsibilities emerged.

At the top of structural-policy management stands the Ministry of Finance, which prepares the National Development Plan and is the managing, paying and auditing authority of the Single Programming Document. Within the ministry, the Foreign Financing Department has been appointed as managing authority for the Single Programming Document and for the Cohesion Fund. The tasks of the Ministry of Finance are carried out in cooperation with intermediate

<sup>11</sup> Commission Report 2002 (Estonia) Chapter 21: Regional policy and co-ordination of structural instruments.

bodies (appointed ministries) and final beneficiaries (appointed state agencies and foundations acting under state control). Final recipients of aid are governmental organizations, municipalities, NGOs and entrepreneurs.

Paying authorities:

- \* ERDF: Ministry of Finance (National Fund Department).
- \* ESF: Ministry of Social Affairs (Finance and Budget Department).
- \* EAGGF, guidance and FIFG: Information Board.

In 2002, the government appointed intermediate bodies for the various Funds. The first level of intermediate bodies consists of the ministries:<sup>12</sup>

- \* Ministry of Education and Research.
- \* Ministry of Economic Affairs and Communication.
- \* Ministry of Social Affairs.
- \* Ministry of Environment.
- \* Ministry of Interior.
- \* Ministry of Agriculture.

The second-level intermediate bodies (final beneficiaries) are these:<sup>13</sup>

- \* Estonian Labour Market Board.
- \* State Chancellery.
- \* Centre for Environmental Investments.
- \* Enterprise Estonia.
- \* Estonian Labour Market Board.
- \* Foundation Vocational Education and Training.
- \* Foundation for Life Long Learning.
- \* Estonian Road Administration.
- \* Estonian Maritime Administration, Estonian Railway Inspectorate.

<sup>12</sup> European Structural Funds. Ministry of Finance, Tallinn, Estonia, [www.strukturifondid.ee](http://www.strukturifondid.ee).

<sup>13</sup> Commission Report 2002 (Estonia) Chapter 21: Regional policy and co-ordination of structural instruments.

- \* Estonian Civil Aviation Administration.
- \* Ministry of Social Affairs.
- \* Estonian Informatics Centre.
- \* Agricultural Registers and Information Board.

## 4) THE EMERGENCE OF NEW GOVERNANCE AND OBSTACLES TO IT

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An examination of how the NMG emerged must begin by looking at the origins of the regional development policies, which were similar in the three Baltic states, occurring with the change from a planned, strictly controlled economy to a market economy. Before independence, there were three levels of governance: central, local and county. This system was modified during the transition to a market economy and concurrent preparations for EU membership. This is summarized in the thesis that the role of EU membership in shaping these NMG is only secondary, but increasingly important in recent years of preparation for accession and of EU membership.

A previously non-existent level of regional governance was added in all three states, albeit by different means. All in all, four levels were formulated: central, regional, county and local. This formulation has developed in line with EU practice: when building the new market-based system of local governance and regional policy, experts and bureaucrats paid attention – to varying degrees in the three countries – to the experiences and theoretical knowledge of EU member-states in regional development and planning (Slara 2003, p 2).

Though the regional policy level has been established, the institutional frame for it is still lacking. Neither Estonia nor

Lithuania has regional local government. Regional administration is performed by the state.

It was seen in Section 3.1 that Lithuania began to decentralize its regional policy implementation in recent years. The next step in that will be to reorganize the county administrations. Regional projects will remain the responsibility of county administrations, but several new responsibilities will be transferred to county level, relating, for instance, to agriculture, territorial planning and social services (security, health care, education and culture), and to public order and other functions. Chapter 4 explains that the establishment of regional governments has given rise to much debate and dissent. This means that governance on a regional level is still in the future in Lithuania.

Of the three states examined, only Latvia has regionalized its administration. However, Slara (2003) points out that regional development agencies are more powerful in Lithuania and Estonia than in Latvia, since they maintain stronger, closer links with entrepreneurs. The reason for this lies in the structure of regional government.

Latvia has 26 districts and 7 major cities, with differing degrees of autonomy. These implement the administration of state laws and have independent budgets. But the structure is inordinately dispersed and needs reforming. This need, however, is hindered by vested interests in the central administration. Začesta and Pūķis (2005, pp. 5–6.) state that the ‘normative’ approach in legislation and efforts to regulate public relations in the most detailed way have brought mounting bureaucracy and an increase in the numbers of bureaucrats. So ministries do not facilitate decentralization of responsibilities or funds to regional government. The authors also draw attention to the increasing estrangement between the political sphere and society found in Latvia and indeed

all transition countries, which hinders the development of new modes of government, for which confidence is indispensable. Thus stronger decentralization or ‘localization’ is a key to increasing the participation of social partners in policy, *i.e.* the development of NMG.

The Baltic states still face serious differences between NUTS-III sub-regions within each country, notably in GDP and tax revenue per head and in employment. To cope with these, the three states have drawn up different policies and implementation mechanisms. Slara (2003), having analysed the legislation and interviewed representatives of responsible authorities, found that the development policies were being given inadequate weight among economic, social and environmental tasks in the 1990s, his main period of investigation. He stressed the need for exchange of experience. This seems to have been understood, as transnational cooperation in the Baltic Sea region is now the most dynamic part of the regional development and new governance in the Baltic states.

Take Estonia as an example. It produced its first regional policy document in 1994, a ‘guideline’ on which a regional development strategy was based in 1999. These documents show the main directions and principles of Estonian regional policy, the most interesting ones being emphasis on the need to use of local advantage and bring about participation of regional institutions in international cooperation. This exemplifies how the forms and development of NMG are inseparable from those of transnational, interregional cooperation in the whole region. This is relevant to the thesis that transnational and cross-border cooperation among the Baltic states is older and deeper than adaptation to EU structural and cohesion policy and methods, although the EU policies and experiences have been encouraging further development of transnational cooperation.

It has been emphasized that the NMG in the Baltic states are not EU products, still less brainchildren of EU policy-makers or academics. New modes of managing socio-economic relations have emerged as a necessity under the new global world order. But it has also been emphasized that evolution of such new modes is bound up with the EU, its common policy and its deepening integration. The aim of integrating, balancing and harmonizing a 25-member community generates measures, structures and methods that spread through the member-states spontaneously or compulsorily, and structural policy, and its methods occupy a distinguished place among them. It was emphasized in Chapter 1 that the EU and its structural policy provide the fuel for the development of NMG in the Baltic states. Clear signs of this emerge in subsequent chapters.

## 5) NMG AT NATIONAL LEVEL

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### 5.1 Public-private-civil cooperation (PPCC) in planning

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EU member-states shaping their national development strategies as a framework for EU structural and cohesion policy must attain a high level of cooperation between public, private and civil partners (PPCC, Section 1.4). Under the general structural funds rules, managing authorities must consult with various socio-economic partners. This rule also instigates Baltic-state governments to build up social contacts.

#### *Lithuania*

In line with EU rules and practice, government actors in economic development have paid more heed to cooperation with NGOs and other civil organizations when preparing and implementing Lithuania's structural and cohesion policy (Single Programming Document 2004-2006) of Lithuania than they did during similar development processes in the 1990s. Over three dozen civil or semi-civil organizations, business representatives, environment protectors, trade unions, municipalities, *etc.* took part as consultative partners. This method of policy formulation has clearly been imposed by EU membership.

#### *Latvia*

Integration of the civil and semi-civil spheres has widened further. The government put the National Development Plan up for public debate in 2001. In the following year, the draft SPD and its draft Programme Complement were submitted to over 70 NGOs and published on the Internet. Press conferences, seminars and debates on various priorities and activities were organized during the public discussion. Comments on the SPD were received from 15 NGOs and universities. Comparing this to the public discussion on the National Development Plan in 2001, the activity of the public has not increased, but the quality of comments has improved: PPCC has 'deepened'. A poll of entrepreneurs in conjunction with the National Economy Board was taken in the autumn of 2002, during the period of debate in society.<sup>14</sup>

#### *Estonia*

Since 2002, there have been big signs of EU-type management of the structural and cohesion funds and development of PPCC. A list of all cooperation partners to involve in the elaboration of the National Development Plan for the Imple-

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<sup>14</sup> Single Programming Document, Latvia 2004—2006

mentation of the EU Structural Funds (Single Programming Document 2004–2006) was compiled in late 2001. The ministries nominated the first partners, but the participant numbers grew as the programme was drawn up. The number of consultative partners exceeded 100 during 2002, a ‘year of public consultations’ involving representatives of environmental organizations, universities, the Delegation of the European Commission in Estonia, other institutions, and ministries.<sup>15</sup> First came consultations on the aims and priorities of the programme for implementing the EU structural and cohesion funds. Then the outline for the basic strategy of the SPD was sent to partners for comment. The Ministry of Finance received opinions from over 100 institutions and organizations, many being considered at drafting stage. On the full draft, the social partners again had chances to comment, although fewer recommendations were made than in the previous round. (As in Latvia, PPCC was deepening instead of widening.) Most active were the Estonian Chamber of Environmental Associations, Ida-Viru county government, the Union of Estonian Associations of Local Authorities, the Estonian Association of Small and Medium-Sized Enterprises, and the Estonian Association of Information Technology. These made use of the chance to influence government policy closely affecting economy (information, environment). About half the recommendations proved useful and applicable in the final document.

Parallel with this consultation process, an information campaign ‘Implementing the EU Structural Funds in Estonia’ was organized to introduce the program directly at local, county level. In the last month of 2002, 16 lectures, forums and other events took place in Tallinn and in counties throughout the country, reaching about 1000 people. One of the big-

<sup>15</sup> For more detail, see Estonian National Development Plan for the Implementation of the EU Structural Funds. Single Programming Document 2004–2006. Chapter 0.2.

gest discussions, ‘The Role of the NDP in Human Resource Development in Estonia in 2003–2006’, with representatives of about 40 organizations, took place on September 11, 2002. Since 2001, non-profit organizations have possessed a roundtable, (Roundtable of Estonian Non-Profit Organizations) constituted as a ‘public open form’ of cooperation for non-profit associations, foundations, informal partnerships, *etc.*, to promote discussion of main issues and formation of opinions concerning the non-profit sector, and protecting its interests and those of its constituent organizations.<sup>16</sup> The roundtable cooperates with the Association of Estonian Cities and Association of Municipalities of Estonia as an active player in PPCC.

## 5.2 Local partnership

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‘Locality’ has gained weight in recent years. The local orientation of EU structural policy has helped to develop local governance and a multiple-level (local, regional, national and supranational) network of municipalities and public, private and civil organizations.

Hallemaa (2005) specifies as participants in local development ordinary inhabitants, more or less organized groups (grassroots organizations), elders of villages, neighbouring villages and local administrations, cooperation among civil organizations and the non-profit sector, state and government, the programmes of these, the European Union and its development programs and funds, and other international structures and forms.

