

DIRECTORATE-GENERAL FOR INTERNAL POLICIES





Agriculture and Rural Development

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AN ANALYSIS OF THE ADDED VALUE OF EUROPEAN STRUCTURAL FUNDING

STUDY

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DIRECTORATE GENERAL FOR INTERNAL POLICIES POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

REGIONAL DEVELOPMENT

An analysis of the Added Value of European Structural Funding

STUDY

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Abstract

This study provides a critical and detailed analysis of the EU Cohesion policy instruments over the last two programming periods, 2000-2006 and 2007-2013. Through the production of eight regional case studies complemented by a review of secondary sources, the report offers some insight into the impact that Structural Funds programmes have been having or are likely to have, and provides an in-depth commentary on key issues in relation to added value and economic sustainability of Cohesion policy.

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LIST OF ABBREVIATIONS

C&E	Competitiveness and Employment Objective		
CAP	Common Agricultural Policy		
CI	Community Initiative		
CIP	Competitiveness and Innovation Framework Programme		
CoR	Committee of the Regions		
CSF	Community Support Framework		
CSG	Community Strategic Guidelines		
DG	Directorate-General of the European Commission		
DG REGIO	European Commission Directorate-General for Regional Policy		
EAGF	European Agricultural Guarantee Fund		
EAGGF	European Agricultural Guidance and Guarantee Fund		
EAFRD	European Agricultural Fund for Rural Development		
EBRD	European Bank for Reconstruction and Development		
EC	European Commission		
EEA	European Environment Agency		
EFF	European Fisheries Fund		
EGTC	European Grouping of Territorial Co-operation		
EIA	Environmental Impact Assessment		
EIB	European Investment Bank		
EIF	European Investment Fund		
EP	European Parliament		
EQUAL	Name of a Community initiative programme for social equal opportunities		
ERDF	European Regional Development Fund		
ESA	European System of Accounts		
ESDP	European Spatial Development Perspective		
ESF	European Social Fund		
ESPON	European Spatial Planning Observation Network		

EU European Union **EU-12** The 12 New Member States of the EU 2004-2006 **EU-15** The 15 Member States of the EU, prior to the integration of 12 candidate countries in 2004-2006 **EU-25** The 25 Member States of the EU, 2004-2007 EU-27 The 27 Member States of the EU, following the integration of Romania and Bulgaria in 2007 **EUKN** European Urban Knowledge Network **EUR** Euro **FDI** Foreign direct investment **FIFG** Financial Instrument for Fisheries Guidance **FP** Framework Programmes FTE Full-time Equivalent (in reference to jobs) **GDP** Gross Domestic Product **GNI** Gross National Income IA Impact Assessment **ICT** Information and Communication Technologies **IMF** International Monetary Fund INTERREG CI programme for cross-border, trans-national and inter-regional cooperation IPA Instrument for Pre-Accession Assistance **JASMINE** Joint Action to Support Micro-finance Institutions in Europe **JASPERS** Joint Assistance for Supporting Projects in European Regions **JEREMIE** Joint European Resources for Micro to Medium Enterprises **JESSICA** Joint European Support for Sustainable Investment in City Areas LEADER Liaison Entre Actions de Développement de l'Economie Rurale, EC initiative for rural development **NGO** Non-Governmental Organisation **NMS** New Member States **NSRF** National Strategic Reference Framework **NUTS** Nomenclature of Territorial Units for Statistics **OECD** Organisation for Economic Cooperation and Development

OP Operational Programme PHARE Programme of Community aid to central and east European countries (EU) PMC Programme Monitoring Committee **PUC** Complex Urban Programme PPP Public-Private Partnership **R&D** Research and Development **RDP** Rural Development Policy **REC** Regions for Economic Change **ROP** Regional Operational Programme **RPIA** Regional Programme of Innovative Actions **SDS** Sustainable Development Strategy **SDI** Sustainable Development Indicators (Eurostat) **SEA** Strategic Environmental Assessment **SFsSG** Structural Funds Strategy Group **SMEs** Small and Medium-sized Enterprises **SPD** Single Programming Document **TEN** Trans European Network **TEP** Territorial Employment Pacts **TIA** Territorial Impact Assessment **URBACT** Integrated Urban Development Transnational Exchange (EU)

URBAN Community initiative programme for urban regeneration

GLOSSARY

capacity

Absorption The ability of a national administration to plan for and implement external assistance.

costing

Absorption The process whereby all costs are ultimately absorbed into the full cost of the output or units being costed.

Absorption rate

Budgetary inputs mobilised in proportion to the inputs initially allocated.

Added value Added value is the amount of extra benefit in terms of outputs gained as a result of European funding for a project, over and above those benefits obtained from other funding sources.

Aggregation

The process of adding up, summing, or otherwise identifying the total value of a variable or measure, especially when used in the study of macroeconomics.

Appraisal

The process whereby project applications are assessed for eligibility, fit, value for money, and quality.

Baseline

The state of the economic, social or environmental context at the beginning of a programme or project period. Subsequent changes are then measured against the baseline.

Benchmark The relative position, in economic or social terms, vis-à-vis other data areas or in terms of the effects from comparable projects. Benchmark data are useful as an indicative guide to the health of a region.

building

Capacity A commonly used term for projects that improve the ability of communities to take the lead in their own social and economic renewal.

projects

Capital Projects involving physical works and the provision of infrastructure which results in an enhancement of an existing asset or the provision of a new, permanent asset.

(industrial)

Clusters Groups of companies from the same business sector, with support and infrastructure actions, which share technological and professional skills, labour, experience and good practice.

Community Support Framework

The document approved by the Commission, in agreement with the Member State concerned, which includes the strategy, priorities and coordination for the Structural Funds in the Member State.

Core Indicators

Indicators that are critical to the effective monitoring and evaluation of the Programme. The use of core indicators is encouraged for greater comparability between Programmes.

analysis

Cost-benefit A method of reaching economic decisions by comparing the costs of doing something with its benefits. Cost-benefit analysis is used for judging the advantages of public interventions from the point of view of all the groups concerned, and on the basis of a monetary value attributed to all the positive and negative consequences of the intervention. When it is neither relevant nor possible to use market prices to estimate a gain or a loss, a fictive price can be set in various

ways. Cost-benefit analysis is used mainly for the ex ante evaluation of large projects.

Cost Also referred to as value for money. This commonly reduces to a ratio effectiveness of inputs to impacts, such as the cost per (net additional) job. Cost effectiveness can also be measured for activity and outcome measure to enable wider comparisons across projects. For example, cost per SME assisted or cost per £1million of net additional sales generated.

Counterfactual situation

A situation which would have occurred in the absence of a public intervention. By comparing the counterfactual and real situations, it is possible to determine the net effects of the public intervention.

Deadweight The quantified effects, impacts and outcomes following a public intervention or project that would have occurred even without the intervention. For example, in a scheme to give grants to SMEs to attend international trade exhibitions, a proportion of the beneficiaries would have attended the exhibitions even if the grant had not been available.

Decommitment ("N+2", "N+3" rules)

Principle whereby the EC withdraws any funds that are either not committed or claimed from the year's allocation; N is the commitment year, and N+2 is the year by the end of which funds committed in year n have to be spent or returned. For the current programming period, a third year for expenditure is allowed for some countries; the "N+3" rule is applied to Member States whose GDP from 2001 to 2003 was below 85% of the EU-25 average. "N+3" was introduced in the previous period for countries acceding to the EU in 2004.

Displacement

The proportion of project outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area. Displacement effects may be intended or unintended; when they are not intended, displacement effects must be subtracted from gross effects to calculate net effects. For example, financial support to a SME to expand its business may result in it taking business from other local companies.

Inputs

Financial The total eligible costs provided to a project or Programme.

Gross effects

Change observed following a public intervention, or an effect reported by the direct beneficiaries. A gross effect appears to be the consequence of an intervention but usually it cannot be entirely imputed to it; deadweight, displacement and multiplier effects must be taken into account, to give the net effect.

(FTE)

Gross new jobs Gross new full-time equivalent jobs are defined as job creation attributable to Structural Funds intervention, without taking any account of the effects of deadweight, displacement, and multipliers.

Gross added value (GVA)

GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. It is measured as the sum of the returns to factors of production (labour, capital and land) but in practical terms is easiest to measure as the sum of wages, and salaries and profits. It is used in the estimation of Gross Domestic Product, in summary: GVA + taxes on products - subsidies on products = GDP.

contributions

In-kind Non-monetary contributions made by individuals or organisations that add value to a capital or revenue project and can be given a monetary value.

Indirect effects

Projects may have indirect effects, such as when small businesses purchase additional goods or services as a result of increased turnover. This spend in the local economy will support additional employment there.

Innovative (IRAP 2000-

The main objective of innovative actions was to strengthen European regional action competitiveness by reducing regional discrepancies. The IRAP programmes operated as think-tanks for the European regions, giving them the possibility of experimenting with new ideas to meet the challenges of 2006) the new economy. During the period 2000-2006, 181 IRAPs were funded in 156 eligible regions of the EU-15.

INTERACT (2002-2006)

The INTERACT programme is funded by the ERDF and was part of CI INTERREG III, whose effectiveness it aimed to improve. For the period 2007-2013 INTERACT II will operate across the EU-27 involving cooperation between EU Member States and accession countries in the context of the European Instrument for Pre-Accession Assistance (IPA) and the European Neighbourhood and Partnership Instrument (ENPI).

INTERACT

During the period 2002-2006, the INTERACT programme operated on point the basis of a decentralised approach whereby, in addition to conventional programme coordination, technical management and monitoring bodies (Management Authority, Secretariat and Monitoring Committee), five INTERACT points were established in European cities and managed by different institutions, which operated as platforms for the exchange of information, experience and good practice.

