

MACROREGIONAL STRATEGIES OF THE EUROPEAN UNION. WHAT CAN BE LEARNT FROM THE CURRENT TRANSNATIONAL APPROACH?

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Abstract

Macroregional strategies represent integrated concept endorsed by the European Council, which may be supported by the European Structural and Investment Funds among other instruments, to maximize the effectiveness from stronger regional cooperation. The purpose of this paper is to reflect the implementation of present four macroregional strategies (the EU Strategy for the Baltic Sea Region, the EU Strategy for the Danube Region, the EU Strategy for the Adriatic and Ionian Region, the EU Strategy for the Alpine Region) and to bring a closer look at their governance and development of the macro-regions. In terms of the methodological approach, the paper combines desk-based study of key policy documents, annual reports and prior analyses with author's own experience from coordination of one of priority areas within the EU Strategy for the Danube Region. The findings of this paper can contribute to a wider academic and political discussion on macroregional cooperation, and the most suitable governance approach and involvement of various stakeholders.

Keywords: European union, macroregional strategies, policy implementation, governance, territorial cooperation

JEL Classification: R11, R58

Introduction

According to the official European union (EU) documents (European Council conclusion and European Commission reports) the concept of macroregions arose from a wish for a collective response to environmental deterioration of the Baltic Sea, and for concerted action on challenges and opportunities of that region, what resulted in the EU Strategy for the Baltic Sea Region (EUSBSR), adopted in 2009. Since its start, Europe has seen a growing potential in cooperation in greater European regions.

Macroregional strategies (Picture 1) represent new opportunities for comprehensive development of a larger region, addressing common challenges. They respond to matters such as:

- deterioration of the environmental state of the Baltic Sea;
- unused potential for improved navigability and water quality for attractive Danube Region;
- economic, social and environmental diversity and fragmentation in the Adriatic Ionian Region, and
- territorial, economic and social imbalances between cities and rural areas in the Alpine Region.

The aim of a macro-regional strategy is to mobilise various (existing and new) initiatives, projects and resources, creating a sense of common responsibility (European Commission, 2013a).

Good practice examples of successful macroregional actions already exist in the EU Strategy for the Baltic Sea Region and the EU Strategy for the Danube Region. The environmental status of the Baltic Sea is improving, through collective action to reduce pollution with projects like CleanShip. Navigation on the Danube is being made easier through reinforced maintenance work. Innovations concerning the environment, clean technology and eco-innovation are developed for example through the BONUS Baltic Sea Research and Development Programme, with similar work underway in the Danube Region (European Commission, 2014).

However, as work has gained momentum, experience has also revealed obstacles to implementation. Devastating flooding in the Danube region in 2013, for example, was, despite initiatives at high political level, not followed up by a sufficiently coordinated response (European Commission, 2012; European Commission, 2013b). Therefore we can see that there is still a space for changes.

In the following chapters we will summarize and compare the content of the four existing macroregional strategies, their governance and implementation, and draw conclusions on a potential added value of the macroregions.

Picture 1 – EU Macroregional Strategies: Division and Logos



Source: DG REGIO

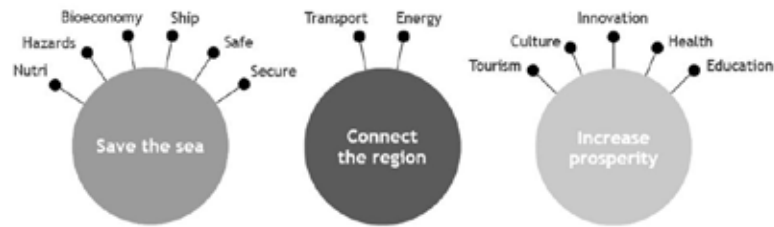
1. CURRENT MACROREGIONAL STRATEGIES

1.1 The EU Strategy for the Baltic Sea Region

The EU Strategy for the Baltic Sea Region (EUSBSR) was adopted by the European Council on the 26 October 2009. It is the first comprehensive European strategy to target a 'macro-region' including eight countries (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden) facing several common challenges which are reflected in the jointly-agreed Action Plan for the Strategy.

