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Impact Assessment Summary

Accompanying the

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN
ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE
REGIONS**

European Union Strategy for the Danube Region

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1. INTRODUCTION

The Member States requested that the European Commission prepare an EU Strategy for the Danube Region¹. This follows the EU Strategy for the Baltic Sea Region, developed under the coordination of the Commission in 2008/2009 and now being implemented. The current request specifically underlines the importance of sustainable development which should be pursued using an integrated approach. Within the Commission, the EU Strategy for the Danube Region is coordinated by DG Regional Policy, which therefore also has prepared this Impact Assessment.

2. PROBLEM DEFINITION

The problem definition is based on a socio-economic analysis and a wide consultation. This consultation included Member States and non Member States of the Danube Region, the inter-governmental and non-governmental bodies, and stakeholders, including citizens and experts on the Region. The European Investment Bank and 22 DGs of the Commission² have also been involved in this work. The challenges identified are markedly of a cross-border nature and show many cross-border externalities³. It is increasingly apparent that compartmentalised policy development and decision-making are no longer adequate in relation to the Danube Region.

• Problem definition for the governance

In the Danube Region, a key problem is governance. There is a lack especially of adequate transnational governance. This results in insufficient cooperation (lack of shared interests and even conflicting issues). For instance, there are differing perspectives on environmental and other river-use issues between countries, which may be more easily addressed if considered in a wider context, or with innovative technologies, likely to be proposed in the Strategy.

The EU provides some frames (through legislation and financial instruments) which should address certain major challenges and opportunities, and there are some existing inter-governmental frameworks. However, there is a lack of institutional capacity, and there are serious implementation gaps (for example, some EU Directives are transposed in law but not in place in reality). The result is a fragmented approach to many of the challenges of the Region, and under-performance in terms of its potential. Interactions must be better understood and managed; common or cooperative instruments and tools must be developed; synergies identified and exploited both across borders and across sectors; and conflicts avoided or resolved.

¹ The European Council formally asked the European Commission to coordinate an EU Strategy for the Danube Region, stating in its conclusions of 19 June 2009: "Sustainable development should also be pursued through an integrated approach to the specific challenges facing particular regions (...). It (...) invites the Commission to present an EU strategy for the Danube region before the end of 2010."

² The following DGs take part to the Inter-Service Working Group: AGRI, EAC, ECFIN, ELARG, RELEX, AIDCO, ECHO, EMPL, ENTR, ENV, CLIM, INFSO, JLS, MARE, MOVE, ENER, MARKT, RTD, SANCO, TAXUD, TRADE and SG.

³ In economics, an externality is defined as a spillover effect (a cost or benefit) impacting a party, who is not participating in the decision regarding the action which has resulted in the effect, and where no payment is made to compensate for the effect: A cross-border externality occurs when an action implemented by one country has positive or negative impacts on other countries.

- **Problem definition by topic**

There are several issues for which cooperation is particularly needed: mobility and accessibility; energy; environment; and risk management. These problems in principle must be covered by any Strategy. In addition, in the public consultation - especially in the contributions of Member States - it became clear that other issues should or could be also covered either because of cross-border externalities (innovation and competitiveness, implementation of the Single Market, human capital, security, tourism) and / or as it is clearly beneficial to exchange experiences (information society, institutional capacity or marginalised communities). The inclusion of these issues also enables the partners / stakeholders to counterbalance actions they consider are of lesser priority with others that are essential: politically, it is important to include a range of other issues to secure agreement on the whole 'package'. In addition, these socio-economic and other aspects will reinforce the integration of those countries which joined the European Union only recently.