INTERREG The INTERREG initiative was launched in 1990 with the aim of developing cross-border co-operation between adjacent areas on the EU's internal and external frontiers which, due to their geographic position, are disadvantaged and often isolated from major economic centres in their respective countries.

(2000-2006)

INTERREG IIIC The INTERREG IIIC programme aimed to improve the effectiveness of regional development policies and tools by exchanging information and experience, and implementing inter-regional cooperation structures.

INTERREG IVC (2007-2013)

The programme forms part of the Structural Funds' 'Territorial Cooperation' objective. Alongside 'conventional' cooperation projects, such as 'regional initiative projects' which focus on exchanging experience and identifying good practice, it makes provision for 'capitalisation' projects. These are projects which aim to transfer good practice to ordinary Operational Programmes in the regions involved in the partnership.

JASMINE JASMINE, Joint Action to Support Micro-finance Institutions in Europe, is an initiative which seeks to improve access to finance for microenterprises (employing fewer than 10 people) and for socially excluded people (such as the unemployed or ethnic minorities) who want to become self-employed but do not have access to traditional banking services. This initiative, in line with the Lisbon Strategy for growth and jobs, aims to make small loans, or micro-credit, more

widely available in Europe to satisfy unmet demand.

JASPERS JASPERS, Joint Assistance in Supporting Projects in European Regions, seeks to develop cooperation in order to pool expertise and resources and to organise them in a more systematic way to assist Member States in the implementation of cohesion policy. The aim of JASPERS is to offer a service to Member States, targeting regions covered by the new Convergence Objective for the period 2007-2013, to help the authorities in the preparation of major projects for submission to the EC. JASPERS involves a partnership between the EC, the European Investment Bank and the European Bank for Reconstruction and Development, and focuses on large projects.

JEREMIE JEREMIE, Joint European Resources for Micro to medium Enterprises, is an initiative of the EC together with the European Investment Bank and the European Investment Fund which aims to promote increased access to finance for the development of micro, small and mediumsized enterprises in the regions of the EU. Improving access to finance is a priority area of the renewed Lisbon agenda, in order to increase the availability of capital in Europe for new business formation and development.

JESSICA JESSICA, Joint European Support for Sustainable Investment in City Areas, is an initiative of the Commission in cooperation with the European Investment Bank and the Council of Europe Development Bank, in order to promote sustainable investment, and growth and jobs, in Europe's urban areas. JESSICA offers the Managing Authorities of Structural Funds programmes the opportunity to take advantage of outside expertise and to have greater access to loan capital for the purpose of promoting urban development.

Leverage

Propensity for public intervention to induce private sector expenditure and investment. In terms of Structural Funds, financial contributions from the private sector included as matching funding are not classed as leverage.

Lisbon Strategy or Agenda

The Lisbon Strategy aims to make Europe the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment, by 2010. The Strategy was launched in 2000, and re-launched in 2005. The Strategy rests on three pillars: an economic pillar promoting innovation and the transition to a knowledge-based economy; a social pillar promoting investment in human resources and combating social exclusion; and an environmental pillar, aiming to decouple economic growth from the use of natural resources. In 2005 the European Council approved a new partnership aimed at focusing efforts on the achievement of stronger, lasting growth and the creation of more and better jobs, and the joint presentation of the integrated guidelines for growth and employment with the guidelines for macroeconomic and microeconomic policies. This simplification in programming makes it possible to monitor implementation more closely by using one single progress report.

Match funding

Structural Funds usually make up a maximum of 50% of any project costs, and have to be matched by other funding (match funding or co-funding). This can come from public sector sources, private sector contributions, in-kind and volunteer time.

enterprise

Micro- An enterprise employing fewer than ten people.

Monitoring

Project Sponsors are responsible for monitoring projects on a day to day basis to ensure the project is able to meet the commitments as laid down in the offer letter, both in terms of financial expenditure and physical performance. Monitoring arrangements are designed to ensure that projects are progressing towards the agreed targets in the offer letter. Projects that dramatically under-perform can be required to repay grant awarded.

Multiplier

The cumulatively reinforcing interaction between consumption and production that amplifies changes in investment, government spending, or exports. Structural Funds interventions may show an amplified increase in production and income as a consequence; multipliers are applied to gross outcomes after adjustment for deadweight and displacement.

Reference Framework (NSRF)

National The national strategic reference framework (NSRF) is a system Strategic programming instrument, prepared by each Member State in consultation with partners and the EC, for the period 2007–13. It is designed to ensure that assistance from the Funds is consistent with the Community strategic guidelines on cohesion, and to identify the link between Community priorities and the Member State's national reform programme. It is not a management instrument, as were the Community support frameworks (CSFs) used in preceding periods; above all it defines policy priorities whilst suggesting the key elements of implementation. The NSRF is applied to the convergence objective and the regional competitiveness and employment objective. If the Member State so decides, it can also be applied to the European territorial cooperation objective.

"N+2", "N+3" rules

See Decommitment

Net Additional Impacts

The impact calculated from a gross effect by applying deadweight, displacement and multipliers.

Net Additional New Jobs (FTE)

The jobs created primarily as a result of Structural Funds intervention, minus the effects of deadweight and displacement plus multiplier effects.

NUTS

The Nomenclature of Territorial Units for Statistics (NUTS) was established by Eurostat more than 25 years ago in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union. NUTS areas are used as the basis for allocation of European Structural Funding. Territorial Units are split into four grouping by size: NUTS 1 - Member States; NUTS 2 - Regions/sub-regions; NUTS 3 - Smaller Areas (counties, local authority areas); NUTS 4 - Ward level.

Outputs Outputs relate to project activity carried out using the "input" resources. They are often measured in physical or monetary units (e.g. number of firms having received financial support, number of training places provided, etc.).

Performance For the 2000-2006 programming period, regulations required Member **Reserve** States to hold back a certain amount of funding as a reserve. At the end of 2003, all programmes were assessed to see how effective they had been. Programmes that were demonstrably effective received more money from the programme reserve.

Private sector Private sector investment that is a consequence of a Structural Funds leverage intervention, i.e. the investment is a consequence of, or follows on from, the project having taken place.

Programme In the 2000-2006 programming period, the EC approved the **Complement** programme plan only down to the level of Priorities, leaving a significant amount of detail to be agreed locally. The document taking this second level of detail forward was called the Programme Complement.

partnership (PPP)

Public-private This involves the private and public sectors being put in touch with one another in order to define strategies together or to undertake financial investments or build infrastructures. The advantages of this type of partnership are as follows: mobilisation of resources and skills, increase in available finance, and an increase in synergy between the two sectors.

Regional **Development** Plan (RDP)

The regional 'Chapter' of a national Objective programme.

Regions for Economic Change

Proactive initiative offered to Member States, regions and cities to help them implement the new Lisbon strategy through actions which focus on economic modernisation. It aims to learn lessons from the experience and good practice of highly efficient regions and to transfer them to regions seeking to improve. This also involves strengthening the link between the exchange of good practice and implementing major programmes linked to 'Convergence and competitiveness' objectives. The initiative will be made concrete through inter-regional cooperation mechanisms and development networks in the context of the 'territorial cooperation' objective in order to speed up the implementation of good ideas.

Secondary **Employment**

Employment that is generated through the use of the facilities or services provided by a project, but which is not a part of the eligible expenditure or direct employment of the project, e.g. employment ultimately realised on serviced land.

Programming (SPD)

Single In the 2000-2006 programming period, the Single Programming Document and the Programme Complement were the key documents **Document** of the Objective 2 programme. The Member State contracted with the EC, by means of an SPD, to deliver assistance to an area using European Structural Funds matched with other public and private money.

Substitution Effect obtained in favour of a direct beneficiary but at the expense of **effect** a person or organisation that does not qualify for the intervention, for example where one person gains employment at the expense of another resident within the same area. An evaluation determines, with regard to the objectives of the intervention, whether the substitution effect can be considered beneficial or not. When it is not beneficial, the substitution effect must be subtracted from gross effects.

Sustainability Sustainable development is a type of development which enables and present needs to be met without compromising the potential of future Sustainable generations to meet their own needs, in economic, social and **development** environmental terms. Sustainability can be referred to in the context of economic sustainability, highlighting the economic viability of a project or programme beyond the life of its respective Structural Funds intervention. Similarly, environmental sustainability looks at the viability of interventions from an environmental legacy perspective.

Technical Assistance (TA)

Most Programmes have a separate 'pot' of money to help develop the programme, to help applicants to evaluate the Programme and to run the committees. This has been described as 'Thinking Money'. All projects have to be agreed directly by the Programme Monitoring Committee. Only 50% of any Technical Assistance scheme can come from European funds; the rest must come from the partnership.

Territorial Cohesion

Although there is no formal definition to date, the concept of territorial cohesion relates to ensuring the harmonious and balanced development of all the diverse territories within the EU, and making sure that their citizens are able to make the most of inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU. The aim of an integrated territorial policy is to ensure a balanced exploitation of territorial resources, avoiding both their under- and over-exploitation, and to link different territories in close and effective cooperation.

Territorial **Employment** Pact (1997-1999)

The Territorial Employment Pact is a European Commission initiative which involves an agreement between local actors involved in employment (primarily the public sector and associations, companies and social partners), which resulted in a multi-disciplinary strategy being drawn up, based on a common diagnosis and which involved these various actors in a concrete manner. The related actions were primarily aimed at the disadvantaged such as the long-term unemployed, women and young people. These Territorial Employment Pacts were organised in networks in order to enable experience and good practice to be shared.

Third Sector Voluntary and community sector.

Transitional Areas

Some areas, though eligible for Structural Funds in one programming period, do not meet the criteria for the next programming period if they have become relatively more prosperous. These are Transitional Areas, due to leave the Structural Funds programme.