Decentralization and local governance have become increasingly determinant factors in socio-economic development strategies and actions to improve the quality of life, especially under conditions

<sup>16</sup> [www.emy.ee](http://www.emy.ee)



of high unemployment. This situation, imbedded in the general problems of globalization (Chapter 7) have given momentum to local partnership, a geographically restricted case of PFCC. Local partnership has developed very quickly in the Baltic states in recent years, as it has proved to be an efficient way of increasing cohesion in a region or local community.<sup>17</sup>

A good example of local partnership is an ISPA project in Lithuania aimed at transparent waste management.<sup>18</sup> Collection and treatment of solid municipal waste is a major problem in Vilnius County, where the ISPA (Instrument for Structural Policies for Pre-Accession) waste-management project envisages the closure of five municipal dumps and construction in the municipality of Elektrenai of a new regional dump that meets national and European standards. The interesting aspect here is that the preparatory stage involved an NGO, for the first time in the ISPA's history: the Lithuanian Green Movement (LGM) was invited by the project monitoring committee to be an observer and evaluate the environmental impact of the various options available, at public hearings. It successfully opposed the construction of a waste incinerator, and with other associations, organized a public protest against using a green area in the municipality of Sirvintai, rather than an old industrial site at Kazokistes. The authorities consequently abandoned the idea. The project's quality, transparency and population-friendliness increased thanks to the participation of a non-profit, non-governmental organization.

### 5.3 Central-local partnership

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Good ties between various levels of governance (well-functioning verticality) are no less important than local government. One case is of a leisure centre in Estonia. The project originated in 1999, when the Ministry of Economic Affairs was looking at ideas for projects under the PHARE ESC 2000 programme.<sup>19</sup> Võru County and the municipality of Haanja proposed building a leisure centre at the foot of the highest hill in Estonia.

The Haanja region was already popular with cross-country skiers in winter and mountain bikers in summer, but there was no infrastructure for visitors. The dual challenge was to set up a multipurpose centre (with changing rooms, cafeteria, ski hire centre, *etc.*) and to improve trails to comply with International Skiing Federation standards. The hardest part was implementation. After the technical and architectural specifications had been drawn up, it became clear that the resources earmarked for the project were insufficient. The municipality came up with extra funds and so did the Estonian government. The result is a beautiful multipurpose centre perfectly in keeping with the environment. This success resulted in approval of a new PHARE ESC project starting in 2004. This will involve complete renovation of the tower erected on the summit of Estonia in 1939.

The main lesson of the three-year project here is to show how important is good cooperation (well-functioning verticality) between local and central authorities.

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<sup>17</sup> See details in Jauhiainen (2005) p. 2.

<sup>18</sup> For more details, see [http://europa.eu.int/comm/regional\\_policy/projects/stories](http://europa.eu.int/comm/regional_policy/projects/stories)

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<sup>19</sup> For more details, see [http://europa.eu.int/comm/regional\\_policy/projects/stories](http://europa.eu.int/comm/regional_policy/projects/stories).

## 6) NMG AT INTERNATIONAL LEVEL

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The various forms of transnational or supranational cooperation are indispensable to implementing EU structural policies. Here are a few examples.<sup>20</sup>

### 6.1 Transnational cooperation in planning – the Vision Planet project

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The partners were Germany, Austria, Italy and eight applicant countries (Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary and Slovenia), supported by INTERREG and PHARE. The goal was to provide a framework for analysis and projection, more transparency, and a common basic vision that would help to achieve greater spatial integration and a more coherent development of the region. A framework of dialogue and cooperation was set up between the regional planning authorities.

This was an entirely new approach that proved to be effective. The participants drew up a map of the regions that were more advanced in regional planning, took stock of the diversity characteristic of the area covered by the project, *etc.* But the most important aspect here is the horizontal governance built as the partners established contacts between various regional government agencies. By the end of the project, the participants had gained a comparative view of the various regional planning

policies and of the jobs of government agencies. The project helped the partners to define more clearly their regional development policy, to explore new methods, and to disseminate them. Besides this ‘best practice’ effect, the project had a ‘learning by doing’ effect, as it helped the Romanian and Hungarian authorities to implement PHARE transnational programming.

### 6.2 Interregional network-development – Baltic Palette

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The Baltic Palette was a transnational project launched in 1999 and partly financed by INTERREG, PHARE and TACIS. The participants were ten regions of five countries: Sweden, Finland, Russia, Estonia and Latvia. The project aimed to take advantage of the ten promising regions by building a common developmental strategy. The project operated with a secretariat spread across five capitals and a task force of experts, and was implemented through eight action groups in such fields as metropolitan areas, development ‘corridors’, information technology networks, sustainable development, *etc.* In 2001, by the end of the project, a network was in place and common documents had been published. The first phase of the project was followed up by a second (Baltic Palette II), which places the emphasis on five needs:

- \* marketing effort: to promote the image of the Baltic Palette Region and make it a symbol of cooperation without frontiers,
- \* orientation of infrastructure investments towards projects able to benefit from the support of international financial institutions,
- \* creation of new cooperation networks in areas of tourism,

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<sup>20</sup> For more details, see [http://europa.eu.int/comm/regional\\_policy/projects/stories](http://europa.eu.int/comm/regional_policy/projects/stories).

- \* similar cooperation in the environment and culture, and
- \* establishment of joint education and training initiatives and programmes for exchange of experience.

Baltic Palette successfully created an interregional network (horizontality) for common development planning and exchange of knowledge, information and experience.

### 6.3 Sector development with transnational cooperation – Baltic Gateway

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This is a project to promote development of transport and infrastructure through transnational cooperation of state entities at various levels: development agencies, service companies and LGOs. Baltic Gateway is part-financed by the Baltic Sea region INTERREG III B-programme, and involves 38 bodies in seven countries.<sup>21</sup> Work started in March 2003 and will finish in March 2006. The need derives from increasingly intense economic ties in the Baltic Sea region and Baltic enlargement of the EU since the transition. The project's position paper refers first to a running consultation process on the revision of EU guidelines for development of the Trans-European transport network. Secondly, it notes decisions by national authorities on transport infrastructure investment. Thirdly, it voices expectations by local and regional communities in the South Baltic area of better access to the core of the Europe.<sup>22</sup>

### 6.4 Cross-border cooperation – partnership meeting

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Cross-border cooperation has a political function, insofar as it helps to maintain and develop a peaceful neighbourhood. At the same time, it is the only way to find a mutually satisfying solution to specific socio-economic problems in border regions, such as peripheral status, the border as obstacle for development, and divided communities (Radvilavičius 2005). The precondition for successful cross-border cooperation is mutual acquaintance. This has to be helped by information flows, and especially by personal contacts. Here is an example.

Euregio Pskov-Livonia is cross-border body for cooperation among border regions of Latvia, Russia and Estonia. It took its present name in November 2003. The goal is to implement joint programmes and projects, represent common interests in state authorities and international organizations, and use opportunities related to the location close to border. Its projects aim to develop communication channels and exchange ideas, methods, practices, and experiences. They are partly financed by the EU (PHARE).

Euregio Pskov-Livonia and the Østfold-Bohuslän Border Committee organized a partnership meeting of local business people at the end of 2004 in Polva, Estonia, with five Baltic states concerned (Estonia, Latvia, Russia, Sweden and Norway). The goal was to establish a network of cross-border cooperation involving the business sector in the Baltic Sea region. Local, regional and national authorities, NGOs, international organizations and 50 local businessmen took part. The event included training seminars, network meetings, regional seminars, national roundtables; information

<sup>21</sup> <http://www.balticgateway.se>.

<sup>22</sup> Position Paper, Baltic Gateway.

material, *etc.* It was evaluated as successful, providing chances for an as-yet unknown number of new business contracts (Radvilavičius 2005).

## 7) ORGANIZATIONS FOR TRANSNATIONAL COOPERATION

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When Latvia, Lithuania and Estonia became members of the EU in 2004, they had already been active cooperation partners with other Baltic/Nordic states for several years. This fact especially helps them to turn to NMG, as there are no legally binding rules for such sub-regional cooperation, despite a number of different national interests at work, which have to be reconciled.

The expression 'transnational' refers to the international aspect of the cooperation without specifying its level or function. The sections that follow examine in the Baltic region. Such variability of level and purpose is an essential aspect of the NMG.

Kern and Löffelsend (2004) differentiate between four supranational forms of governance in the Baltic Sea region: intergovernmental cooperation, transnational policy networks, transnational networks, and supranational institutions. This investigation found similar levels, but it is thought better to handle transnational cooperation of sub-regions ('trans-regional' cooperation) separately, and to differentiate within transnational networking between governmental or non-governmental organized networks and networks in the civil sphere.

So the following division is made (1) intergovernmental cooperation (*e.g.* the CBSS), (2) government-led transnational policy networks (coordination between different transnational organizations, *e.g.* Baltic 21), (3) trans-regional networks at

sub-nation governmental levels (network of sub-regional authorities, the BSSSC), (4) government-led transnational networks (coordination among municipalities, the UBC) and (5) transnational civil networks (cooperation of NGOs).

### 7.1 Intergovernmental cooperation – the CBSS

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The oldest form of cooperation in the concerned countries is the regional forum for intergovernmental cooperation, namely the Council of the Baltic Sea States (CBSS).<sup>23</sup> It was formed at a conference in Copenhagen in March 1992. The CBSS includes the ten Baltic Sea states (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia and Sweden) and also Iceland (since 1995), as well as a representative of the European Commission. Its main organ is the Council, consisting of foreign ministers and a member of the EC. CBSS activity covers many fields of cooperation: health, crime, security, energy, information, children, *etc.*

The Council's aim is to intensify coordination of activities in every field of government except defence. Yearly meetings of foreign ministers and biannual meeting of head of states offer a stabile, conservative form of governance that will pave the way for newer forms, such as cooperation with regional authorities. This has appeared, among other things, in the way the CBSS has initiated annual coordination meetings for heads of Baltic Sea regional organizations. As a result, the strategic partners of the CBSS now include the Baltic Development Forum, the Baltic Sea Chambers of Commerce Association, the Baltic Sea Forum – Pro Baltic, the Baltic Sea NGO Forum, the Baltic Sea Trade Union Network, the Helsinki

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<sup>23</sup> <http://www.cbss.st>.

Commission, and Visions and Strategies around the Baltic Sea. In fact the CBSS umbrella has covered all the intergovernmental cooperation of the Baltic Sea region in the last five years. Agenda 21 for the Baltic Sea region (Baltic 21) was adopted at the 9th Ministerial Session of the CBSS in 1998.

## 7.2 Government-led transnational policy networks – Baltic 21

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Baltic 21 (Agenda 21 for the Baltic Sea Region) is an initiative of the CBSS members, involving several intergovernmental organizations, international financial institutions and NGOs. The process was launched in 1996, when heads of government of the Baltic Sea states decided in the presence of the president of the European Council and European Commission to adopt such a development agenda. Baltic 21 was adopted by CBSS in 1998 with the aim of fostering sustainable development in the social, economic and environmental senses. Besides general goals such as a safe and healthy life, a cooperative and prosperous economy, local and regional cooperation, biological and ecosystem diversity, productivity, *etc.*, sectoral goals have been agreed for agriculture, education, energy, fisheries, forestry, industry, tourism and transport, and for spatial planning.<sup>24</sup>

Since the adoption of Agenda 21, implementation has been concentrated primarily on establishing organizational structures and networks of intergovernmental organizations, international financial institutions, regional and local authorities, businesses and NGOs. The network is serviced by the Baltic 21 Secretariat, which has functioned since Janu-

ary 2001 as a special Baltic 21 unit of the CBSS Secretariat.

Thanks to information technology, the NMG are helped and indeed generated by e-communication. A good example is the presence of a Baltic 21 On-line Discussion Forums link at on the Baltic 21 website. These are interactive online discussions linked to implementation of the new Baltic 21 Strategy Guidelines. This mode of communication brings active involvement by interested parties and individuals.