2.1.1. Issues for which cooperation must happen as they cannot be addressed alone:

- **Mobility and accessibility:** For inland navigation, the Danube River is clearly not used to its full potential. This could be better exploited by a series of measures such as greater inter-modality, improved management, better investment in infrastructure and equipment and availability of qualified staff. As well as a lack of demand, there is also a lack of supply. The Danube channels are not always navigable, the ports are often not efficient, the boats are not numerous enough and often in a bad state of repair, and there is not enough crew due to insufficient training facilities. For roads and railways, infrastructure is often not efficient or simply missing, especially regarding cross-border connections (to which national authorities do not give priority).
- **Energy:** Energy security and efficiency is often problematic in the Region. Much energy is imported, and its transport is costly; in addition, markets are fragmented, and interconnectors are missing. The Danube Region is specifically vulnerable regarding security of supply, as in January 2009 when gas supplies were cut. At the same time, energy generation and use is a source of pollution. There is a challenge to improve energy efficiency (and savings) and for increased production from renewables.
- **Environment:** In many Member States of the Danube Region, the water quality is often poor, both in the rivers and in the ground. There are many pollutants, in particular nutrients. It is similar for soils, especially in cross-border industrial areas, and for the air in urban areas. Landscapes and biodiversity are also threatened through losses of natural areas, especially untouched mountainous areas, which lead to a diminution of species. Destruction of biodiversity and ecosystems may lead to irreversible changes and non-capability of provisioning goods and services such as flood protection, water purification, food and timber, or mitigation of and adaptation to climate change. In the rivers, fish are caught at unsustainable levels and migration is prevented by hydromorphological changes. The existence of sturgeon species, an important migratory fish for the whole Danube basin, is particularly at risk.
- **Risk management:** The Danube Region faces three main risks: floods, droughts and industrial pollution. None of this respects borders. The aim is to manage both the prevention (avoid that the risk occurs) and the reaction (assist when the risk occurs). The main cause of floods is that the Danube River and its tributaries are, to a large extent, rivers where the banks are channelled artificially, not allowing for the additional water to

flow freely over larger areas (so that the water level increases). The main cause of droughts is the semi-continental climate, vulnerable also to climate change. The main cause of industrial risks is outdated enterprises provoking accidents, which can significantly pollute neighbouring countries.

2.1.2. Issues for which cooperation should be facilitated as there are cross-border externalities:

- Innovation and competitiveness: The Danube Region is characterised by a pronounced divide across the region with great disparities in cooperation intensity (between and within the research sector, enterprises and the public sector), entrepreneurship, capitalisation on innovations, investments in Research and Development and overall competitiveness. The Region could benefit considerably from greater linkages, especially east-west across the area.
- Implementation of the Single Market: Regarding the Single Market, different national regulations make it less common for service providers to establish operations in other Danube States than it should be, or to provide their services across borders. In many instances, Small and Medium-size Enterprises lack resources to overcome the administrative and other hurdles to access markets in neighbouring countries, thus substantially restricting their potential.
- Human capital: The share of highly educated people in the Danube Region is lower than the EU27 average, again with a pronounced divide. Mobility, especially of researchers and students, of highly qualified workers and skilled workers, is still limited. The Region currently does not benefit even from the full potential of these workers, presenting an important attribute so far not fully used.
- Security: Growing economic integration and rising cross-border trade bears the danger of a rise of organised crime in the Region (smuggling, trafficking of human beings, black market...). Besides the immediate damage it causes, organised crime also leads to higher transaction costs for business in the whole Region and thus limits the possibility of further economic growth. Addressing this is clearly a cross-border issue.
- Tourism: The Danube Region has a striking cultural, ethnic and natural diversity. Much of this could be of great interest to visitors. However, this touristic potential is not used to its full capacity. Existing initiatives are not linked to each other and have no common strategy for aligning their efforts.

2.1.3. Issues for which cooperation may be facilitated as it is useful to exchange experiences

- Information Society: The Information Society is not well developed in the Danube Region compared to the rest of EU27. People have less access to computers, to internet connections and to e-content. Thereby, the countries concerned are not benefiting fully from a source of growth, cohesion and sustainability. Access to good experience and the most recent developments in the highest-performing parts of the Region would be highly beneficial.
- Institutional capacity: The transnational, national, regional and local governance systems in the Region are at times still evolving and developing, often continuing to overcome the

profound changes of recent years. This covers the ways the decisions are taken (stability of the public sector staff, transparency, consultation, planning, financial engineering, project preparation, spatial planning,...) and the ways the actions are implemented (on time, efficiently, effectively, economically, without corruption,...). Given that certain parts of the Region have notably successful governance, transfer of experience would bring real progress.