URBACT

The URBACT programme is one part of the URBAN II (2000-2006) community initiative. It encouraged the pooling of experience and mutual learning between the various cities which were partners in the URBAN programmes. The numerous actions financed include the establishment of 30 transnational exchange networks between 8 and 20 cities, each based on a specific urban policy theme. URBACT II will be open to all cities in the EU-27 for the 2007-2013 period.

URBAN

Community Initiative of the European Regional Development Fund (ERDF) for sustainable development in urban districts.

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EXECUTIVE SUMMARY

Background

EU regional policy which aims to create economic and social cohesion has been a major policy of the European Community for over half a century. Targeted to reduce disparities in the levels of development between the least favoured and prosperous regions of the European Union, it has grown to the extent that it now represents 36% of the EU budget expenditure on EU Regional Policies 2008 or 0.38% of the EU GNI. It is firmly established in the founding Treaties of the European Union, and has undergone constant changes and adaptation, evolving to its present form in the 2007-13 programming period. EU regional policy has had additional challenges to support; having played a significant role in the integration of new Member States and the EU enlargement process, it has also increasingly been called upon to address the challenge of a more competitive and sustainable Europe in a changing global world, underpinned by the Lisbon and Gothenburg Agendas. In the current programming period, EU regional policy is also increasingly expected to respond to environment and climate change and the sustainable development agendas. More recently, EU Cohesion policy has been called upon in the current financial crisis to create additional stimulus and increase the advance with an extra €6.25 billion cash flow to Member States (European Commission, 2008d), with total financial resources of €347 billion for 2007-13. Conversely, the full implications of the world global recession on Cohesion policy are not clear, at a time when further review of the EU Budget and Cohesion policy spending, priorities and resources is under way. This makes the continuous scrutiny of EU Cohesion policy, and any attempt to contribute to the effort, critical.

Aim

The aim of the present study is to provide a comprehensive analysis of the nature, role and impact of Cohesion policy financial instruments, i.e. the Structural funds (hereafter Structural Funds) and Cohesion fund. In particular, the study makes specific reference to two important aspects of the contribution of Structural and Cohesion Funds to regional development, namely:

- the sustainability of the interventions financed through Structural and Cohesion Funds,
 i.e. the viability of a project or programme beyond the life of the Structural Fund intervention, and
- the added value of such interventions, i.e. the amount, type and impact of additional benefits in terms of outputs gained as a result of European funding for a project, over and above those benefits originally planned for as well as obtained from other funding sources.

The study also analyses the way in which Structural Fund interventions tackle obstacles to regional development and identifies the broad impacts that programmes financed through Structural Funds have had. The objective of the analysis is to offer a comparative view of the different instruments mobilised, and identify the conditions under which the latter seem to perform better. Overall, this study aims at providing concrete policy recommendations and specific guidelines for decision-makers.

Methodology

The study takes a long-term view of the contribution of Structural Funds to regional development. In particular it analyses trends at work in 2000-06 to infer useful lessons for the current and forthcoming programming periods. The privileged level of analysis is the regional level.

The methodology used comprises a twofold approach:

- firstly, the study examines programmes in relation to secondary evidence:
 - a vast body of published evaluations, academic literature and other EU-wide policy reports on EU Cohesion policy;
 - · quantitative evidence relating to expenditures by main areas of investment;
- secondly, eight regional case studies have been carried out in regions representative of different kinds of regional development paths and distinct obstacles to overcome, in order to provide an in-depth and up-to-date commentary analysis on key issues in relation to the added value and economic sustainability of EU Cohesion policy.

The study relies on the premise that a series of clear choices concerning the focus of the analysis needs to be made in order to cover such a wide field of investigation. These are:

- the 2000-06 programming period is the main focus for the case studies, however lessons learnt in the past and the way in which they have been used in the current programming period is addressed in the case studies;
- the case studies focus on Objective 1 and 2 regional Operational programmes co-funded by ERDF and ESF. One INTERREG Programme is the object of a specific regional case;
- the descriptive analysis based on secondary evidence addresses the other instruments (Cohesion Fund, other Community Initiatives, ISPA), and in particular the recent JASPERS, JESSICA, JEREMIE, JASMINE initiatives, and the role of the European Investment Bank.

Review of available secondary sources

The literature on regional development is vast and represents the evolution of the thinking from traditional theories on economic growth and divergences between macro regions to a more micro approach focused on firms organization and the role of technology and innovation. More recently the interest about social capital and environment has led to emphasise the community sector role in regions and the problems of social inclusion and sustainable development became of primary importance. Influenced by these different theories, EU Cohesion policy has come to focus on the following issues: theoretical concepts and implications of 'New Regionalism'; flexibility, innovation, and creativity as drivers of growth; learning capability; adaptation to the new Green and Environmental and Social capital theories of regional development; links between theory and policy making.

The evolution of the debate on EU regional policy has gone, hand in hand, with an evolution of the practice of programmes evaluation. The evaluation framework has increased the propensity to question on results of Cohesion policy and to investigate on implementation processes. This has produced a huge investigation of the impact of Structural and Cohesion Funds on regions' performance. The analyses are normally conducted either at macro- or micro-level. However, the results are not consistent across studies, creating scepticism on policy effectiveness. Macro analyses, in fact, are based on simulation models that generally produce contrasting results because strongly dependent on the assumptions used. For smaller programmes, monitoring data and surveys are carried out in order to evaluate employments effects. A range of bottom-up techniques is also applied to evaluate other

micro-consequences. Although these evaluation techniques are a useful tool for managers as they involve the direct participation of stakeholders and the analysis of case studies for appraisal, nevertheless, results are still poor and there is a structural difficulty to single out the effects of the sole Structural Funds interventions.

Notwithstanding these difficulties, evidence of well performing projects and good practices in policy learning and programme management have been recognized as crude indicators of effectiveness of the Cohesion Policy.

The new 2007-13 regulations moved towards a simplification of the cohesion policy architecture, by reducing the number of objectives and instruments: from 9 objectives (including Cohesion Fund and Community Initiatives) and 6 instruments in 2000-06 to 3 objectives and 3(+1) instruments in 2007-13. The three new objectives set for the 2007-13 period incorporate the previous Objectives 1, 2 and 3 and the Community initiatives: these three new priorities are Convergence, Competitiveness and employment, and European territorial cooperation. The first two correspond roughly to the 2000-06 Objective 1 and Objective 2 areas of intervention, while European territorial cooperation follows on from the previous Community Initiative INTERREG. In contrast to the previous programming period, the status of territorial cooperation has now been raised to the level of a separate objective, with its own legal basis and, therefore, greater visibility. This reflects the abovementioned greater concern for the territorial dimension of Cohesion policy.

Additionally, to support Cohesion policy over the 2007-13 period, the European Commission has developed several financial engineering initiatives, JEREMIE, JASPERS, and JESSICA, intended to improve access to finance and risk capital, and involving enhanced cooperation between the EC and the European Investment Bank (EIB). A fourth initiative, JASMINE, was launched in 2008, to reinforce the development of micro-credit in Europe. These are additional to the financial instruments available to SMEs under the EU Regional Policy programmes funded by the ERDF and ESF and are aimed at supporting efforts for the improved quality of project conception in the EU, offering technical assistance capacity for the conceptualisation of big projects based on good practice principles of financial planning, and strengthening the financial development provision available for SMEs.

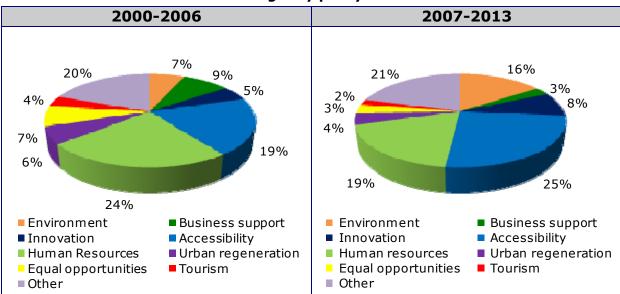
The "four Js" represent a bid for a renewed approach to EU Cohesion policy making. On the one hand, there is a distinct effort to attain more sustainable, higher-leveraging and flexible forms of financial assistance and high numbers of applications; on the other, there is a move towards dynamically boosting the administrative capacity of respective Managing Authority administrations. The transformation of grants into recyclable forms of finance is particularly novel in EU policy making, and represents a major step towards an economically more sustainable approach to EU Cohesion policy assistance. Another important feature is the leverage effect achieved through a flexible combination of grants and loans. It is also hoped that the new initiatives will offer access to new sources of expertise and technical financial and managerial capacity.

There are some concerns that the new financial initiatives are too large-scale in term of project conception, or that mechanisms already exist in some Structural Fund Programmes, e.g. to support venture capital and loan funds in their respective regions. There is still much more to do to communicate the role and the potential of the new financial initiatives, as it is at present too early to evaluate their impact.

The full impact of the 2000-06 programmes is still to be felt as expenditure has not yet been finalised, and although the 2007-13 programmes are under way, ex post evaluations

of 2000-06 programmes are still not available to enable definitive discussions on the shifts in expenditure and priorities. In particular, the components of the DG Regio-commissioned ex post evaluation of the 2000-06 programme across the EU-27 are just becoming available, but these are mostly at an early stage of final analysis; where possible, we have referred to this body of work as it is emerging.

However, a statistical analysis of available data on patterns of committed expenditure is useful to highlight some shifts differentiating the two programming periods under investigation. The Figure below provides a graphic illustration of the results obtained for the EU as a whole.