## 7.3 Trans-regional networks – BSSSC

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An example of cooperation at governmental level is the Baltic Sea States Subregional Cooperation (BSSSC), which integrates the 10 Baltic Sea states and was founded in Stavanger, Norway, in 1993. The BSSSC supports implementation of sustainable development at sub-regional level, in the context of Baltic 21. To avoid duplication, the BSSSC seeks an intensified exchange of information and concrete cooperation between different Baltic Sea organizations.

All regional authorities (sub-regions) can be members of the BSSSC. There are 162 sub-regions in the Baltic region, of which no fewer than two-thirds participate in events organized by the BSSSC. Hence the BSSSC functions as a network of over 160 sub-regional authorities, playing the role of an institutional transmission belt (ITB) for the EU regional and cohesion policies, and for Baltic region developmental goals. Thus the network may offer a two-tier connection between EU (or Baltic) policies and authorities on the one hand, and local needs, possibilities, institutions and partners on the other. In one direction, it can channel implementation of EU (Baltic) policies, while in the other, it can prac-

<sup>24</sup> <http://www.baltic21.org/?about#whatis>

tise a policy-modifying and policy-generating role through feedback and recommendations, particularly on regional, enlargement and funding policies.

The BSSSC has a special Working Group for EU Cohesion Policy, founded to prepare a joint Baltic View on the future of EU Cohesion Policy for 2007–13. This follows and address subjects such as regional demands on new policies, necessary conditions for effective cooperation between EU members and Russia and Belarus (the EU initiative Wider Europe/New Neighbourhood), and terms for cooperation across maritime borders. To be able to influence EU regional development policy, the BSSSC contacts the Union of the Baltic Cities (UBC), the Council of the Baltic Sea States (CBSS), the Baltic Sea Commission (BSC) and other transnational organizations.

As an umbrella or network organization, the BSSSC implements a form of new governance. Conferences and workshops offer participants a chance to get to know each other, exchange information and opinions, and find common interests and best practices. This offers genuine ground for EU-facilitated partnership and cooperation agreements.

## 7.4 Government-led transnational networks – UBC

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The Union of Baltic Cities (UBC), a growing organization with over 100 members spread over all ten countries surrounding the Baltic Sea, is an example of the new governance on a municipal level. It coordinates projects and promotes the exchange of know-how and experience between member-cities by organizing seminars and courses and publishing newsletters, so facilitating the spread of best practices. The original statutes of the UBC were drawn up in

Gdansk on September 20, 1991.<sup>25</sup> It has ten Working Commissions, each led by one or two member-cities, covering business cooperation, culture, education, the environment, health and social affairs, the information society, sport, tourism, transportation, and urban planning. The UBC has cooperation ties with the European Commission and numerous other Baltic and European organizations.

## 7.5 Transnational civil networks

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Hallemaa (2005) identifies the development of civil as the main social task in the Baltic Sea region. NGOs and interregional and international cooperation have developed a lot in the Baltic states in the last decade and a half. One initiative has been the Baltic Sea NGO Forum. The NGOs of the region first came together at a regional preparatory conference in Copenhagen in March 2001. But the civil society of the new Baltic EU members is still underdeveloped compared with that of Western Europe, and Hallemaa's requirement was emphasized again at the 4th Baltic Sea NGO Forum in 2004. European structural funds, especially cross-border cooperation (Interreg IIIA), Baltic Sea regional cooperation (Interreg IIIB) and all-European interregional cooperation (Interreg IIIC) also need massive help from non-profit and non-governmental organizations.

NGOs are forming international coalitions based on their specific fields, especially those involved in environmental protection. Bearing in mind that the environment as a subject is not directly political, it becomes less than surprising that this should be the field where civil society first began to develop in the transition countries.

<sup>25</sup> <http://www.ubc.net/organisation/organisation.html>.

The Coalition Clean Baltic (CCB) was established in Helsinki in February 1990 as a coordinating body of environmental NGOs from the Baltic Sea region. Its goal is to promote the protection and improvement of the environment and natural resources. CCB is a typical 'green', 'politically independent', non-profit organization. It currently covers 26 organizations, from Finland, Russia, Estonia, Latvia, Lithuania, Poland, Germany, Denmark and Sweden, with over half a million members. The CCB uses lobbying, information and education to raise public awareness, along with cooperation projects and support for member organizations.<sup>26</sup> The methods that NGOs apply represent a large and growing part of the NMG, in direct or indirect connection with EU structural and cohesion policy. (For an example of NGO activity over waste-management planning, see Section 5.2.)

## 8) THE EU VERSUS LOCAL INTERESTS: BALTIC VIEWS ON THE NMG

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In the spring of 2002, the BSSSC presented its position on the Commission's White Paper 'European Governance', adopted on July 25, 2001. This concentrates on certain recommendations relating to new forms of cooperation between the EU Commission and regional and local authorities, in regard to EU policy-making and implementation.

BSSSC (2002) agrees with the European Commission on:

- \* the principles that the Commission name as a prerequisite for good governance: openness, participation, ac-

countability, effectiveness and coherence of policies,

- \* the endeavour of the Commission to create a 'stronger interaction and a more systemic dialogue' with local and regional authorities, and
- \* the Commission's aim of a more direct relationship between the EU and organizations at regional and local level.

But the BSSSC criticizes the White Paper in several notes that are instructive from the point of view of NMG in the Baltic states.

- \* It draws attention to the fact that modern information techniques are a necessary, but not a sufficient means to help better information flows on EU policies. There is a need for person-to-person connections. Regional and local authorities have direct access to citizens, so that these authorities can contribute to the information process. (This role also fits the transmission-belt function of the NGOs.) Authorities should be not only recipients, but actors in EU policy-making and implementation, the BSSSC emphasizes.
- \* The BSSSC criticizes current EU working methods in connection with earlier consultations and the idea of exchanging staff and joint training of administrators at various levels. These are said not to encourage sufficiently the interactions and partnerships between different political levels. Instead, the BSSSC suggests intensive and regular consultations between policy making (authorities, Commission, elected representatives with democratic legitimacy) and policy shaping (NGOs and civil society). Besides, the BSSSC has underlined the importance of involving the expertise of regional and local authorities, not just special-interest groups. This issue addresses the question of 'representativity' in decision making and 'flexibility' in implementation.

<sup>26</sup> <http://www.ccb.se/about.html>.

- \* In the Commission's proposal, framework contracts and tripartite contracts (to be agreed between the EU, a member state and one or more counties/municipalities) are to serve greater flexibility, *i.e.* to help EU policy implementation without making legislation unnecessarily complicated. The BSSSC welcomes in this decentralization endeavour the freedom given to local and regional authorities, adding that clearer guidelines are also indispensable, especially in such fields as the environment.
- \* The BSSSC's position is very interesting on open methods of coordination (voluntary coordination and partnerships). It agrees with OMC if regional and local expertise and experience are involved in implementing national action plans and in deciding indicators and benchmarking criteria. But it dismisses the use of OMC where it is limited to cooperation between states and serves to undermine regional and local level interests.
- \* Finally, the BSSSC does not find it useful to have a static division of competencies and responsibilities in EU institutions. These states have distinct constitutional, political and cultural traditions and want to retain flexibility in the catalogue of competencies.

The BSSSC is not alone in criticizing EU ideas about NMG. The UBC also has its own opinion on how this new governance should function. When it appealed in 2003 to the European Commission for regular consultations with LGOs on EC policies that affect them, it was not satisfied with the response. In his letter to the UBC, Michel Barnier referred to the communication of the Commission 'Dialogue with associations of regional and local authorities on the formulation of EU policy' (19 December 2003), where the EC proposes to give regional and local representatives an opportunity to express their views during annual hearings on the Commission's

working programme, but the UBC, reflected on this, said such consultations should be a dialogue, not one-way communication and consultations, and the Commission involve not only pan-European or national organizations, but LGOs and associations of these (Bodker Andersen 2004).

Clearly, the Baltic states tend to put local before EU interests, at least in the form that the Commission represents the latter. The opinions cited here show how important local (regional, sub-regional, municipal, *etc.*) interests are in the eyes of people likely to receive instructions/policies/money from remote entities. If local actors cannot be ignored when implementing EU development policies, still less can they be so during the process of planning. Local actors in the Baltic states, as new EU members, want a say in shaping EU policies that concern them, through dialogue and mutual understanding.

Having covered the ways in which EU NMG should be implemented, there remains the question of what socio-economic aspects should prevail. The BSSSC, in its position paper, suggests to the Commission that recommended new form of consultations and the participation of regional authorities should be extended gradually to issues affecting the following fields:

- \* The environment.
- \* Public-sector welfare systems.
- \* The infrastructure.
- \* Sustainable development in economic and ecological terms.
- \* Regional policy and development.
- \* The overall strategy for development of the Baltic region ('Northern Dimension').

Not surprisingly, these are the fields most affected by globalization, deregulation and liberalization, with crucial importance in equitable development – one of the main goals of the EU.



## 9) CONCLUSIONS

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The NMG are necessary products of globalization, which have developed initially as a consequence of the systemic transformation in the Baltic states. They were further inspired and promoted by EU membership and preparations for this.

It can be concluded from the research that the national legislation of the three Baltic states already rests fundamentally on a common European legal foundation. National law has reached a high level of alignment with the *acquis* in most policy areas; this is corroborated by the European Commission (2003/b). By the time of their accession in 2004, the three Baltic states had essentially met the requirements for membership in relation to the legal framework, and programming in the field of regional policy and coordination of structural instruments.

In all three new member-countries, the legal and institutional structure was framed over several years, in line with the systemic transformation and with frequent changes in structure and competence. The forms of the legal means are various: government 'concepts', decrees, resolutions, orders, 'guidelines', laws, *etc.* The common factor in them is that they are mainly of a framing character and seek to harmonize with EU recommendations and rules, leaving enough place for implementation and for lower levels of governance. This means that the new Baltic members' legislation on structural and cohesion policy provides some flexibility for governments and other implementing bodies. This is important, as they act as an institutional transmission belt for EU regional and cohesion policy. Institutional flexibility paves the way for further evolution of NMG.

Initially, the structure in all three Baltic states was rather centralized, with ministries with broad responsibilities at the peak. In time, there have been signs of movement towards a more decentralized, locally oriented form of governance, albeit this has not progressed smoothly. The process is not independent of the precedents in other EU countries, which gained relevance during the preparations for membership. Such experience and theoretical knowledge in other member-states was heeded to different degrees in each Baltic state as they shaped the new legal and institutional systems. A good example is Estonia, which introduced the EU-compatible programming principle more successfully than the other two states, mainly because policy-makers worked in close cooperation with Finnish experts on elaborating regional policy in the 1990s.

Despite the decentralization endeavours, centralization still prevails, especially in regional policy. Latvia relied more on a traditional 'statist' development policy, while Lithuania turned to decentralization only when on the threshold of EU membership. All three countries have to reorganize and/or establish institutions of regional development, to make regional governance adequate for EU rules and policies, and to strengthen 'locality' in governance, which could facilitate development of NMG, especially the involvement of civil organizations in decision-making and implementation. It has to be recognized, however, that the path to regionalization and localization of governance is impeded by combative interests on each side.

It was also found that the new institutional structure required for EU membership and successful programming and implementation of cohesion and structural policy had been shaped mostly as 'green/brown' institutions. In several cases, older institutions (ministries, departments and agencies) handed existing responsibilities to do with regional development over to new institutions. The in-

stitutional frameworks for implementing such policies in the new Baltic member-states are predominantly vertical, with some horizontal division of labour among ministries and some horizontal 'consultations' with social partners at the planning stage. This predominant structure is determined by regulations of the European Commission and resembles what is found in other member-states, new and old, differences occurring more in sub-structures at local and transnational level.