- Marginalised communities: In the Danube Region, there are several marginalised communities such as minorities or the Roma (10 million Roma inhabit the Danube Region representing 80% of Roma in Europe). These communities often live in poor conditions without basic infrastructure. Discrimination, social exclusion and spatial segregation are observed as well as social tensions. Public authorities in certain areas of the Region however often lack the resources and experience to address these challenges in a holistic manner, but could benefit greatly from better practices and organisation available nearby.

3. ANALYSIS OF SUBSIDIARITY

In general, decisions are best taken at the appropriate level and the actions should be implemented by those who have the knowledge and competence to do so. For Europe-wide issues, this can be done with the institutions of the European Union, for national issues, this can be done by the national governments and for regional and local issues, this can be done by the regions and cities. However, for macro-regional issues (which concern several countries, but not the entire European Union with, sometimes, non Member States), there is a need for a specific cooperation framework at the level of the macro-region.

There is already some cooperation between the countries, be it through inter-governmental organisations or be it through cooperation on specific issues. However, these are not always as efficient as they should, do not cover all the issues which would require cooperation and are not put in a strategical perspective involving the highest political level. This is why the Member States themselves asked, through the Council, that the Commission prepares a macro-regional strategy for the Danube Region.

4. OBJECTIVES OF EU INITIATIVE

The general objective ('vision') is to develop a long-term cooperative and integrated approach between the countries, towns and regions of the Danube Region to tackle the challenges, and to profit from and share the opportunities in common. Concretely, the countries can benefit from a better basis to jointly discuss, decide and implement actions, which address common challenges and opportunities. A more coordinated approach in each policy field is possible, however, bearing in mind the interlinkages with other parts of the economy (e.g. transport - environment - economic development).

To achieve this, the focus should be on three specific objectives: improved coordination and coherence (to gain effectiveness), strengthened institutional capability (to gain efficiency), long-term cooperation process (to gain political acceptance).

5. POLICY OPTIONS

The challenges identified above point towards the need for better policy development, decision-making and implementation, based on increased coordination, cooperation and integration between different sectors and between Danube countries, cities and regions. Enhanced capacity is needed to align, implement and reinforce existing policies. Given this analysis, the options and mechanisms described below are to be considered in terms of delivering the defined objectives. These options concern the possible frameworks for cooperation in the Danube Region as well as the geographical scope.

• Possible frameworks for cooperation

- Option n° 1: The Commission is not involved (baseline scenario); The Commission does not prepare a strategy for the Danube Region. Under this option two possible scenarios could be foreseen: (1.1) there is no strategy for the Danube Region and (1.2) there is a strategy, but not prepared by the Commission
- Option n° 2: The Commission's role is limited to preparing a strategy; The Commission prepares a strategy but the implementation happens solely at inter-governmental level, without the EU.
- Option n° 3: The Commission coordinates actions at EU level (using the EU structures); A coordinated strategy is developed using the existing EU structures, with the Commission playing a facilitating role. The strategy is prepared by the Commission but future decisions are taken by the institutions in partnership.
- Option n° 4: The Commission supports the creation of a new body with financial and legislative powers; A new international organisation is created with the power to adopt new legislation for the Danube Region and to manage funds to finance transnational projects.

• Geographical options

- Option a: Limited to the Danube River; The approach covers the territories immediately along the river (Member States and non Member States) and thus only concentrates on issues related to the river such as navigability and the environment.
- Option b: Extended to functional geographical area; The approach covers the Danube Region as a whole, (Member States and non Member States) and can thus address a range of challenges related to the area (and not only to the River). Following this option, the 'Danube Region' is considered as a functional area, including actors necessary to ensure cooperation on different issues, whether they are EU-Member States or not⁴.