Breakdown of Structural Funds budget by policy area

Source: Authors' processing of DG Regio data

This evidence shows that the 2007-13 programmes are indeed beginning to shift priorities in favour of innovation, in line with the Lisbon Strategy's recommendations. Increased investments in the environment also confirm the awareness of the future challenges that European regions are likely to face, such as globalisation, climate change, demographic change and security of energy supply:

- In both programming periods considerable resources have been allocated to finance investments in the area of Accessibility; this is the priority with the largest share of funds in the new programming period, accounting for a quarter of total Structural Funds expenditure. This is largely a consequence of the high investments being made by New Members States in this area.
- Human resources also play a vital role in the framework of Cohesion policy, and are largely represented by the interventions co-financed under Structural Funds programmes, which absorb about 20% of total resources.
- Funding allocated to "traditional" instruments for SME support (investment in physical capital and business support services) has decreased significantly in both Convergence and Competitiveness regions, in favour of a counterfactual increase of more innovative forms of support aimed at boosting technological development, innovation and entrepreneurship.
- Attention to equal opportunities is now addressed more indirectly; in practice, it is an
 element of almost all interventions dealing with human resources. This has resulted in a
 reduction of funds dedicated solely and exclusively to this priority, although the new

strategic approach and programming puts greater emphasis on gender and equal opportunities in the labour market.

• Aid from Structural Funds in the 2007-13 period is still delivered largely in the form of non-repayable grants (90% of expenditure).

At conceptual levels, an important debate has been taking place over the years of transition between the 2000-06 and 2007-13 programming periods concerning the issue of the added value of Structural funding. Increasingly the qualitative and quantitative understanding of added value has been the subject of debate focused in particular outside Objective 1 areas, where the impact of EU Regional policy is less easily measured through direct intervention results. This resulted in the conceptualisation of the new Objective 2 relating to the Lisbon and Gothenburg Agendas, which supported new areas such as the knowledge economy, innovation and competitiveness. The shape and meaning of an EU added value has been changing. The concept was first highlighted in the Second Cohesion Report. A particular feature of the Commission's argument has been that additional effects are associated with a Europeanisation of policy delivery associated at the programme level with multi-annual strategic planning, broad and diverse key stakeholder involvement leading to new partnership arrangements, focusing on shared objectives, transparency, and a more systematic and structured approach to programme management procedures and inclusiveness. In recent work commissioned by DG Regio for the ex post evaluation of 2000-06 programmes, value added has been defined as "a positive effect of Cohesion policy management and implementation on the implementation of Member States' own policies for regional/economic development (or in some areas public policy more broadly) which:

- has occurred because of the influence of Cohesion policy and would not have occurred had Cohesion policy not intervened (policy off situation);
- has consisted of tangible changes in the ways Member States manage and implement domestic policies (spillovers) and which have improved the operations of Member States' own policies." (Ex Post Evaluation of ERDF in Objective 1 and 2, 2000-06, Work Package 11, "Management and implementation systems for Cohesion policy"; EPRC, 2008a-d).

In operational terms, it is worth noting how the transition from the 2000-06 programming period to the current one is characterised by a more strategic approach. This new approach was reflected in the way that the programmes were conceived via the Community Strategic Guidelines (CSG) and the National Strategic Reference Framework (NSRF), and with reference to the Lisbon Agenda which envisaged that more funding would go to business development, innovation, and the knowledge economy.

Evidence from case studies

Regions and their Operational Programmes which are representative of the different possible types of Structural Funds interventions and the wide diversity of socio-economic conditions characterising EU regions were identified through a two-stage selection process. Firstly, the 252 EU regions defined at NUTS 2 level were analysed and classified according to their characteristic structural features, as well as their distinct patterns or trajectories of regional development. Secondly, these regions were grouped on the basis of the following criteria: demographic change trends, the rural/urban nature of the area, regional economic performance, and patterns of growth.

Combining these different criteria, the following regions and associated Operational Programmes have been selected to be the subjects of in-depth case studies:

- Umbria (Italy)
- Prague (Czech Republic)
- Galicia (Spain)
- Yorkshire & the Humber (UK)
- Southern & Eastern Region (Ireland)
- Norra-Norland (Sweden)
- Malopolska (Poland)
- INTERREG IIIA ALCOTRA (Italy/France).

The horizontal reading of the eight case studies serves to highlight key issues with regard to the added value and economic sustainability of EU Cohesion policy financial instruments, and the conditions which promote sustainability more effectively. The table below (p. 31) offers a synthesis of the main findings for each case, by fields of investigation.

Strategy

A marked and systematic strategic policy shift can be observed between the previous and current programming periods in the case study areas examined:

- There has been a distinct shift in ESF Programmes, which focused mainly on vocational training and social inclusion in the 2000-06 programming period, towards a stronger focus on innovation and the knowledge society during the 2007-13 programming period.
- Similarly, in Objective 1 areas a shift in ERDF programmes has been observed, from large investments in basic infrastructure, particularly transport and water management, in the 2000-06 period, where it was felt a distinct infrastructural accessibility gap had to be filled, towards a smaller but still key set of infrastructural investments and a focus on core themes such as Innovation and ICT.
- Whilst ERDF Objective 2 programmes have mainly supported SMEs in 2000-06, in the new period they embed mostly Lisbon goals, focusing on innovation and the environment. Tourism support interventions are mostly neglected in the new period, even where they were strategically important in the past.
- Take-up of the new initiatives such as JESSICA, JEREMIE, JASPERS and JASMINE, which represent innovative measures in the new programming period, has been slow in both old and new Member States. Largely perceived as being mostly appropriate in EU-15 Member States, the new initiatives require a great deal of programming experience and long lead times before they materialise. Aggregate results across the EU suggest that the majority of these will come to fruition towards the second half of the programmes. Not all feel confident that the new tools of financial engineering are utilisable in the new programmes. For example, it was considered that the projects expected were too large and unwieldy, and beyond current resources in terms of experience and capacity.

Effectiveness

The impact of the Structural Funds on regional economies, or in other words their effectiveness in achieving their primary objective of reducing disparities across regions, is hard to measure at a regional case study level. Rather, the evidence collected through the case studies assists in ascertaining the effectiveness of the Structural Funds strategies adopted to overcome specific obstacles to regional development. A number of conclusions particular to the case studies might provide a qualitative input to complement the ongoing work of the DG Regio-sponsored ex post evaluation of the 2000-06 programme:

- Structural Funds interventions were especially effective in removing obstacles to regional socio-economic development in Objective 1 regions. By focusing on improved accessibility, for example, ERDF Objective 1 programmes had an important impact on regional economic dynamics. They also supported the disciplines of monitoring and evaluation, partnership, horizontal priorities, multi-annual budgeting, and financial control and audit, as well as improved governance. In the New Member States, they also promoted administrative renewal, helping local actors by strengthening ownership over local planning and development.
- In Objective 2 programmes, Structural Funds interventions tended to concentrate on strengths and assets rather than on weaknesses. They focused on the endogenous capacity of regions (local business, natural heritage, etc). However, there is no clear evidence of ERDF Objective 2 programmes' impacts from a quantitative point of view. Nevertheless, it appears that Objective 2 programmes played a significant role in supporting strategic interventions (water supply, urban regeneration, ICT, etc.). Grants targeting SMEs achieved a high coverage of potential beneficiaries, and have been instrumental in stimulating regional enterprise and SME development in regions.
- The ESF in general provided resources for the regional formation of policy and training provision, and played an important role in terms of social inclusion. There were positive effects of the programmes on employment and job creation, even if there were differences in the significance of impact of the created jobs with respect to the size of regional labour markets.
- Structural Funds played a significant role in introducing mainstream (horizontal) themes (environment and gender equality). The environment horizontal priority, in particular, was often effectively implemented, and was seen as a welcome improvement compared to existing national and regional policies. Gender issues, however, seem to need some "fine-tuning" in terms of the corresponding tools of interventions. In some instances, criticism of horizontal priorities has highlighted a "tick box" approach rather than insightful horizontal priority input.
- The best performing measures seem to have been those which received a critical amount of funding this seems to hold true notwithstanding the instrument (ERDF vs. ESF), the objective (Objective 1 vs. Objective 2), or the country in which the investment took place (EU-15 vs. New Member States).
- Despite difficulties resulting from a lack of final evaluation evidence at this stage, it
 does appear that Structural Funds interventions have sometimes failed to tackle intraregional disparities. This is in part due to the fact that the latter are the products of
 deep-rooted and complex problems which are difficult to resolve quickly.

Sustainability

The case studies were considered with particular attention to economic sustainability, i.e. the economic viability of programmes, priorities and projects supported beyond the life and continued intervention of Structural Funding support. The case study results seem to support evidence of particular success in Objective 1-driven expenditure on infrastructure, while other forms of support under Objectives 1 and 2 have been in most cases more difficult to examine in relation to economic viability:

• ERDF infrastructural interventions seem to be sustainable, and they provide the basic framework for development, especially in Objective 1 regions. This is the case not only because these infrastructure investments are relatively permanent, but also because they prove to be useful to large communities of users. On the other hand, business support interventions show a lower level of sustainability than the other areas of investment. The reasons for this could be that the industrial fabric of the regions is not

yet well developed, and that SMEs are still too fragmented across territories, and not innovating to any great extent.

- ERDF grants to SMEs appear to be sustainable, especially when they are intended to build networks among enterprises or with universities and research centres. In Objective 2 regions in particular, projects developed on the basis of a wide partnership seemed to have more chances of becoming self-sustaining.
- ESF interventions appear to be more dependent on EU support. This is due to the nature of the projects funded, whose intangible outcomes are more difficult to identify and assess under the sustainability criterion. However, the sustainability of ESF interventions is difficult to establish, since they were supporting human resources outside the usual mainstream educational frameworks. It is therefore more difficult to establish whether such interventions will be furthered under national schemes and policies following a cessation of Structural Funds support in the areas concerned.
- The durable impact of Structural Funds on the "modus operandi" of public administrations is noticeable. The managers of Structural Funds acquired new methodologies and instruments which could permeate the whole administration and have long-term effects.