It was seen that NMG are developing on a local level, especially through involvement in civil organizations, notably in planning. However, the new modes are expressed more in governance 'beyond the nation-state': transnational co-operation. This is older and deeper than EU membership in the region, takes various forms and concerns various functions. Such variability is an essential aspect of the NMG, which basically involve horizontal, network-type connections between cooperation partners at local and transnational levels. But it has to be stressed that well-functioning verticality (good connections between central, regional and local governance levels) is equally important.

A kind of 'Baltic identity' was experienced: the states of the region, including the three new EU members, insist on retaining their collective competence in local (regional) strategies, policies and instruments. The chair of the Ad-hoc Working Group on Cohesion Policy remarked for example, that 'the BSSSC must speak with one voice [if it is] to be heard in the European debate' (Andersen 2004).

New governance naturally uses more intensively new forms of communication, notably e-communication. This can be seen on the home pages of ministries and other organizations, which include forums, newsletters and information services. But this activity by no means overshadows traditional personal contacts. A

good example is the PPCC in planning. New IT forms of communication tend rather to supplement traditional methods, although personal contact such as forums, debates and lectures remain important, while new information technologies help to increase their effectiveness.

The study's empirical examples of NMG in structural and cohesion policy show that these are spreading in the countries examined and exercising a positive influence on the success of projects.

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<http://www.balticgateway.se>

<http://www.bsssc.com>

<http://www.cbss.st>

<http://www.ccb.se>

<http://www.emy.ee> (Estonian NGO Roundtable)

<http://www.esfondi.lv> (Ministry of Finance, Republic of Latvia)

<http://www.eudel.lt> (The European Commission Representation in Lithuania)

<http://www.lps.lv/start.php?lang=en&s1=1&id=1> (Latvian Association of Local and Regional Governments (LALRG))

<http://www.lsa.lt> (Association of Local Authorities in Lithuania)

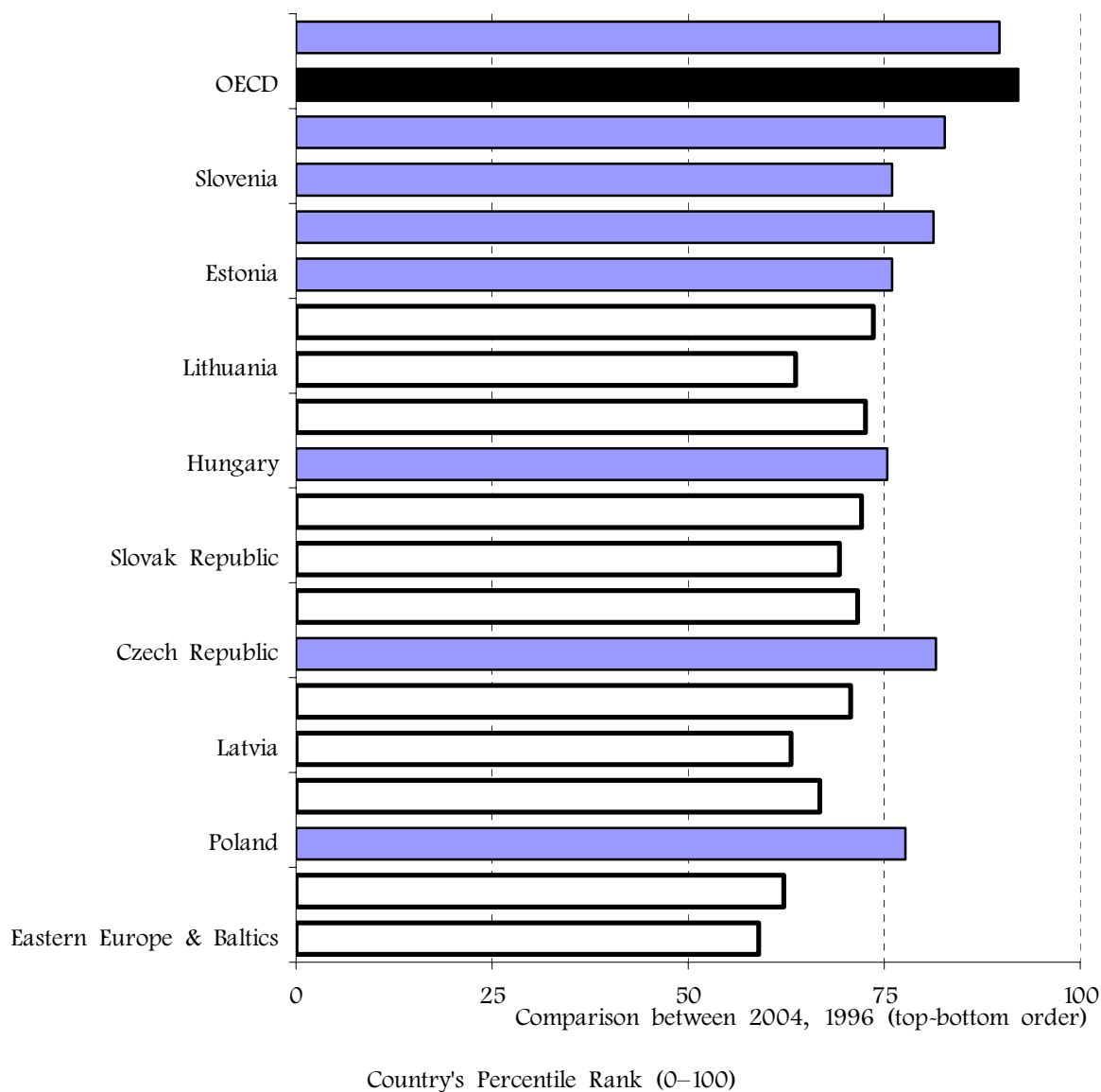
<http://www.strukturifondid.ee> (Ministry of Finance, Republic of Estonia)

<http://www.ubc.net>

<http://www.vrm.lt> (Ministry of Interior, Republic of Lithuania)

## APPENDICES

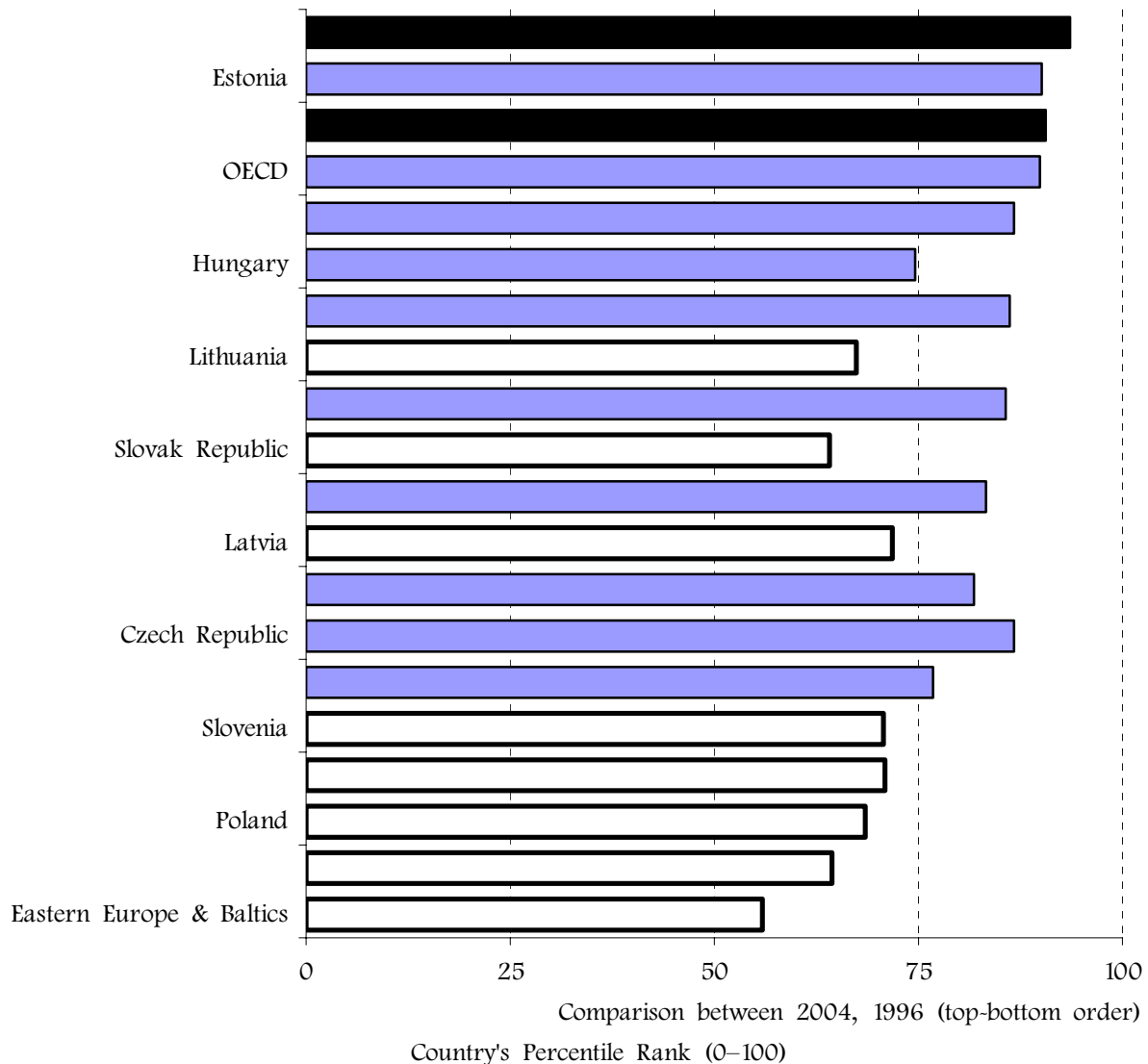
Appendix 1  
Government effectiveness 1996–2004  
(The competence of the bureaucracy and the quality of public service delivery)



The chart is prepared by the help of interactive Governance Research Indicator Country Snapshot, World Bank homepage. <http://info.worldbank.org/governance/kkz2004>