It includes a number of policy areas and horizontal actions to save the sea, connect the region and increase prosperity (Picture 2) - each accompanied by concrete flagships as well as by clearly identified targets and indicators.

Picture 2 – EUSBSR Objectives and policy areas



Source: EUSBSR

The Strategy helps to mobilise all relevant EU funding and policies and coordinate the actions of the European Union, EU countries, regions, pan-Baltic organisations, financing institutions and non-governmental bodies to promote a more balanced development of the Baltic Sea Region.

The European Commission publishes regular reports on the implementation of the EU Strategy for the Baltic Sea Region.

Achievements so far include:

- Support for new projects, including cooperation between farmers to reduce eutrophication and improved planning for transport infrastructure;
- Greater involvement of Russian partners in areas like environmental protection, water quality and innovation;
- Improved cooperation between regions and other partners, including the private sector.

Although the Strategy does not come along with extra EU financing, a considerable amount of funding is available to the region through EU regional policy and other EU programmes, financial instruments, and through various international financial institutions (The EU Strategy for the Baltic Sea Region, 2009).

1.2 The EU Strategy for the Danube Region

The EU Strategy for the Danube Region (EUSDR) was adopted by the European Commission in December 2010 and endorsed by the European Council in 2011. The Strategy was jointly

developed by the Commission, together with the Danube Region countries and stakeholders, in order to address common challenges together.

The Danube region covers parts of 9 EU countries (Germany, Austria, Hungary, Czech Republic, Slovak Republic, Slovenia, Bulgaria, Romania and Croatia) and 5 non-EU countries (Serbia, Bosnia and Herzegovina, Montenegro, Ukraine and Moldova). It seeks to create synergies and coordination between existing policies and initiatives taking place across the Danube Region. The Strategy itself is neither about funding, but closer cooperation.

The importance of the Danube Basin for the EU cannot be underestimated. Policies and the investments in the Basin undertaken through the EU's cohesion policy in particular have an impact on the livelihoods of 20 million citizens. Therefore Danube needs a specifically targeted strategy with policy that meets its ecological, transport and socio-economic needs.

The Danube Region Strategy addresses a wide range of issues divided among 4 pillars and 12 priority areas (Picture 3).

Picture 3 – EUSDR Pillars and priority areas



Source: EUSDR

When talking about the changes that the EUSDR brings to the region, it is key to remember that an integrated and balanced development of regional economic growth and social welfare does not emerge by itself; it requires an overall political concept which includes all relevant stakeholders in the process of implementation, the public sector, civil society, and the economy in its respective transnational inter-relations (The EU Strategy for the Danube Region, 2010).

1.3 The EU Strategy for the Adriatic and Ionian Region

Building on the lessons learnt and experience from the EU Strategy for the Baltic Sea Region and the EU Strategy for the Danube Region, the Commission adopted in 2014 a Communication on the EU Strategy for the Adriatic and Ionian region (EUSAIR), accompanied by an Action Plan.

The Strategy incorporates the Maritime Strategy for the Adriatic and Ionian Seas, adopted by the Commission in 2012 and endorsed by the General Affairs Council and subsequently by the European Council in 2014.

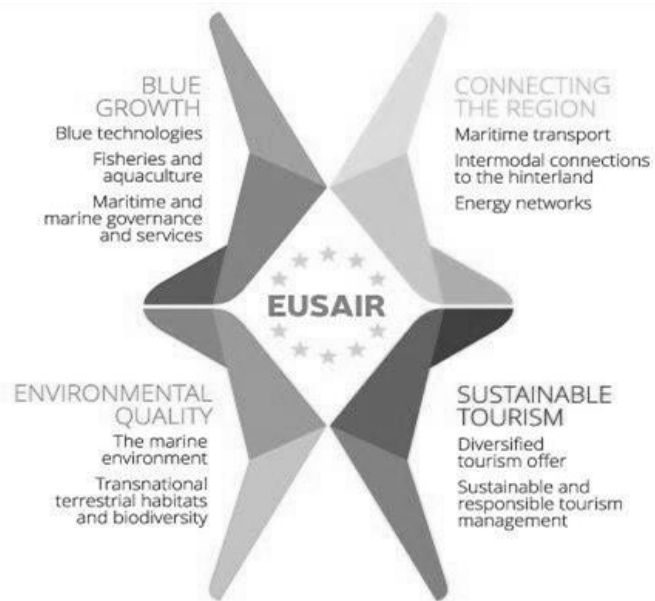
The Region is a functional area primarily defined by the Adriatic and Ionian Seas basin, covering the following 4 EU member countries (Croatia, Greece, Italy, Slovenia) and 4 non-EU countries (Albania, Bosnia and Herzegovina, Montenegro and Serbia). It treats the marine, coastal and terrestrial areas as interconnected systems.