Added value

A cornerstone of EU Regional policy is the added positive impact that it seems to have on administrations, regional stakeholders and regional policy area input:

- Structural Funds have played a fundamental role in the implementation of interventions
 that otherwise would not have been made with national funds only. This applies
 particularly to long-term and large-scale investments, such as environment and
 transport infrastructure in Objective 1 regions, and is especially true in the New Member
 States.
- In Objective 2 areas in particular, an important qualitative effect is appreciable.
 Strategic intervention has often promoted innovation and enabled experimentation with
 new methodologies or tools for regional economic development, which would not have
 been possible in most cases within pre-existing mainstream national/regional policies.
- Without the ESF, most of the interventions in vocational training and social inclusion would have not been implemented.
- The impacts on the governance of regional development are very important in the long term. This is an effect detectable in particular in the New Member States. In this respect:
 - regional and local administrations increased their capacity in managing local development because of the availability of resources over a longer time perspective (6 programming years), making possible a wider, more cohesive and larger-scale vision (capacity-building effects);
 - capacity-building effects were not only perceived in the New Member States, but also in efficient EU-15 public regional administrations such as those of the UK and Sweden;
 - Structural Funds encouraged innovation and benchmarking with experiences in other countries, in the context of a common legislative framework. This was also possible due to territorial cooperation;
 - networking was stimulated at very regional and local levels. Structural Funds also promoted the growing awareness and ownership of local development among different actors involved, such as economic and social actors, universities, and town and village administrations;
 - Structural Funds provided a decisive stimulus in the implementation of mainstream themes like environment and innovation, and to a lesser extent gender issues.

Synthesis from case studies

	STRATEGY	TEGY	SSENEXTICE	FNESS			
OP	2000-0006	2007-2013	2000-0006	2007-2013	Sustainability	Added Value	Lessons learnt
Yorkshire & the Humber (UK)	· ERDF – Most of the resources on SMEs · ESF – Human capital investment (employability and entre- preneurship)	· Focus on best performer and financial engineering	· ERDF – low level in terms of jobs and increase of sales, better performance in term of financial support to SMEs	Expected good performance, especially in business support and innovation (ERDF; nos of SMEs and jobs supported) and human capital (ESF; nos helped with training and job-searching). Expected good performance in environmental good practice and equalities and diversity; crosscutting themes to be integrated with the Priorities	and financial) sustainability is sustainability is probably the biggest challenge. The Programmes addressing social issues (urban regeneration) had considerable difficulties in continuing. On the other hand, support for SMEs if based on loans had a greater chance of being self- sustaining.	In innovation and urban regeneration ICT projects in particular supported by ERDF Cross-cutting themes, e.g. equal opportunities and environment, would probably not have been implemented without Structural Funds Mechanisms such as networking and PPP had a big impetus from Structural Funds Funds Funds Funds Funds FED helps in creating a local and shared development vision	The Programme needs: More concentration and financial leverage (move from grants to loans) More investment in innovation Simplification and flexibility in the management of funds Increase of local partnership Partnership Sustainability is an issue More integration between ESF and ERDF
Galicia (Spain)	the resources on firstly, transport system and secondly, on environmental infrastructure . ESF – Most of the resources on development of human resources, employability and equal	transport and environmental infrastructure (increasing resources on the latter), financial engineering . ESF – Focus on human capital improvement and employability	Good effectiveness (both financially and physically) The impact is reflected also in the macro context indicator	· Expected good performance. The most effective fields: transport and environment infrastructure, human resources and ICT, R&D and innovation	 High sustainability (infrastructure and human capital). Without funds, fall in regional growth 	· Financial resources (transport and environmental infrastructure), local development partnerships and organisation capabilities	. The Programme needs: more flexibility in designing monitoring devices
Malopolska (Poland)	· ERDF – most of the resources on modernisation of infrastructure · ESF – Employability	· ERDF – most of the resources on development of knowledge society and modernisation of infrastructure · ESF – Employability	 High effectiveness in the labour market, infrastructure and environment 	· Probably significant impact in transportation routes important to the development of the region	· High sustainability of projects in the areas of natural environment, accessibility; varied sustainability of projects in other areas	Improved public management quality Increased empowerment of local governments, public organisations and businesses	The main obstacle has been the lack of relevant experience in the administration

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	Lessons learnt	The territorial differences in the legal/administrative order. Small and medium firms have started to behave more as partner than competitors	· Need for coordination of interventions sustained by the integrated approach	or Better coordination and targeting of financial flows to the city infrastructure and aiming at key strategic development issues and improvement of the estimation of the monitoring indicators' target values
	Added Value	· Ability to promote new partnerships and investments in sharing of knowledge and the construction of networks	More innovation with SPD and quality of the intervention Environment and gender issues were a mainstream policy Local capacity of programming endorsed by Structural Funds	The contribution from ERDF helps to realise the goals set in the strategy much faster than if there were only national funds ESF – higher intensity of cooperation between public research sites and private sector
	Sustainability	· Due to its intangible nature, it is difficult to assess the sustainability of impacts in terms of increase in collaboration. Cooperation is in any case now a permanent factor for the cross-border areas	 The integrating methodology could sustain local partnerships in developing projects 	ERDF projects very sustainable; projects were of high quality and standard, and can be the basis for further development Further development sustainability of ESF projects is lower than the so-called hard projects, especially in social issue projects involving direct work with clients
ENECC	2007-2013	The global aim is improving the quality of living, the main expected effects concern: environment and urban regeneration, tourism and culture, and human resources	· More links between university and enterprises, due to ESF and ERDF	
SEEECTIVENESS	2000-2006	 Positive effects regarding cooperation and integration of stakeholders and institutional bodies, leverage effects 	• Main achievements: aqueduct, construction of new industrial areas, urban regeneration, e- government and information society, enhancement of tourism resources through integrating approach. Important impact also in job creation. ESF links the workforce with labour market needs	key effects: a long- term strengthening of the investment in infrastructure, increase of private sector competitiveness . Taking into account Prague's specific problems, Structural Funds contributed significantly to the integration of specific groups at risk of social exclusion
TECV	2007-2013	· All interventions devoted to crossborder cooperation in the social, economic, environmental and cultural fields	· ERDF resources on Environment (energy and risk prevention)	· ERDF - transport and support to SMEs · ESF - supporting the development of a knowledge- based economy
STRATEGY	2000-2006	All interventions devoted to crossborder cooperation in the social, economic, environmental and cultural fields	· ERDF – most of the resources on supporting SMEs · ESF – vocational training and social inclusion	· ERDF - urban regeneration · ESF - vocational training and social inclusion
	OP	Alcotra (France- Italy)	Umbria (Italy)	Prague (Czech Republic)

	Lessons learnt	The Structural Funds Managing Authorities in the whole of Sweden are now committed to follow the European Commission's demand for continuous evaluation	
	Added Value	Regional authorities saw the EU approach to developing strategies as a great "eye-opener" Structural Funds enforce project management skills and improved rigour in handling public resources; develop local networks; boost cooperation	
	Sustainability	· Sustainability is obtained by establishing durable networks among local authorities, Universities and enterprises	· Since a great deal of the intervention was in physical infrastructure, projects were sustainable in the long term
ENESS	2007-2013	There is greater concentration of efforts, clearer targets, and better focus Interviewees Interviewee on the usefulness of the tie between Structural Funds strategies and the Lisbon Agenda	Environment and Accountability Innovation and the Knowledge Economy Sustainable Urban Development Up-skilling the workforce Activation and participation of groups outside the workforce
EFFECTIVENESS	2000-2006	Extensive development of broadband Improvements to a number of regional airports, which has led to development of new regular services The largest expenditure in the programme is on R&D	excellent in delivering transport infrastructure and environmental measures, especially waste and water management Childcare measure in the social inclusion priority was particularly important in terms of impact on Irish social policy; support for SMEs was relevant too
TEGY	2007-2013	· ERDF - Innovation and accessibility · ESF - Skills supply and increased labour supply	· ERDF - Innovation and the Knowledge Economy · ESF - Human capital investment
STRATEGY	2000-2006	· ERDF - most of the resources on supporting enterprises and transport · ESF - vocational training and social inclusion in rural areas	· ERDF - main resources on infrastructure · ESF - Social Inclusion and Childcare
	,	Norra- Norland (Sweden)	Southern & Eastern region (Ireland)

Source: Case study reports

Conclusions and recommendations

Overall, this report and its conclusions do not attempt to provide a definitive generalisation of findings from the large amount of evidence examined, but to identify some thematic features and a qualitative commentary which may be useful from a policy perspective. As such, this report is a further contribution to the debate which will continue to require reappraisal.

Concluding remarks

- Structural Funds have different effects on different countries and regions. Context
 matters. This is clear in Objective 1 regions, especially in the New Member States and
 especially as far as mainstreaming policies are concerned (in particular, environmental
 issues).
- Structural Funds have an important role to play in governance and innovation in EU-27 regions and localities. In the new programming period, linkages with the Lisbon strategy have been reinforced, and innovative new financial instruments implemented.
- ESF is the most important source of financing for social inclusion and vocational training in the regions examined. It is a vital instrument for building a knowledge and inclusive society.
- Possibly the most important impact of Structural Funds was on regional governance.