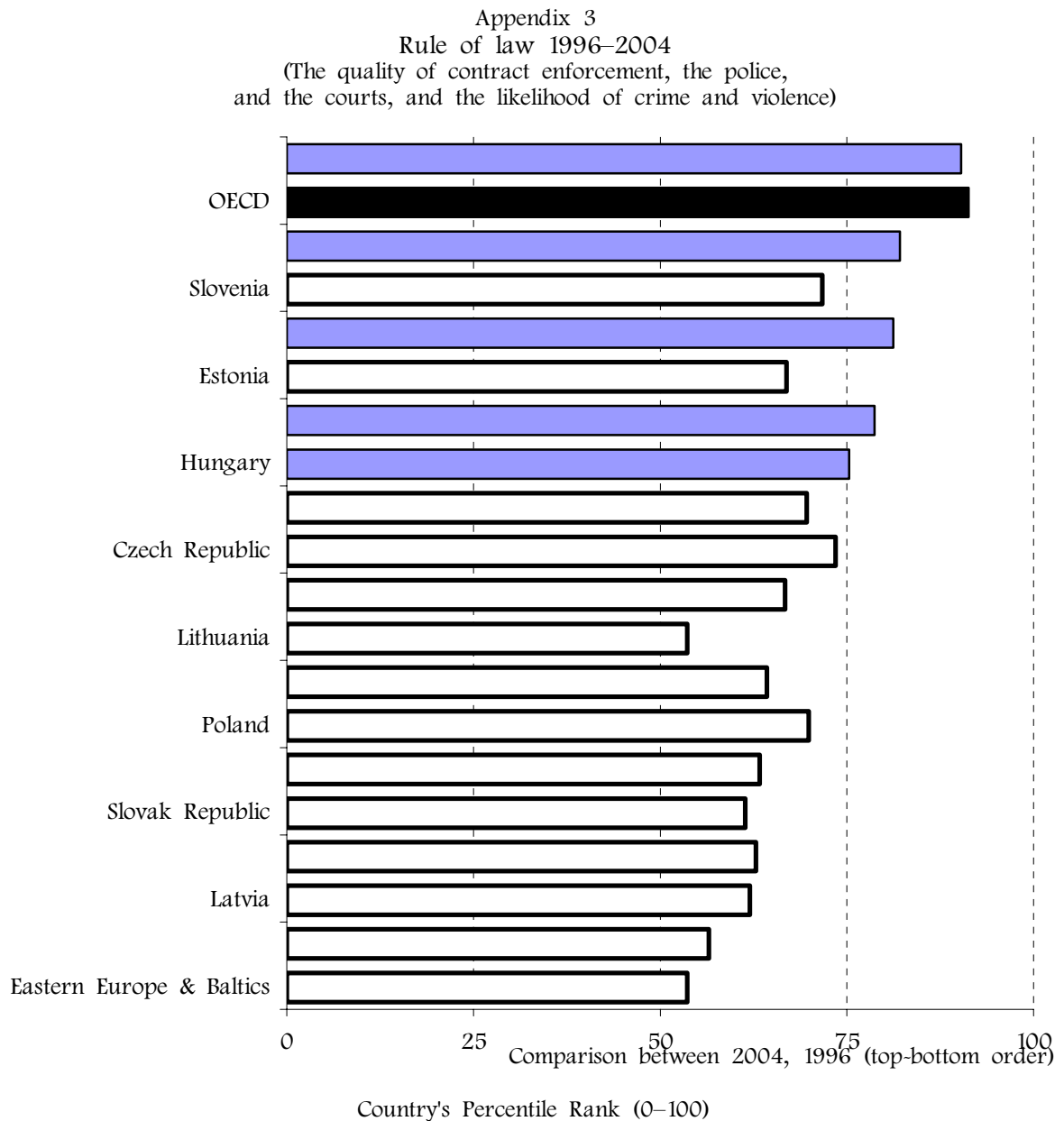
*Note:* Upper bar for 2004, lower bar for 1996. The chart shows the percentile rank on each governance indicator. Higher values imply better governance ratings according to the followings. Percentile rank indicates *the percentage of countries worldwide that rate below the selected country*. For instance, a bar of length 75% means: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. Colour pattern follows a simple quartile distribution (for illustrative purposes): the best quartile (over 75<sup>th</sup> percentile) is in ■ (with top 10<sup>th</sup> coloured in □), the second best (over 50<sup>th</sup>) is in □ the third (over 25<sup>th</sup>) is in ■■■, and the fourth is in red (with bottom 10<sup>th</sup> in darker red).

Appendix 2  
Regulatory quality 1996–2004  
(The incidence of market-unfriendly policies)



The chart is prepared by the help of interactive Governance Research Indicator Country Snapshot, World Bank homepage. <http://info.worldbank.org/governance/kkz2004>

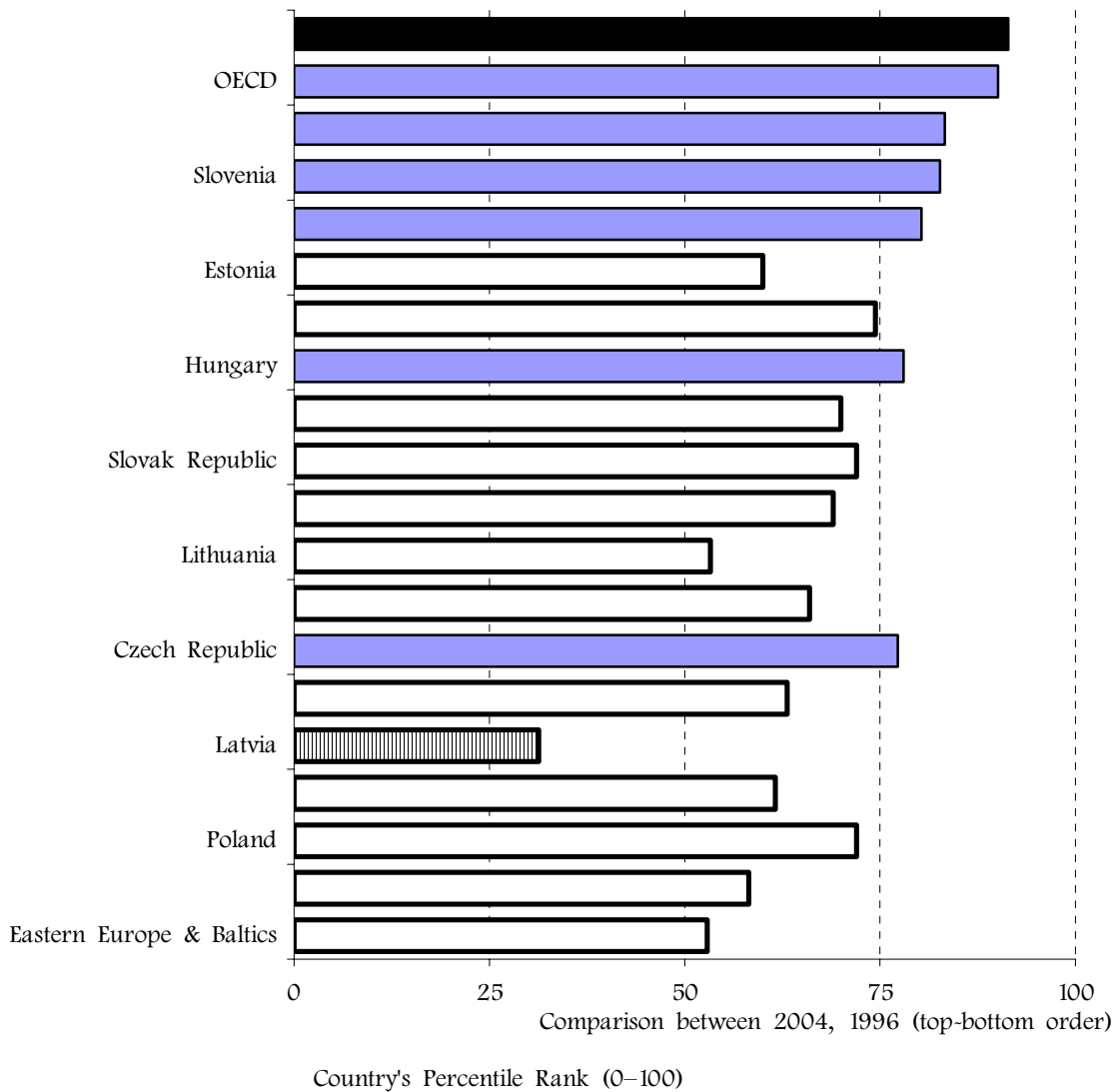
*Note:* Upper bar for 2004, lower bar for 1996. The chart shows the percentile rank on each governance indicator. Higher values imply better governance ratings according to the followings. Percentile rank indicates *the percentage of countries worldwide that rate below the selected country*. For instance, a bar of length 75% means: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. Colour pattern follows a simple quartile distribution (for illustrative purposes): the best quartile (over 75<sup>th</sup> percentile) is in ■ (with top 10<sup>th</sup> coloured in ■), the second best (over 50<sup>th</sup>) is in □ the third (over 25<sup>th</sup>) is in ▨, and the fourth is in red (with bottom 10<sup>th</sup> in darker red).



The chart is prepared by the help of interactive Governance Research Indicator Country Snapshot, World Bank homepage. <http://info.worldbank.org/governance/kkz2004>

*Note:* Upper bar for 2004, lower bar for 1996. The chart shows the percentile rank on each governance indicator. Higher values imply better governance ratings according to the followings. Percentile rank indicates *the percentage of countries worldwide that rate below the selected country*. For instance, a bar of length 75% means: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. Colour pattern follows a simple quartile distribution (for illustrative purposes): the best quartile (over 75<sup>th</sup> percentile) is in ■ (with top 10<sup>th</sup> coloured in ◼), the second best (over 50<sup>th</sup>) is in ◻ the third (over 25<sup>th</sup>) is in ◻◻◻, and the fourth is in red (with bottom 10<sup>th</sup> in darker red).

Appendix 4  
Control of corruption 1996 and 2004  
(The exercise of public power for private gain)



The chart is prepared by the help of interactive Governance Research Indicator Country Snapshot, World Bank homepage. <http://info.worldbank.org/governance/kkz2004>

*Note:* Upper bar for 2004, lower bar for 1996. The chart shows the percentile rank on each governance indicator. Higher values imply better governance ratings according to the followings. Percentile rank indicates *the percentage of countries worldwide that rate below the selected country*. For instance, a bar of length 75% means: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. Colour pattern follows a simple quartile distribution (for illustrative purposes): the best quartile (over 75<sup>th</sup> percentile) is in ■ (with top 10<sup>th</sup> coloured in ■), the second best (over 50<sup>th</sup>) is in □ the third (over 25<sup>th</sup>) is in ▨, and the fourth is in red (with bottom 10<sup>th</sup> in darker red).