⁴ To give an idea of the territory concerned, one can use as a proxy to the Danube Region the countries in the Danube River Basin (therefore, it is not limited to the river), used by the Danube Cooperation Process, which is widely accepted in the area. The territory concerned is: Germany (especially Baden-Württemberg and Bavaria), Austria, the Slovak Republic, the Czech Republic, Hungary, Slovenia, Romania and Bulgaria as Member States and Croatia, Serbia, Bosnia and Herzegovina, Montenegro, the Republic of Moldova and Ukraine (the regions along the Danube) as non Member States. This does not exclude neighbouring countries (or maritime areas) to take part on certain issues. It is to be emphasised that the Danube Region is not limited to the Danube River.

- Option c: The approach is extended beyond the River, but confined only to the Member States of the Danube Region; the approach is based on option b, but is limited to EU Member States.

6. ASSESSMENT OF IMPACTS

• Possible frameworks for cooperation

The following table summarises how each of these options might ensure that the objectives outlined in paragraph 4. are met: (effectiveness); how easily they are achieved (efficiency); and whether there is likely commitment (political acceptance).

Option 1 - The Commission is not involved (baseline scenario)					
Scenario n°1.1: There is no strategy for the Danube Region					
	--	-	0	+	++
Effectiveness			✓		
Efficiency			✓		
Political acceptance	✓				
Option 1 - The Commission is not involved (baseline scenario)					
Scenario n°1.2: There is a strategy, but not prepared by the Commission					
	--	-	0	+	++
Effectiveness				✓	
Efficiency			✓		
Political acceptance		✓			
Option n°2:					
The Commission's role limited to the preparation of the strategy					
	--	-	0	+	++
Effectiveness				✓	
Efficiency			✓		
Political acceptance		✓			
Option n°3:					
The Commission coordinates actions at EU level (using the EU structures)					
	--	-	0	+	++
Effectiveness					✓
Efficiency				✓	
Political acceptance					✓
Option n°4:					
The Commission supports the creation of a new body with financial and legislative powers					
	--	-	0	+	++
Effectiveness					✓
Efficiency		✓			
Political acceptance		✓			

• Geographical options

- Option a: Limited to the Danube River; Whilst the situation of the river could be improved, the other policy fields relevant for the Danube Region are not addressed. In particular, the potential to reinforce the socio-economic development of the region post-enlargement is overlooked.
- Option b: Extended to functional geographical area; This option enables a wider range of topics to be covered, relating to the challenges of the Danube Region and not only the Danube River. As the consultation process has shown, the wider approach may facilitate resolution of issues otherwise blocked in stand-off (navigability vs. environment) and

allows all parties to identify gains for themselves, i.e. this approach allows for political trade-offs. By doing so, it is possible to have an outcome which is broader than the lowest common denominator. In addition, there is the benefit of addressing the policy fields in an integrated way taking into account the interactions between them, avoiding compartmentalisation. There is potential to reinforce the EU integration of the region, both in administrative / judicial terms and also in relation to socio-economic development. This option is thus likely to enjoy broader political acceptance and advance in fields characterised by conflicting political agendas.

- Option c: Extended beyond the River, but confined only to the Member States of the Danube Region; Whilst this option would facilitate the implementation of many actions as the whole territory covered has a common legal framework (the EU Directives) and common funding instruments (especially, the Structural Funds), it would not be able address fully the challenges and opportunities of the Danube Region as a whole. For example, the improvement of navigability would be limited, as the Danube River flows through Croatia and Serbia. Most other policy areas would also be incomplete in their formulation and implementation, as topics often cross over into neighbouring candidate, pre-candidate and third country territories.

7. COMPARISON OF OPTIONS

In view of the analysis of impacts of the different policy options we conclude that the best options are:

- **Possible frameworks for cooperation**

The preferred option is n°3 where the Commission coordinates actions at EU level, using the EU structures. This option actively involves the Commission as a facilitator to the process, supporting the Danube countries in developing a coherent Strategy for the Region. The development of such an EU Strategy is done in close cooperation with the involved countries and with all relevant services of the European Commission. The process is assisted by a broad open consultation process of all stakeholders of the Region and a consultation process with regional experts. This option could draw on the experiences of the EU Strategy for the Baltic Sea Region, which was developed during 2009 and is now in the phase of implementation.