Lessons learnt

- In Objective 2 regions, the key lessons are that:
 - Networking and integration matter as far as local development is concerned, and provide the basis for sustainability;
 - In supporting SMEs' competitiveness, it might be necessary to move from the grant approach to a loan approach. Further research is needed to determine under which conditions this proposition holds;
 - ERDF is of great importance for promoting pilot projects and innovative approaches;
 - Objective 2 programmes should have targeted existing strengths and assets better, so as to trigger a virtuous circle of endogenous development.
- Cross-border cooperation programmes are important, but they need to move from an approach of "exchanging experience" to a more operational one. In this sense, some new thinking about the eligibility of expenditure is also necessary, since at present, eligibility dispositions do not allow significant infrastructure interventions.
- With regard to the new financial infrastructures, JEREMIE, JASPERS, JESSICA and JASMINE, the loan funds are still at an early stage of development and progression, and regions and Member States are still feeling their way forward towards tapping into the new innovative instruments. There is great interest in their potential.
- The new evaluation approach of the Commission has to be fully understood and not merely formally implemented. In this way, it can have a full impact on a) helping policy makers choose an appropriate strategy for their region, and b) providing a clear vision of the implementation process of the programme. It is clear, however, that there are different evaluation needs across Member States, and that incentives to establish an evaluation culture in regional and national administrations have been welcomed by many New Member States.

INTRODUCTION: AIM AND STRUCTURE OF THE STUDY

The aim of this study is to provide the Committee on Regional Development with a critical and detailed analysis of the role and impact of Cohesion policy instruments (ERDF, ESF and the Cohesion Fund). It focuses in particular on the two most recent programming periods of the Structural Funds, namely the 2000-2006 period, and the 2007-2013 period as allocated through the Convergence, Regional Competitiveness and Employment, and European Territorial Cooperation objectives.

The overarching objective of the study is to analyse at regional level the nature and role of all the policy instruments that are used to implement investment, and other operational programmes financed by the Structural Funds. The study seeks to explore possible barriers to effective regional policy and ways of overcoming them, as well as the role and impact of regional policy instruments, using a representative sample of regions, instruments and projects.

The present study thus focuses in particular on the following important themes:

- results/impacts of Objective 1 and 2 regional programmes: what has been actually
 achieved by the past programmes in terms of an increase in the respective regional
 outputs, and what is expected to be achieved in the current programming period;
- the functioning of the programmes financed by Structural and Cohesion Funds: how they are being used to remove barriers to regional development;
- community added value: what has been implemented through Structural and Cohesion Funds that would have not been implemented with national or regional funds.
- sustainability: what happens if Structural Funds support is suspended.

In order to achieve the above objectives, three tasks have been carried out in the context of the present study:

- a theoretical and contextual background;
- eight regional case studies;
- conclusions and recommendations.

In the first task (Task 1) a brief literature review on the evolution of cohesion policy and the impact and role of its instruments has been carried out. It illustrates the full range of regional development support instruments, including pre-accession aid and new instruments such as JESSICA, JEREMIE and JASPERS, and the way they are expected to impact on regional disparities. Additionally, a review of existing evaluations on Structural Fund programmes has been undertaken, with a particular focus on "added value" and "sustainability". Finally, an attempt has been made to establish a glossary, in order to establish a "common language" throughout this study and, it is hoped, subsequent ones.

The second task (Task 2) focuses on carrying out a statistical analysis of EU-27 regional economic performance in order to define different typologies of regional development models. A small number of regional programmes were selected as case studies on the basis of multiple criteria illustrative of the variety of challenges for regional development experienced throughout EU regions. The respective policy responses adopted in the context of the structural development in the selected regions were examined. The resulting lessons learnt from case study and literature findings are presented in a horizontal reading format of the evidence from the case studies, in order to identify the most relevant cross-cutting issues.

Finally, in Task 3 an attempt has been made to generalise some of the findings from the horizontal reading of the case studies, and to draw policy-relevant lessons for decision-makers.

The study adopted a two-fold methodological approach. Firstly, it begins with a general overview of Cohesion policy and funding opportunities, providing an overall picture. This review is based on the collection and analysis of secondary data available from the vast literature on Cohesion policy, regional development and Structural Funds. Both qualitative and quantitative analyses have been carried out. Secondly, eight regional case studies have been carried out to collect primary data on the actual achievements of Structural Funding and their impact.

The report is structured in two parts, respectively presenting the outcomes of a review of evidence available from secondary sources (policy reports and statistical data), and of the eight regional case studies carried out for the purpose of the present study.

PART I. STRUCTURAL FUNDS IN CONTEXT

1. RATIONALE AND FUNDAMENTALS OF EU COHESION POLICY

KEY FINDINGS

- EU regional policy represents 36% of the EU budget expenditure.
- Regional policy financial instruments can play a role in responding to the future challenges that European regions will face in the coming years, such as globalisation, demographic change, climate change and energy secure supply.
- Integration with sustainable regional development practice is still under-developed and it is argued that Cohesion policy progresses should be based on a better understanding of the link between environmental quality, social capital and improved economic competitiveness.
- Despite improvements in the performance of the recipient regions and progresses in the evaluation methodology, the effectiveness of the cohesion policy is still subject to criticisms.
- There is, however, evidence of good practices on policy learning and single projects or interventions performing well that can be referred directly to the action of the Structural Funds.

1.1. The phases of EU regional policy

EU regional policy, the aim of which is to create economic and social cohesion, has been a major policy of the European Community for over half a century. Targeted to reduce disparities in the levels of development between the least favoured and the more prosperous regions of the European Union, it has grown to the extent that it now represents 36% of EU budget expenditure on EU Regional Policies 2008, or 0.38% of the EU GNI (Gross National Income), with total financial resources of €347 billion for 2007-2013. It is firmly established in the founding Treaties of the European Union, and has undergone constant changes and adaptation, evolving to its present form in the 2007-2013 programming period. EU regional policy has had additional challenges to face; having played a significant role in the integration of new Member States and the EU enlargement process, it has also increasingly been called upon to address the challenge of a more competitive and sustainable Europe in a changing global world, underpinned by the Lisbon and Gothenburg Agendas.

Now the Structural Funds are also increasingly expected to respond to environment and climate change, and the sustainable development agendas, and more recently have been called upon in the current financial crisis to create additional stimulus and increase advance with an extra €6.25 billion cash flow to Member States (European Commission, 2008d). In this context it is important to continue to review and understand the direct and indirect impacts of EU Cohesion policy, as well as the added value benefits that EU Cohesion policy is having in regions in Europe, and continue to seek to identify where it has been most effective.

A brief examination of the history of EU Regional policy is useful to illustrate its changing role, and to focus in particular on the two programming periods from which evidence is derived in this report (2000-2006 and 2007-2013).

In a historical perspective, five broad periods of development are recognised, each with different sets of achievements and focus (see Table 1). The EU's regional policy began in 1975 with the creation of the ERDF, although solidarity mechanisms such as the ESF and the EAGGF have existed since the Treaty of Rome in 1958. The EU policy aim is to reduce differences between regional development levels across the Union. The Single European Act in 1986 gave the Community a new competence for economic and social cohesion, and set out its objectives and resources as well as its legal form through Articles 158 to 162 of the Treaty. The foremost of these resources was a systematic use of the Structural Funds, with a reform of their operational rules put into effect with the Delors I package (1989-1993).

Table 1: History of EU Cohesion and Regional Policy

1957-1988	The Origins of EU Cohesion policy		
1989-1993	1993 From Projects to Programmes		
1994-1999	Consolidation and Doubling the Effort		
2000-2006	D-2006 Making Enlargement a Success		
2007-2013	77-2013 Focusing on Growth and Jobs		

Source: DG Regio, 2008

The budgetary and conceptual evolution of EU Regional policy since its beginnings are described in Table 2, and in greater detail in the following chapter. The 2007-2013 period represents perhaps the most significant shift in this policy, reflected both by the dramatic shift of principal objectives pursued as well the shift towards the territorial cohesion and Lisbon agendas.

Table 2: Key milestones in EU Cohesion policy and evolving budget

	Α	В	С	D	E
	1957-1988	1989-1993	1994-1999	2000-2006	2007-2013
Key milestones in EU Cohesion policy	Signing of the Treaty of Rome (1957); Creation of Directorate General of Regional Policy (1968); First enlargement: DK, IE, UK join (1973); Adoption of Single European Act (1986); Second and third enlargements: GR (1981) PT, ES join (1986).	Treaty of the European Union and Treaty on the European Communities (1993); Creation of the Committee of the Regions (1993).	Fourth enlargement: AT, FI, SE join (1995).	Fifth enlargement: CY, CZ, EE, HU, LV, LT, MT, PL, SK, SL join (2004).	Sixth enlargement: BG and RO join (2007).
Structural Fund budget¹ (€ billion)	44,642.0	70,364.3	145,006.1	201,065.0	347,414.0
Structural Fund budget compared to EU budget (%)	13.6%	26.0%	31.6%	30.4%	35.7%
ERDF	21,505.0	32,891.3	62,622.2	80,936.9	204,331.0
ESF	15,713.6	19,622.1	35,885.9	44,177.1	73,083.0
Cohesion Fund	-	795.0	11,813.8	16,881.2	70,000.0
EAGGF Guarantee Section	196,814.9	147,299.5	225,727.0	311,945.5	-
EAGGF Guidance Section/ EAFRD	7,284.2	11,031.8	19,242.9	15,469.8	-

 $\textbf{Source} \colon \text{adapted from EC 2008, EU Budget 2007: Financial Report Notes: 1. Columns D and E - allocations excl. additional commitments, Columns A, B, C - actual.}$

1.2. The evolution of regional development theories

Over the last fifty years, EU Cohesion policy has been influenced by different theories of regional development.¹ There is, however, little agreement either on macro or micro theories and models as a guide to underpin policy interventions.

The literature on regional development theories is vast, and draws from a wide variety of academic disciplines including economics, geography, political science, sociology, management and organisational studies, urban studies and planning, regional science and regional policy studies. This variety represents the evolution of an area of research which initially focused on economic growth, divergences and convergence across macro regions, and then shifted its interests to an industrial level, focusing on the organisation of firms and the roles of technology and innovation in order to explain the success and decline of regions. In the evolving international context, different drivers of economic growth are identified over the years as the key ones.