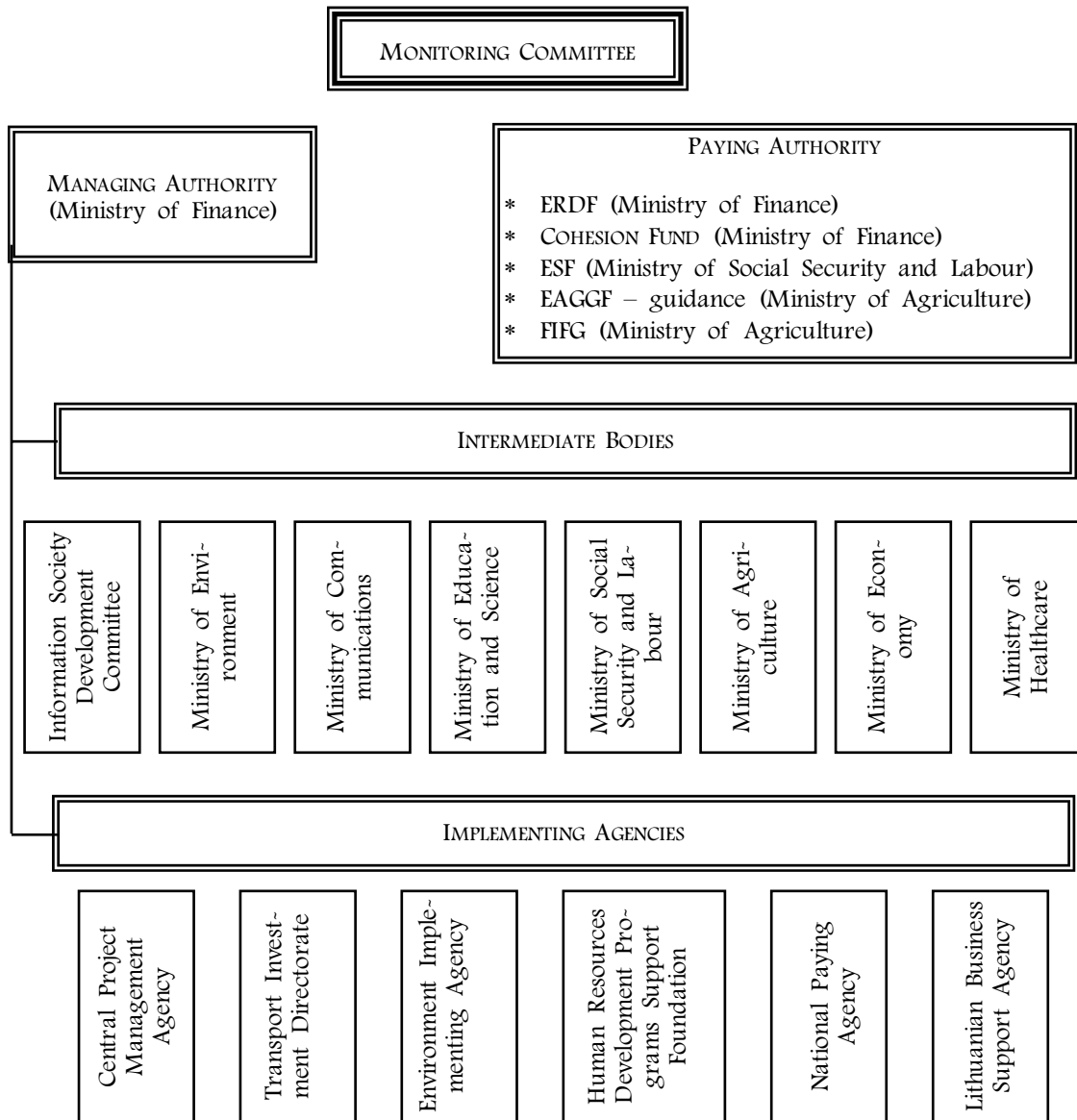
Appendix 5  
Lithuania: Legal framework of regional policy<sup>27</sup>

1. Law on the Governing of the County (Žin., 1994, No 101-2015)
2. Guidelines of Regional Policy (adopted by Parliament, 1998)
3. Cabinet Decree on the Implementation of the Regional Policy Guidelines (1999)
4. Law on Regional Development (Žin., 2000, No 66-1987); amendment on Law of Regional Development (2002, No 123-5558)
5. Long-term development strategy of the State (Žin., 2002, No 113-5029)
6. Long-term economic development strategy of Lithuania until 2015 (Žin., 2002, No 60-2424)
7. Sustainable development strategy (Žin., 2003, No 89-4029)
8. Resolution of Seimas (Parliament) of the Republic of Lithuania “Concerning Master Plan of the Territory of the Republic of Lithuania” (Žin., 2002, No 110-4852)
9. Resolution of Government of the Republic of Lithuania “Concerning criteria of identification of problem areas” (Žin., 2003, No 35-1483)
10. Resolution of Government of the Republic of Lithuania “Concerning setting up of regional development council, its composition, adoption of statute and appointment of chairman” (Žin., 2003, No 69-3132)
11. Resolution of Government of the Republic of Lithuania “Concerning the Programme of Development of Lithuanian Regions and its implementation measures for 2003–2005” (Žin., 2002, No 117-5859)
12. Decree of Minister of the Interior of Republic of Lithuania (4<sup>th</sup> of October, 2002) “Concerning methodology for preparation and renewal of regional development plans”
13. Regional policy strategy of Lithuania until 2013

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<sup>27</sup> Ministry of Interior, Republic of Lithuania <http://www.vrm.lt/index.php?id=561&lang=2>

Appendix 6  
Lithuania: Institutional framework of the structural funds management



Source: Single Programming Document of Lithuania 2004–2006, p. 265.

## Appendix 7

Lithuania: Consultative partners of Ministry of Finance in developing Single Programming Document 2004–2006, during the course of 2002–3<sup>28</sup>

Assembly of Lithuanian Youth Organizations Council  
 Association of Lithuanian Constructors  
 Association of Lithuanian Banks  
 Association of Lithuanian Chambers of Industry and Trade  
 Association of Lithuanian Clothing and Textile Industry  
 Association of Lithuanian Heat Suppliers  
 Association of Lithuanian Municipalities  
 Association of Lithuanian Rectors  
 Association of Lithuanian Trade Unions  
 Association of the Chambers of commerce  
 Businesspeople of Šalčininkai Municipality  
 Centre of Health Economy  
 Club of Kaunas Business Leaders (heads of largest firms)  
 Club Vilnius Business Leaders (heads of largest firms in region)  
 Competition Council  
 Confederation of Lithuanian Business Employers  
 Confederation of Lithuanian Industrialists  
 European Infocenter  
 Forum of Non-Governmental Organizations  
 INFOBALT (association of IT firms)  
 Joint Consulting Committee  
 Lithuanian Chamber of Agriculture  
 Lithuanian Glassworkers Association  
 Lithuanian Industrialists' Confederation  
 Lithuanian Union of Labour  
 National Development Institute  
 National Regional Development Agency  
 NMC of the Vilnius Gediminas Technical University  
 Representatives of Marijampole County Administration and municipalities of region  
 Representatives of municipalities  
 Training Centre of the Confederation of Lithuanian Industrialists  
 Training Centre of the Lithuanian Industrialists' Confederation  
 UBC Women's Network and Association of Women of Šiauliai  
 Vilnius Bank  
 Vilnius Non-Party Club  
 Women's Information Centre

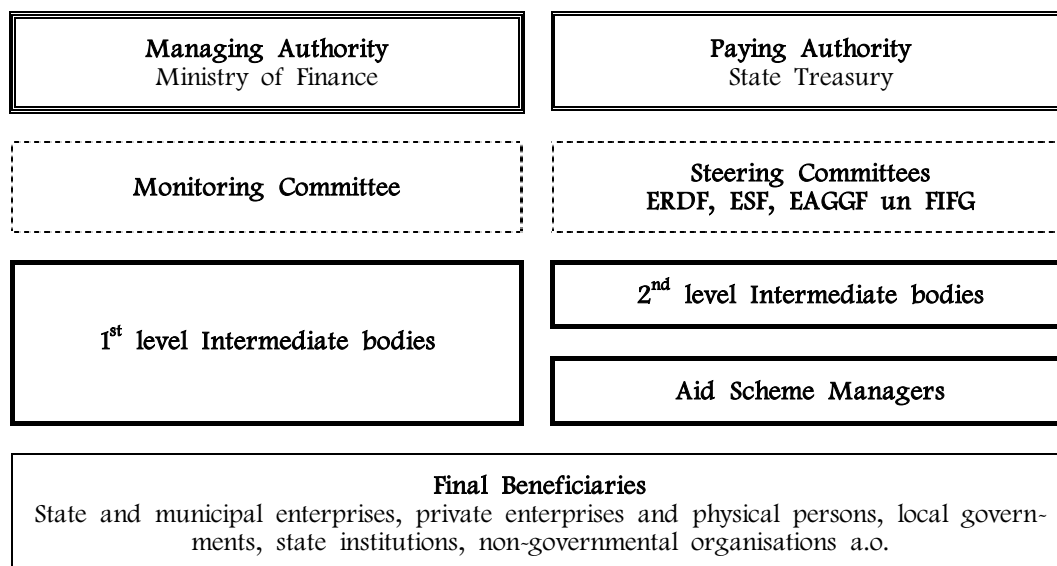
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<sup>28</sup> Single Programming Document of Lithuania 2004-2006. [http://www.eudel.lt/en/structural\\_funds/index5.htm](http://www.eudel.lt/en/structural_funds/index5.htm)

Appendix 8  
Latvia: Legal framework of regional policy<sup>29</sup>

1. Act on Management of the Budget and Finances (adopted by Saeima on 24.03.1994).
2. Act on Local Government Budgets (adopted by Saeima on 24.03.1994).
3. Guidelines of Regional Policy Development in Latvia, 1995.
4. Concept of Regional Development Policy of Latvia (approved by government on 03.12.1996).
5. Act on Specially Supported Regions, 1996.
6. Act on Public and Municipal Procurement (adopted by Saeima on 24.10.1996, entering into force on 01.01.1999).
7. Act on the Assisted Regions (adopted by Saeima on 22.05.1997).
8. Act on Planning Territorial Development (adopted by Saeima on 15.10.1998).
9. Government Order No.62 on Territorial Planning (adopted by government on 24.02.1998).
10. Concept of National Planning of Latvia (endorsed by government on 27.01.1998).
11. Act on Regional Development, 2002.
12. Order on the Institutional Framework of Management, Monitoring, Evaluation and Control of EU Structural Funds (No. 500, adopted by government on 02.09. 2003).
13. On Tasks to be Accomplished for Implementation of Management, Monitoring, Evaluation and Control System of EU Structural Funds (No. 573, adopted by government on 10.09.2003).

Appendix 9  
Latvia: Institutional framework of structural-fund management



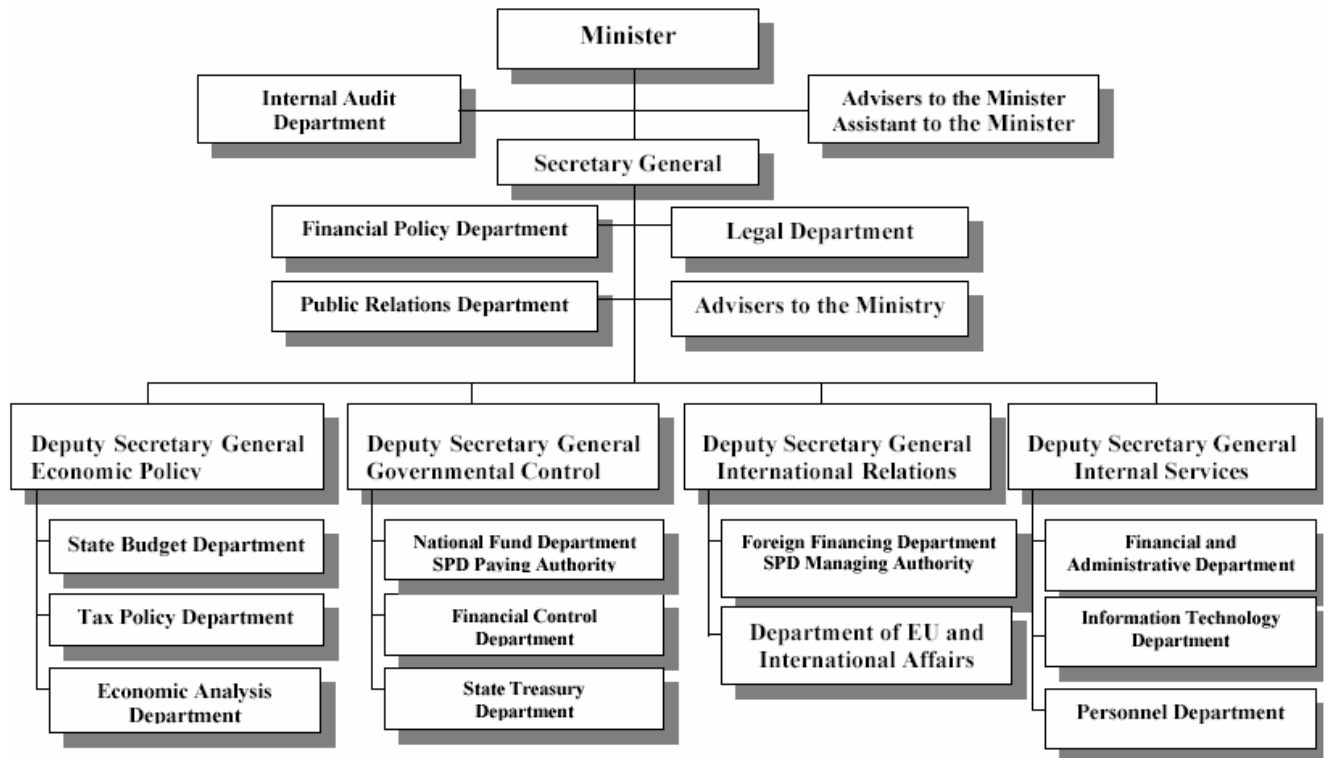
Source: Ministry of Finance Latvia, a <http://www.esfondi.lv/page.php?id=609>