With intensified movements of goods, services and peoples owing to Croatia's accession to the EU and with the prospect of EU accession for other countries in the Region, port hinterlands play a prominent role. Attention to land-sea linkages also highlights impacts of unsustainable land-based activities on coastal areas and marine ecosystems. Home to more than 70 million people, the Region plays a key role in strengthening geographical continuity in Europe (The EU Strategy the Adriatic and Ionian region, 2014).

EUSAIR has a limited focus on areas of mutual interest with high relevance for the Adriatic-Ionian countries. It is built on four thematic pillars (Picture 4):

- Blue growth
- Connecting the region (transport and energy networks)
- Environmental quality
- Sustainable tourism

Picture 4 – EUSAIR Pillars



Source: EUSAIR

1.4 The EU Strategy for the Alpine Region

The Commission adopted a Communication and an Action Plan on the EU Strategy for the Alpine Region (EUSALP) only in July 2015. This followed the invitation from the European Council in December 201 and took account – inter alia – of the on-line public consultation that was held in 2014, and the debates and discussions in the Stakeholder Conference on the EU Strategy for the Alpine Region.

EUSALP involves 7 countries of which 5 EU Member States (Austria, France, Germany, Italy and Slovenia) and 2 non-EU countries (Liechtenstein and Switzerland), and 48 Regions.

The Alpine area is composed of territories with contrasted demographic, social and economic trends and a great cultural and linguistic diversity. This diversity goes along with a great variety of governance systems and traditions. Both the common specificities of the Alpine area and its variety and diversity call for cooperation.

The Alpine region is a unique territory, which has an important potential for dynamism, but facing major challenges, such as:

- Economic globalisation that requires the territory to distinguish itself as competitive and innovative by developing the knowledge and information society;
- Demographic trends, characterised particularly by the combined effects of ageing and new migration models;
- Climate change and its foreseeable effects on the environment, biodiversity and on the living conditions of its inhabitants;
- The energy challenge at the European and worldwide scales, which consists in managing and meeting demand sustainably, securely and affordably.

Its specific geographical position in Europe, as a transit region but also as an area with unique geographical and natural features with set the frame for all future developments. An Alpine macro-regional strategy would provide an opportunity to improve cross-border cooperation in the Alpine States as well as identifying common goals and implementing them more effectively through transnational collaboration.

The overarching challenge for the Alpine Region is to balance development and protection through innovative approaches which strengthen this area located in the center of Europe as a living space for people and nature as well as a field for economic and social activities in a sustainable way. The EUSALP aims at ensuring mutually beneficial interaction between the mountain regions at its core and the surrounding lowlands and urban areas, flexibly taking into account the functional relationships existing between these areas.