Traditional theories of regional economic growth drew on neoclassical economic theories of international trade and national economic growth to predict differences with regard to the convergence or divergence of the price of labour, and per capita incomes and factor prices over time. Pioneered by Robert Solow,² this branch emphasises technical progress as the engine of growth, and focuses attention on how technical change is determined and developed in the endogenous growth model.

The weaknesses of the neoclassical explanation of regional disparities in economic development relate to the assumption that all factors of production are completely mobile between regions. As a result, models fail to explain why regional disparities in labour productivity persist over the long term, and why the predicted long-run convergence in labour productivity between regions fails to occur. According to Myrdal (1957), regional growth disparities tend to be reinforced by cumulative causation, catalysing growth in developed regions at the expense of lagging regions. This is the reason why in the long term divergence is more likely to be observed across regions. Krugman (1981) develops the idea of divergence between regions. He shows that in the presence of mobility, the process of specialisation is likely to cause an uneven development between regions, with labour-abundant regions lagging behind regions that specialise in capital.

The new wave of economic freedom, together with a resurgence of a new international mobility of capital and labour in the 1970s, shifted attention to the organisation of industry and labour. In this context, industrial structure and social networks became two of the most important features that might explain differences in regional performance. The Italian school, led by Piore and Sabel, and Beccatini, is a typical example. They began to identify flexibility, specialisation, and advanced technology learning and innovation, as critical factors in regional economic development. Subsequently, studies of Silicon Valley and

¹ The early Growth Pole Theory (Perroux, 1955), for example, can seem to be influential in Southern Italy (Mezzogiorno), Greece and Spain. Cluster theories have been implemented in Italy and the Czech Republic, and endogenous growth models have informed a focus on innovation and human capital in Ireland. Social capital theories have been influential on the role of the Structural Funds in community development, capacity building and social enterprise, for example in the South Yorkshire and Wales Objective 1 programmes in the UK.
² 1956, 1957.

³ A possible explanation is provided by Myrdal (1957) and subsequently by Kaldor (1970) and Dixon and Thirlwall (1975).

Route 128 in Boston by Saxenian (1994) came to associate success with industrial structure and social networks.

This increasing interest in regional economic growth and clustering also re-focused attention on the principal theories of entrepreneurship and regional development. As a result, international studies began to highlight the links between education and entrepreneurship performance, and the development of regional economies. Inspired by Schumpeter (1934), this branch of new international studies paid increasing attention to the role of technology and innovation in regional development, as well as to the relationships between investment in research and development (R&D), strategies to secure technological potential, networking, and growth.

More recently, the interest in human capital has been extended to focus on human creativity as the ultimate economic resource, and the source of the current transition to a knowledge economy. Richard Florida, in *The Rise of the Creative Class* (2002), argues that creativity is now the decisive source of competitive advantage, and that the creative class is "strongly orientated" to large cities and regions that offer a variety of economic opportunities, a stimulating environment, and amenities for every possible lifestyle.

Anxieties about the environment as well as the loss of social capital have led to an increasing critique of conventional growth-orientated economic development. In this context, 'green-based economic theories' have been developed in order to address environmental protection and economic development through promoting 'sustainable development', and environmental justice. This new approach emphasises sustainable development and the need for sustainable green cities. Proponents argue that economic competitiveness, constant technological innovation and stronger environmental regulation are self-reinforcing.⁵

A critical approach to traditional theories of economic development has also led to a more human-centred approach to regional development, in which social relationships become a fundamental aspect of development.⁶ The approach emphasises the voluntary and community sector role in regions, and the problems of social inclusion, contributing to neighbourhood regeneration and fostering an alternative economy such as cooperatives and credit unions, and the space for bridging and bonding social capital in regional development⁷ aimed at tackling problems of poverty and marginalisation.

Influenced by these different theories of regional development, the EU has come to focus on a range of issues that are essential for the success of EU Cohesion policy. The issues are:

- theoretical concepts and the implications of a 'New Regionalism';
- identifying the new regional economic spaces where flexibility, innovation, and creativity are creating new growth possibilities;
- looking at regions and their learning capability;
- looking at how to adapt to the new green, environmental and social capital theories of regional development;
- identifying the links between theory and policy making.

⁴ Lundvall (1985), Freeman (1992), Cooke (2001).

⁵ Porritt (2005), spurred on by Pearce *et al.* (1989) and Ekins (2000), argues for a capital framework which seeks to focus a hypothetical model of sustainable capitalism founded on natural, human, social, manufactured and financial 'stocks'.

⁶ Putnam (2000) in the US and Levitas (1998) in the UK are the pioneers of this new way of understanding regional development.

⁷ See for example Mairate (2006).

1.3. The evaluation of Structural and Cohesion Funds

The practice of programme evaluation has followed the evolution of EU regional policy. Before the reform of 1988, evaluation of programmes was not systematic: each country had its own culture of evaluation based on its own experience and practices, and there were variations between countries.⁸

Due to the large amounts of expenditure involved, an extensive evaluation regime has been constructed to account for spending on Structural and Cohesion Funds in order to assess the economics, effectiveness and efficiency of the policy. Focusing on evaluation methods was the result of an international trend which over time has placed increasing importance upon the evaluation of policies and programmes in order to legitimise large payments. In the European Union framework, this dynamic flowed into the 1988 reform of Structural Funds. In such a context, the evaluation system has been based on systematic assessment at all levels of programming (together with a monitoring system). The Commission launched the diffusion of a new common culture of evaluation both to stimulate the practice in some countries, and to address common indicators and methodologies to facilitate cross-country comparisons.

The reform increased the power of the Commission in areas such as the identification of eligible areas, the approval of Member State development plans, management and delivery of programmes, and control of expenditure. In addition, it required an ex ante and an ex post evaluation of structural operations in order to establish their effectiveness in terms of economic and social cohesion, as well as the impact of the Community Structural Framework and individual operations.

This initial monitoring and evaluation system has been partially modified by subsequent reforms. The Council Regulation No. 1260/1999 established that in order to gauge its effectiveness, all Community Structural Funds expenditure should be the subject of ex ante, mid-term and ex post evaluation. The Implementation Rules of Financial Regulation No. 1605/2002 also emphasised that the evaluation of programmes should be carried out periodically for the attainment of the objectives set and the improvement of decision-making.

Within the new programming period, greater flexibility has been ensured by reducing the number of obligatory evaluations. An ex ante evaluation is required for each Convergence objective programme, whilst for the Competitiveness and employment and European territorial cooperation objectives, the Member States are free to choose the level of evaluation according to needs (programme, theme, funds), with mid-term evaluation also being carried out if necessary.

The evaluation framework has increased the propensity to question results, and to investigate the implementation process. It has created strong incentives for investing human resources in this field, even in countries whose culture was more alien to an evaluation approach. This effort has produced a huge investigation of the impact of Structural and Cohesion Funds on countries' performance, as well as on the evaluation of returns from individual projects.

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⁸ Bachtler and Michie (1995).

1.4. Evidence on the impact of Structural and Cohesion Funds

The analysis is normally conducted either at a macro level or at a micro level. However, with micro-analysis results are still poor, and mostly inconsistent, rendering them useless for a systematic evaluation of policies.

Assessing convergence dynamics

Macro-empirical analysis is normally used to evaluate the Convergence objective as well as for the evaluation of larger programmes. With regard to the Convergence objective, typical growth-econometric models are normally used to analyse the convergence across countries and regions. For this reason the analysis is often limited either to average GDP per capita, or to productivity.⁹

This analysis shows that until the end of the 1990s, in the EU-15 a strong overall regional convergence has taken place in the last 25 years, and that since the end of the 1990s there has been a change of trend in the EU-27. In the current decade, employment rates have been slowly converging in both areas, while productivity of labour has converged only in the EU-12 area. Overall, convergence is largely associated with convergence between countries, with the countries newly joining the Union often growing at a pace much greater than the others.

Regarding convergence within countries, since the mid-1990s disparities across regions have actually widened. However, this result seems to be upward-biased because of the "commuting effect which tend to overestimate GDP in big cities where many people work but do not live" (Barca, 2009). Empirical evidence for the returns of larger individual programmes is more ambiguous. For the evaluation of these programmes (in the Cohesion countries and major Objective programmes), both simulation models and econometric analysis are normally used. In general, simulation models seem to capture positive changes in productivity and employment that have taken place while Cohesion policy was being implemented. The capital expenditure mobilised by Cohesion policy is also significant. On the other hand, econometric analysis (which is also in this case built upon the growth theory) suggests an excessive policy focus on infrastructure investment, while the impact of investments on education and human capital is generally estimated as positive.

However, these results are not consistent across studies, creating scepticism about policy effectiveness. Indeed, analysis based on simulation models has generally produced contrasting results, which derive from the fact that these models are strongly dependent on the assumptions built into them. On the other hand, growth-econometric analysis is unable to illustrate how Structural Funds policies achieve their stated cohesion goals, and what are the logical chains of causes and effects.

The aim of this section is not to report an extensive and exhaustive review of the literature on the impact of Structural Funds. However, the results of some empirical studies are reported to make clearer the contrasting findings:

¹⁰ Applica *et al.* (2007c) find that the mean log deviation index is reduced by 15% across the EU-25 as a whole in 2005, and by around 30% in the EU-15 when adjusting for the commuting effect.

⁹ This choice is also justified in the light of the definition of convergence given by the EU Treaty, which considers average GDP as a good measure of the "disparities between levels of development", and therefore a good proxy of economic and social cohesion.