<sup>29</sup> Ministry of Foreign Affairs, Republic of Latvia <http://www.am.gov.lv/en/eu/4358/4359/4380>

Appendix 10  
Estonia: Legal framework of regional policy

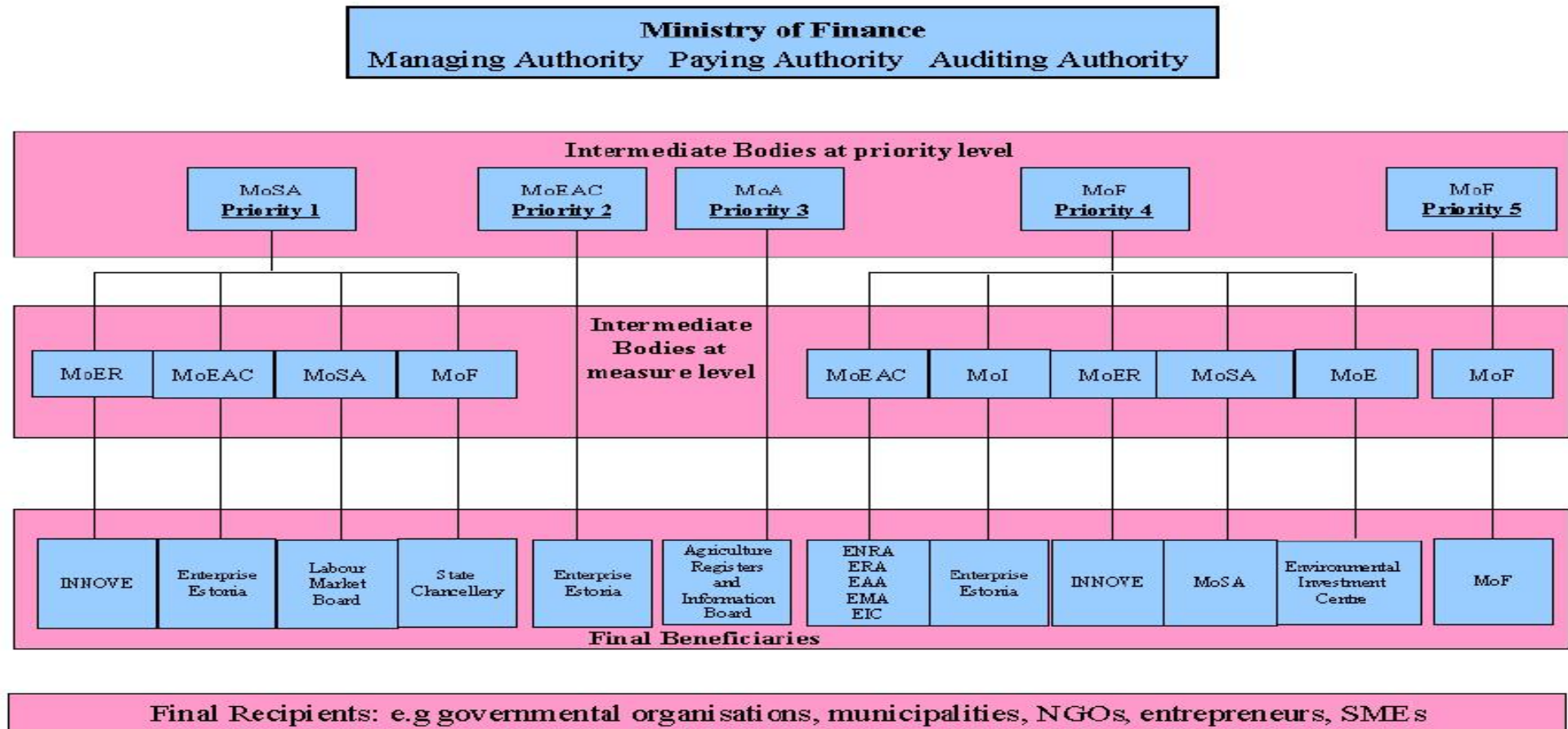
1. Conception of Self-financing for Estonia, 1989.
2. Guidelines for Regional Policy, 1994
3. Regional Development Strategy for Estonia, 1999
4. Structural Funds Regulation, 1999
5. Structural Aid Act, 2004.

Appendix 11  
Estonia: The structure of the Ministry of Finance



Source: Estonian National Development Plan for the Implementation of the EU Structural Funds. Single Programming Document 2004-2006. [http://www.strukturifondid.ee/failid/ESTONIAN\\_SPD-c\\_FINAL.pdf](http://www.strukturifondid.ee/failid/ESTONIAN_SPD-c_FINAL.pdf)

Appendix 12  
Main bodies in Estonia implementing Single Programming Document 2004-6



Source: Estonian National Development Plan for the Implementation of the EU Structural Funds. Single Programming Document 2004-2006.  
[http://www.strukturifondid.ee/failid/ESTONIAN\\_SPD-c\\_FINAL.pdf](http://www.strukturifondid.ee/failid/ESTONIAN_SPD-c_FINAL.pdf)

Abbreviations:

MoER = Ministry of Education and Research,  
MoEAC = Ministry of Economic Affairs and Communications  
MoF = Ministry of Finance  
MoSA = Ministry of Social Affairs

MoE = Ministry of Environment  
MoA = Ministry of Agriculture  
MoI = Ministry of Internal Affairs

Appendix 13  
Estonia: Institutions of new governance – preparation of the SPD<sup>30</sup>

Full list of cooperation partners on SPD at end-2002 according to Estonian Ministry of Finance

- 1) Estonian Bank.
- 2) Ministry of Education, cooperation partners: Association of Estonian Cities, Estonian Confederation of Employers and Industry, Education Forum, Council of Rectors, Agency for Vocation Education and Training Reform, The Association of Estonian Adult Educators.
- 3) Ministry of Environment, cooperation partners: Estonian Private Forest Union, Estonian Waste Management Association, Estonian Forest Industries Association, Estonian Ornithological Society, Estonian Package Association, Estonian Radiology Association, Friend of the Earth, Estonian Water Association, Estonian Waterworks Association, Estonian Fund for Nature, Estonian Semi-natural Community Conservation Association (ESCCA).
- 4) Ministry of Culture.
- 5) Ministry of Economic Affairs and Communications, cooperation partners: Estonian Energy Research Institute, Estonian Hotel and Restaurant Association, Estonian Chamber of Commerce and Industry, Estonian Business Association, Estonian Association of Travel Agencies, Estonian Confederation of Employers and Industry, Estonian Research and Development Council, Estonian Association of SME's, Estonian Foreign Trade Union, NGO Estonian Rural Tourism, Tartu University, Institute of Geography, Estonian Agricultural University, Estonian Sustainable Development Institute, Estonian Biomass Association, Centre for Ecological Engineering, Estonian Fund for Nature, Estonian Wind Power Association, Society of Nõmme Tee, Tallinn Technical University, Department of Thermal Engineering, Estonian Power and Heat Association, Union of Protected Areas of Estonia, Estonian Association of Health Resorts and Rehabilitation Treatment, Estonian Marine Tourism Association, Estonian Ecotourism Association, Estonian Adventure Tourism Association, Union of Estonian Automobile Enterprises, Association of Estonian International Road Carriers, Ship Owners Union, Harbours' Union, Foundation for Development of Estonian Internal Waterways, Estonian Union of Cooperative Housing Associations, Estonian Information Technology Society (EITS), The Association of Estonian Information Technology and Telecommunications Companies (ITL).
- 6) Office of the Minister for Population and Ethnic Affairs, cooperation partner: Government Commission of Children and Family Policy.
- 7) Office of the Minister for Regional Affairs.
- 8) Ministry of Agriculture, cooperation partners: Central Union of Estonian Gardening and Apiculture, Estonian Gardening Union, Estonian Private Forest Union, Estonian Fish Farmers Association, Estonian Fish Union, Estonian Fishermen Union, Association of Estonian Rural Advisors, Movement of Estonian Villages and Small Municipalities (KODUKANT), Estonian Meat Union, Estonian Veterinary Association, Estonian Rural Women's Association, Union of Rural People's Resource Centres, Estonian Berries Association, Association of Estonian Apiarists, Estonian Young Farmers, Union of Estonian Associations of Local Authorities, Estonian Milk Union, Estonian Chamber of Agriculture and Commerce, Estonian Food Industries Union, Estonian Mill Owners Association, Estonian Ecotourism Association, Estonian Cooperative Union, Estonian Nature Fund, Estonian Agricultural Producers Central Union, Estonian Farmers' Federation, Fur Animal Raisers' Association, Rural Development Institute, NGO Estonian Rural Tourism, Estonian Sustainable Development Institute, 4H Estonia.
- 9) Ministry of Finance, co-operation partners: Centre for Policy Studies (Praxis), Tallinn Technical University, Tartu University.
- 10) Office of the Prime Minister.
- 11) Ministry of Internal Affairs, cooperation partners: Confederation of Estonian Trade Unions, Estonian Council of Civic Organisations (ECCO), Association of Estonian Cities, Union of Estonian Associations of Local Authorities, Council of County Governors, Movement of Estonian Villages and Small Municipalities (KODUKANT), Network of Estonian Non-profit Organizations.
- 12) Ministry of Social Affairs, cooperation partners: Confederation of Estonian Trade Unions, Estonian Medical Association, Estonian Hospitals' Union, Council of Leaders of Estonian Social Care Establishments, Union of Leaders of Estonian Child Care Establishments, Association of Estonian Cities, Union of Estonian Associations of Local Authorities, Estonian Red Cross, The Estonian Chamber of Disabled People, Estonian Confederation of Employers and Industry, Estonian Association of SME's

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<sup>30</sup> Estonian National Development Plan for the Implementation of the EU Structural Funds. Single Programming Document 2004-2006.

Appendix 14  
Types of governance beyond the nation-state in the Baltic Sea region

Governance by	Examples	Actors	Mode of governance
International regimes, intergovernmental co-operation	Helsinki Convention, Council of Baltic Sea States	Governmental actors	Self-organization of nation-states, hierarchical implementation strategies within nation-states
Government-led transnational policy networks	Coordination between transnational organizations (Baltic 21)	Governmental actors inviting non-governmental and sub-national actors	Participatory implementation, predominantly horizontal governance with vertical elements
Trans-regional networks	Networks of sub-regional authorities (Baltic Sea States Sub-regional Cooperation)	Governmental actors inviting non-governmental and sub-national actors	Self-organization, implementation by internal network governance, predominantly horizontal governance
Government-led transnational networks	Coordination among municipalities (Union of Baltic Cities)	Governmental actors inviting non-governmental, and sub-national actors	Self-organization, implementation by internal network governance, predominantly horizontal governance
Transnational civil networks	Transnational cooperation of NGOs (Baltic Sea NGO Forum, Coalition for Clean Baltic)	Non-governmental actors	Self-organization, implementation by internal network governance, predominantly horizontal governance
Supranational institutions	European Union	EU institutions	European multi-level governance, implementation by nation-states and EU funding recipients

*Source:* Tabulation of categories postulated by Kern and Löffelsend (2004, p. 12).