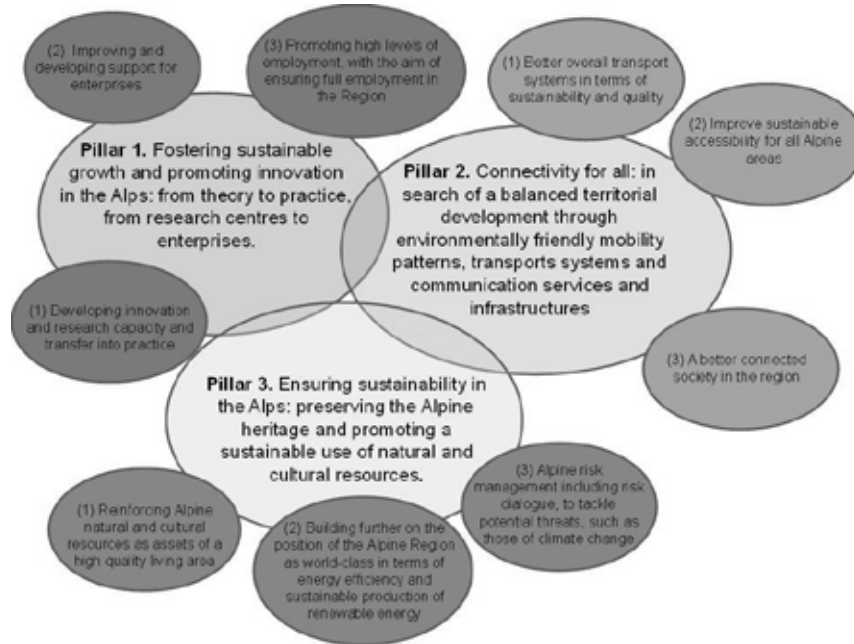
The EUSALP promotes the Alpine Region in its function as an EU laboratory for effective cross-sectorial and multi-level governance, strengthening cohesion within the Union, deepening the cross-border cooperation of institutions and actors in this environmentally sensitive key European area at the crossroads of cultures and traditions.

It is a unique example of a Strategy initiated in a bottom-up approach by the people and backed by the States and Regions. As its main objective, the EU Strategy for the Alpine Region aims to ensure that this region remains one of the most attractive areas in Europe, taking better advantage of its assets and seizing its opportunities for sustainable and innovative development in a European context.

The Strategy focuses on areas of (macro) regional mutual interest. Therefore, the priority areas and specific objectives selected should reflect genuine commitment to working together to

achieve common solutions to challenges or unused potential (The EU Strategy for the Alpine Region, 2015). The main objective above will be attained through the following 3 thematic pillars and priorities (Picture 5):

Picture 5 – EUSALP Pillars



Source: EUSALP

2. SYSTEM OF GOVERNANCE: STRENGTHS AND WEAKNESSES

The term “governance” describes the process to be addressed, i.e. how and by what means the macroregional strategies are implemented, joint actions initiated and financed. More specifically, current key elements of the governance of macroregional strategies include:

- Member State and Commission involvement at high political (i.e. governmental/ministerial) level providing political commitment and strategic orientation;
- National Contact Points, high level officials in each participating country coordinating work at senior administrative level;
- Experts, responsible for each thematic priority (e.g. environment, transport, research and innovation etc.), or horizontal issue (e.g. climate change, spatial planning), from each country involved, and normally forming a steering group for the topic at the level of the macro-region.

These elements constitute the structure to be reviewed and strengthened, to ensure that the implementation of the Strategies brings clear impact and better results.

Based on the analysis of the European Commission and on the experience gained from existing Strategies, we have learnt that improvements are especially required in the following fields:

- Stronger political leadership and decision making from countries and regions concerned: ministers and national authorities coordinating the work need to take full ownership, and more clearly direct what is happening on the ground;
- Greater clarity in the organisation of work: for authorities working on day-to-day implementation, there is a need for explicit lines of responsibility, effective coordination and sufficient resources.

As to conclude, we can say that better governance of macro-regional strategies is not about new funds or new institutions. Instead, it should aim at smarter use of existing resources, creating synergies and investing into development of the human potential. Furthermore, one size cannot fit all. The different strengths of the macro regions and participating countries must be understood and taken into account. In particular, good use should be made of current regional organisations and a balanced triple helix cooperation should be strengthened (European Commission, 2014 - 0284 final).

Conclusions

From the four currently existing macroregional strategies we could have learnt that a high-level and structured political dimension, providing overall direction, setting priorities and taking key decisions, is crucial for effective macro-regional strategies. This political level is responsible for the strategy, setting priorities, and addressing key matters, including the alignment of funding to the macro-regional approach. It should ensure that authorities involved in implementation are able to work effectively with sufficient resources, and adequate authority.