This option is preferred to the other options presented in relation to:

- Efficiency, allowing for a better alignment of policies and funds for the Region;
- Effectiveness, facilitating the implementation of concrete actions through the guiding role of the Commission, the broad ownership of the Strategy on the ground, as well as the feasibility of actions;
- Political acceptance, using existing funds, institutions and legislation and applying an inclusive approach making it possible for all parties to identify with the Strategy.

In terms of administrative costs this option requires more commitment than the baseline scenario, but is less resource intensive than other options creating new institutions. The central coordination role of the Commission allows more effective implementation of policies and funds, which can result in better use of resources overall.

Related to the defined objectives as presented in chapter 4, this option improves the coordination and coherence of policies and investment decisions, strengthens the institutional capacity of the Region (as it makes use of and reinforces existing structures and institutions and as it intensifies cooperation between countries) and improves the visibility and accountability (as it will be continuously monitored and evaluated by the European Commission and the Member States).

- **Geographical options**

The preferred option is option b where the Danube Region is extended to the full functional geographical area. This approach would cover the Danube Region as a whole, (Member States and non Member States) and hence has the potential to address all the main issues of the whole Danube Region, helping to overcome otherwise administrative and political barriers and gaps.

8. MONITORING AND EVALUATION

The monitoring and evaluation could be done at three levels:

- Milestones regarding the necessary structures (putting in place thematic working groups, responsible actors for the collection of data, communication arrangements within region and contact points for stakeholders) would be established. A reporting framework and timetable would be instituted;
- Monitoring indicators would be set out under each of the priorities in the Action Plan with a detailed framework to allow assessment of the implementation process. These indicators would be adopted with the Action Plan.
- Headline objectives would be defined to assess the general evolution in the Danube Region in respect of the key challenges. These would form the basis for the establishment of baselines against which progress on achieving key aims in the field of environment, prosperity, accessibility and security could be evaluated.

Reporting arrangements would need to be established. The Commission could report on a regular basis on progress towards achieving the monitoring indicators set out in the Action Plan. A timetable for evaluation (e.g. after 3 years of implementation) could also be set out.

9. CONCLUSION

This Impact Assessment Report proposes therefore to establish an EU Strategy for the Danube Region, with the European Commission coordinating a sustainable framework for cooperation, facilitating support to development and integrated action in a transnational context, using the existing EU structures. The Strategy should be accompanied by a rolling Action Plan that features concrete examples of where and how cooperation should be intensified. The organisation proposed is similar to the one used (and being tested) for the EU Strategy for the Baltic Sea Region. Since there is existing support for this approach, the Baltic Sea region approach may be particularly useful as a point of reference.

The EU Strategy for the Danube Region will be a sustainable framework for cooperation to support development and integrated action in a transnational context. It will be accompanied

by a rolling Action Plan that features concrete examples of where and how cooperation should be intensified. Each Priority Area of the Action Plan will be coordinated by a country. In addition, the Member States will be involved via the Council and the follow-up of the Strategy will be done by a High-Level Group.

The Commission would be a key actor in ensuring that the process advances, providing leadership and, in cases of disagreements, facilitating the discussion as a relatively independent, legitimate and credible partner. Therefore, the Commission will facilitate the process, coordinating the work and reporting on progress. Regarding- financing, the Structural Funds programmes will be involved early on in the process to secure their readiness to align funding to the Action Plan.

In conclusion, the EU Strategy for the Danube Region can deliver concrete results based on clear political support (Commission, Heads of State). It can facilitate concrete improvements, as it has been prepared with technical expertise (DGs, Ministries, stakeholders) and a specific Commission involvement. It can build on a process leading to actions seen as open, transparent and legitimate. Finally, it can benefit from significant impact through policy alignment and through funding alignment of existing instruments. It needs however to continue foster the cooperative attitude of the countries and stakeholders of the Danube Region, in a partnership, with shared aims and responsibilities.