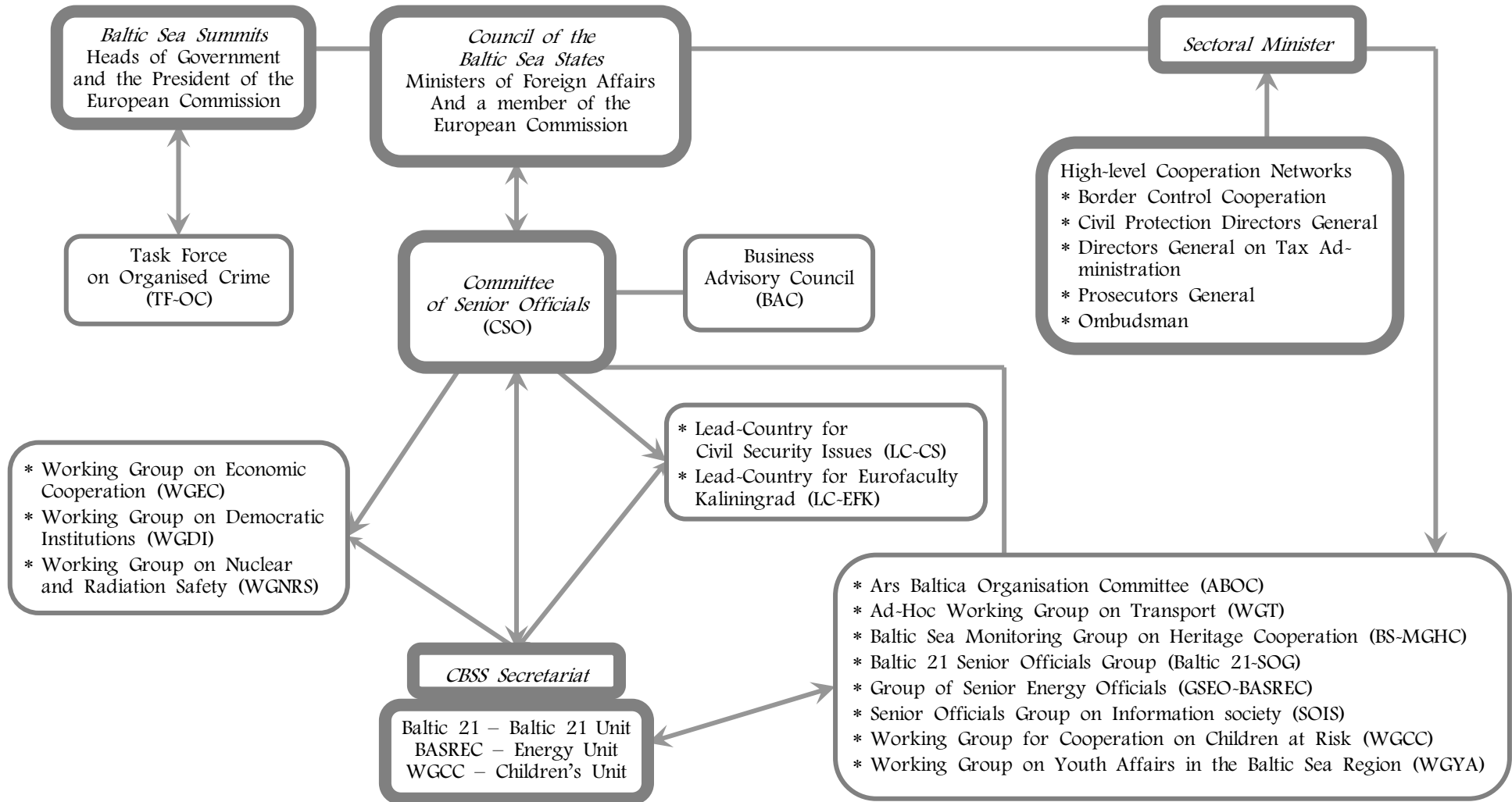
Appendix 15  
Breakdown of Community aid to new member-states, 2004–6  
(€ million)

Country	Obj 1	Obj 2	Obj 3	Interreg	Equal	Cohesion Fund	Total
Czech Republic	1454.27	71.30	58.79	68.68	32.10	936.05	2621.19
Cyprus	0.00	28.02	21.95	4.30	1.81	53.94	113.44
Estonia	371.36	0.00	0.00	10.60	4.07	309.03	695.06
Hungary	1995.72	0.00	0.00	68.68	30.29	1112.67	3207.36
Latvia	625.57	0.00	0.00	15.26	8.03	515.43	1164.29
Lithuania	895.17	0.00	0.00	22.49	11.87	608.17	1537.70
Malta	63.19	0.00	0.00	2.37	1.24	21.94	88.74
Poland	8275.81	0.00	0.00	221.36	133.93	4178.60	12809.70
Slovenia	237.51	0.00	0.00	23.65	6.44	188.71	456.31
Slovakia	1041.04	37.17	44.94	41.47	22.27	570.50	1757.39
<i>Total</i>	<i>14959.64</i>	<i>136.49</i>	<i>125.68</i>	<i>478.86</i>	<i>252.05</i>	<i>8495.04</i>	<i>24451.18</i>

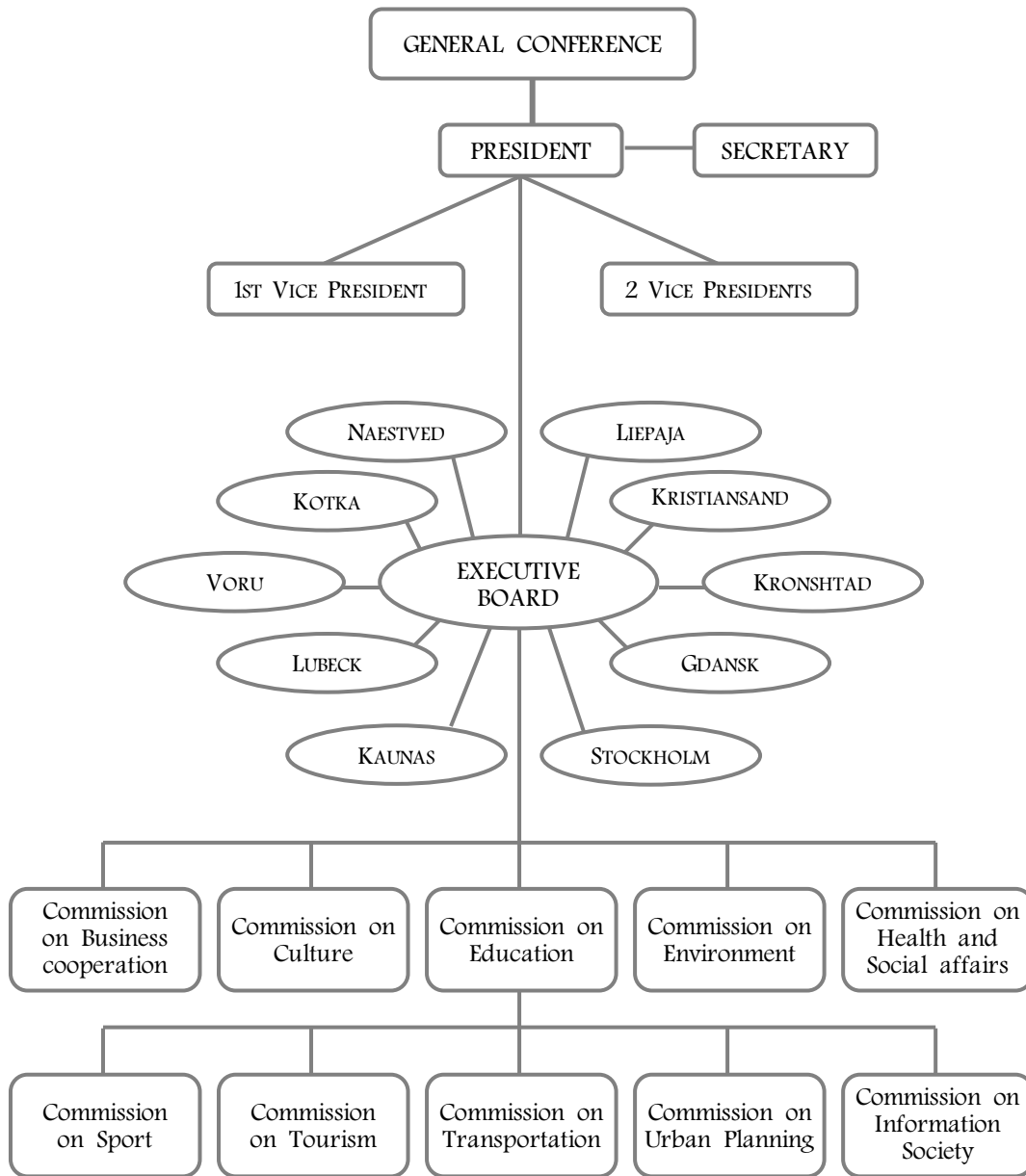
*Source:* Community aid to the new Member States. Published: Tuesday 5 October 2004  
<http://www.euractiv.com/Article?tcaturi=tcm:29-129696-16&type=Overview>



Appendix 16  
Structure of the Council of Baltic Sea States



Appendix 17  
Organization of the Union of Baltic Cities



Source: <http://www.ubc.net/organisation/organisation.html>

Appendix 18  
Glossary

*Institutional transmission belt (ITB)*: the role, what a group or network of institutions on different level of government can play visa versa EU cohesion policies. ITB means a *two-tier* connection between EU-policies and institutions on the one hand and the local (subregional, regional) needs, possibilities, institutions and partners on the other. In the one direction ITB functions as the *channel of implementation* of EU-policies, while on the other it practises a *policy-modifying and also policy-generating role* by the feedback and recommendations in the machine of EU policies, in particular to the EU regional, enlargement and funding policies.

*Public-private-civil co-operation (PPCC)*: It differs from public-private-partnership (PPP), which means a common project integrating private capital interest into public goals. PPCC however means any type of co-operation where not only profit-interest but also non-profit interest of different local or regional communities can fit into the project, measure or procedure, which is supported/initiated by the state (at least partly). The widespread connections of PPCC-partners, actors of open methods of co-operation (OMC), ensure the channels by which the lessons of best practices get to many places and sectors.

*Deepening and widening of PPCC*: The co-operation between the governmental and non-governmental (private, civil) groups may develop in two ways. If the number of non-governmental (civil, private) partners are increasing, we speak about the *widening* of PPCC. If the intensity of the communication/co-operation per partners are increasing (more numerous or more sophisticated opinions, suggestions, actions, etc.) we say the PPCC is *deepening*. The two effects can happen simultaneously.

*Green-brown institutions (GBI)*: new institutions/departments, which are established separately or within an old institutes, and to which, besides the newly emerging functions, already existing responsibilities are delegated from other, older institutes,

*Source*: Ministry of Finance Latvia, a <http://www.esfondi.lv/page.php?id=609>