Problems unsolved at technical level, must be viewed at political level. The current system relies heavily on the European Commission for strategic leadership. It gives support to key actors, and is central to reporting and evaluation. The Commission is also a key facilitator, and guarantor of the EU dimension (Council of the European Union, 2013).

However, over-dependence on the Commission as the principle driving force is not desirable. To succeed, the macro-regional strategies need a better balance between the leadership provided by the countries and regions involved and the role of the Commission. The Commission invites other institutions, countries and regions involved, to work together on improvement of the governance of the Strategies to maximise results and impact, taking into account the different macro-regional contexts (European Commission, 2014).

In summary we can say that macro-regional strategies, delivering meaningful results and leveraging existing policies claim a well-performing governance system, requiring:

- political leadership and clearer responsibility, recognising the Strategies as horizontal interests and responsibilities at every level of government;
- improved mechanisms to ensure full engagement of non-EU countries at all levels;
- better use and complementing work of existing regional organisations, at the appropriate level;
- better synchronisation of existing funds and better coordination of sector-specific initiatives and programmes, through key implementers and the Commission, including the private sector and international financing institutions, where appropriate;

- continued involvement by the Commission, in partnership with countries and regions, ensuring a coordinated approach at EU level;
- better publicity and communication about the work, effective use of information and communication technologies to facilitate modern, fast and cheap communication between stakeholders;
- stronger involvement of civil society, including through national and regional parliaments and consultative networks or platforms, enhancing awareness for the strategic objectives and timetable.

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MONETARY POLICY THROUGH THE LENS OF FINANCIAL STABILITY

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Abstract

The relatively long period of stability before the present crisis, also called the “Great Moderation” and “Golden Age of Central Banking”, indicated that inflation targeting was a success story. Since 2008 much has changed and the debate about “leaning against the wind or cleaning up afterwards?” has been revisited by central bankers and academics. An important lesson from the crisis has been that price stability is not a sufficient condition for financial stability, so an operational framework for financial stability is being sought. Mainstream macroeconomic policy has chosen the option of creating a new economic policy toolkit of macroprudential measures. However, there are still remaining caveats in addressing the financial stability issues properly. New paradigms in this respect maybe useful how to incorporate the financial stability issues into monetary policy framework.

Keywords: *monetary policy, inflation targeting, price stability, financial stability, macroprudential policy*

JEL Classification: E44, E52, E58, G01

1. INFLATION TARGETING, FINANCIAL STABILITY AND MACROPRUDENTIAL POLICY

The situation in the pre-crisis period suggested that monetary policy makers had, in inflation targeting, truly discovered a system that not only had aided the disinflation process in the 1990s, but also stabilised the overall macroeconomic environment in the long run. Studies focusing on comparing the macroeconomic parameters of comparable economies (see Roger, 2009) show that inflation-targeting countries achieved much better price stability results than comparable economies with other monetary policy regimes.¹ This relatively long period of low inflation accompanied by economic growth has even been termed a golden age of central banking (see Gerlach, 2009).

The prevailing view at this time was that low inflation was the main way in which central banks can contribute to financial stability (IMF, 2010). In mid-2007, however, this myth began to collapse gradually, and in the three years since the crisis erupted, open problems related to inflation targeting have started to be discussed again. The debate has turned back to the question of what role asset prices, which are typically not included among the targeted consumer price inflation indicators, should play in monetary policy, as well as the related problem of whether and how monetary policy should respond to credit expansion. Closely related to these issues is the crucial theoretical problem of whether or to what extent money, or monetary aggregates, can be excluded from monetary policy decision-making. New issues are appearing for central banks associated with to what extent their mandate has been or will be extended to include

¹ The intensity of the disinflation was more pronounced in less advanced inflation-targeting economies. More advanced inflation-targeting economies maintained stable inflation amid higher economic growth, while economies with other monetary policy regimes paid for low inflation with weaker growth.