- Some studies use country data: Beugelsdijk and Eijffinger (2005) indicate that Structural Funds seem to have had a positive impact, and that poorer countries (such as Greece) seem to have caught up with the richer countries. Ederveen et al. (2002) find that Structural Funds themselves have a negative impact on growth. However, the impact turns out to be significantly positive when interacting variables measuring institutional quality are taken into account.
- Most of the literature is focused at NUTS II level, which is probably more significant since differences within countries are at the core of Structural Funds policies. Some studies did not find that Structural Funds have positive effects, even if they analysed different samples and used different econometric techniques. 11 Others found that some kinds of investment do have a positive impact. 2 Some studies found that the results were common across regions, or that the impact was positive but small, 3 although the economic effects of support seem to be much stronger in more developed environments, emphasising the importance of having accompanying policies that improve the competence of the beneficiaries administration.

The need to translate the insights of new growth-econometric theory into modelling the long-term impacts of Structural Funds gave rise to the HERMIN modelling initiative. The design of HERMIN is based on a simple theoretical framework that permits inter-country and inter-regional comparisons. At the same time, it facilitates the selection of key behavioural parameters in situations where sophisticated econometric analysis is difficult.

The reason why HERMIN models are preferred to simple growth-models is because they capture spillover effects and positive externalities caused by Structural Funds. In order to model these externalities, HERMIN-based analysis needs to know the approximate values of four parameters that are normally derived from empirical studies of previous Structural Funds programmes for each recipient country. The parameters to be known are:

- the change in output and productivity caused by a 1% change in infrastructure;
- the change in output and productivity caused by a 1% change in human resources.

Using such a methodology, Bradley (2006) evaluates the impact of the 2007–13 Structural Funds on recipient countries' GDP. He finds that recipient countries are likely to fall into three separate groups:

• **group 1**: star performers, with cumulated Structural Funds multipliers of between 2.0 and 2.8. This includes the Czech Republic, Slovenia, Estonia, Poland and Portugal. For these countries, the returns from Structural Funds investments are high;

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¹¹ For example, Boldrin and Canova (2001), using a sample of EU-15 regions, show that EU regional policy mainly has a redistributive role, and has not had a significant impact on promoting economic growth. De Freitas *et al.* (2003) show that Objective 1 regions are not converging faster than other regions. Garcia-Mila and McGuire (2001) show that Structural Funds are not effective in stimulating private investment. Dall'erba and Le Gallo (2008), using spatial econometrics techniques, find that significant convergence takes place, but that the funds have no impact on it.

¹² For example, Rodríguez-Pose and Fratesi (2004) focus on different kinds of investments, and find that transport infrastructure and business support do not have a significant impact, while education investment has a positive impact in the medium term, and agriculture support has a short-term positive impact.
¹³ For example, Midelfart-Knarvik and Overman (2002) show that EU Structural Funds support mainly acts through

the incentive to R&D-intensive firms to locate in regions and countries endowed with low levels of skilled labour. Percoco (2005) finds that Structural Funds are not effective in all regions, while Soukiazis and Antunes (2006) show that the impact on convergence is positive, with coastal regions benefiting more. Puigcerver-Peñalver (2007) suggests that Structural Funds have positively influenced the growth process of Objective 1 regions, although their impact was stronger during the first programming period than the second. Mohl and Hagen (2008) indicate that the Objective 1 payments in particular have a positive and significant impact on growth, whereas Objective 2 and 3 payments affect regions' growth rates negatively. De la Fuente (2002) suggests that the impact of the Structural Funds in Spain has been quite sizeable, adding around a percentage point to annual output growth in the average Objective 1 region, and 0.4 points to employment growth. Finally, Cappelen *et al.* (2003) show that EU Structural Funds support has a positive and significant effect on the growth of European regions.

- **group 2**: average performers, with cumulated Structural Funds multipliers of between 1.6 and 2.0. This includes Latvia, Romania, Spain and Hungary;
- **group 3**: under-performers, with cumulated Structural Funds multipliers close to one. This group includes East Germany, the Italian Mezzogiorno, and Greece. For these countries/regions, the returns from Structural Funds investments are low.

Box 1: Macro-econometric models for impact evaluation

MACRO-ECONOMIC MODELS FOR IMPACT EVALUATION

The HERMIN, QUEST, Pereira, REMI, and Beutel models are the best-known models used by the European Commission for evaluation of the impact of Structural and Cohesion policy. The project to develop the HERMIN model (see Bradley et al. 1995a, 1995b, 1995c), led by the ESRI (Economic and Social Research Institute, Dublin), had the goal of building a similar macro-econometric model for each economy of the European periphery. The aim was the creation of a common instrument for evaluation of the impact of Structural Funds that would allow an easier comparison of the results from different economies. The project started with the production of HERMIN models for Ireland, Portugal, Spain and Greece, and went on to involve at a later stage the macro-areas of Eastern Germany, Northern Ireland, Mezzogiorno, and recently the New Member States. It is a four-sector macro-economic model (manufacturing, agriculture, services, and public sector) that does not include the financial sector. Structural Funds expenditure, aggregated into three types of investment (infrastructure, human capital, and business support), is entered into the models through the output and production functions, under the assumption that these investments would contribute to the reduction of times and costs of transport, and impact on the capacity and production potential of the labour force, as well as private capital.

Another model is QUEST II, built within the EC's Directorate General for Economic and Financial Affairs (see Roeger, 1996). The model saw early use in the impact evaluations of the Maastricht criteria, VAT harmonisation, and Trans-European Transport Networks. In the long run this model is similar to a Solow growth model, where the steady state growth rate is essentially determined by the rate of (exogenous) technical progress and the growth rate of the population; thus economic policies would be able to affect only output and not the rate of growth, except that they are able to influence the level of technology (Roeger, 1996). One of the main differences between the QUEST II and the HERMIN models is that the former has forward-looking economic players. This characteristic has important effects on the results of policy evaluation, and usually leads to less optimistic results compared to other models (as shown in various Cohesion Reports). In fact, when Structural Funds expenditure is announced, the private investors might anticipate their investments since there is the expectation that in the future interest rates will be higher because of the higher demand of investments co-financed by Structural Funds. This might lead to a scenario whereby in the short term Structural Funds investments are associated with higher private investments, while in the medium term the Structural Funds might crowd out private investments.

The REMI model is a macro-econometric model developed by REMI Inc. for the evaluation of regional and local development (see Treyz and Treyz, 2003). It incorporates the characteristics of a dynamic input-output model (it has a detailed industry aggregation), as well as taking into account possible spillover effects across regions (for example, through the inclusion of a transport costs matrix that takes into account the effects of Structural

Funds investment in transport infrastructure leading to reduction in transport time and costs, which also impacts on other regions).

The model developed by Pereira (see Pereira, 1997 and Pereira and Gaspar, 1999) in the early 1990s is a general equilibrium model, and in particular it is an inter-temporal endogenous growth model. The investments financed by Structural Funds are included in the model through an increase of the productivity of the production factors.

The input-output model developed by Beutel (1993, 1995, 2003) has two important characteristics that differentiate it from the others. The first depends on the characteristics of an input-output model, which is applicable to the impacts of structural interventions on industry, because it allows for the detailed subdivision of an economy's productive sectors. With the use of input-output tables for 25 industries, it is possible to analyse the effects on different industries, and to determine direct and indirect effects on the structure of the economy. The second characteristic is linked to the construction (in cooperation with Eurostat) of harmonised input-output tables for different economies. There is a static and a dynamic version of the model, with the latter enabling the long-term effects of the Structural Funds to be captured. The model assumes that if the final demand grows because of the Structural Funds expenditure, investment will grow as well, and in particular, the growth of investment is linked to the growth of consumption and exportation. This model allows understanding of the interaction between Structural Funds expenditure and investments, in order to quantify the indirect and direct impact at industry level on Gross Fixed Capital formation.

Source: Authors

Assessing programmes' effectiveness

These techniques - which are more commonly used than the models described above - are based on control groups, and other statistical methods that permit the identification of the counterfactual. For smaller programmes, monitoring data and surveys have been used in order to evaluate employment. A range of bottom-up techniques has also been applied to evaluate micro-consequences.

Micro-evaluation should assess whether the action aimed at a given set of citizens or firms changed their behaviour and produced the desired effect. However, the evidence produced by this effort appears to be poor and not consistent. This is true for two of the most relevant dimensions of any evaluation attempt in the field of place-based policies, understanding which interventions work, and which do not, leading to re-focusing of public debate on clearer objectives measured by indicators and targets. As a study conducted by DG Regio has shown, few and fragmented results have been achieved by Member States in these two areas of evaluation.

There are only limited numbers of available empirical studies making use of the counterfactual. Most of these studies produce inconsistent results that cannot be used for a systematic evaluation of policies to determine which have worked and which have not. The picture for indicators and targets is equally worrying. The quality of the indicators is

doubtful, and so is the meaningfulness of the targets. ¹⁴ The Commission might be able to help in the selection and rationalisation of the choice of indicators.

Concluding remarks

- During recent decades, different economic theories have provided the economic and political rationale for EU action in tackling regional disparities. At the same time many reforms of Structural Funds have been carried out, which has led to focusing on a core of priorities and led to an overall increase in the share of the EU budget dedicated to Cohesion Policy, which absorbs more than one-third of the EU budget over the period 2007-2013.
- Despite significant improvements in the performance of the recipient countries, and some of the lagging regions in particular, and progress in evaluation methodologies, the role and effectiveness of Cohesion policy are still subject to criticism.
- The combination of large amounts of expenditure together with multi-level decision-making has led to pressure for more accountability in public spending, and to harmonise methods for the evaluation of Structural and Cohesion Funds. On one hand, the European Commission claims substantial levels of job creation, investment by leverage effects, and other outcomes to be attributable to its regional policy.¹⁵
- The poor quality of data, together with the difficulty in singling out the effects attributable to the policy, and other methodological shortcomings, have led, on the other hand, to scepticism about the reported results, and in particular on their contribution to the convergence process, both at the national and regional level.
- Beside the disputes over the impacts of Structural Funds programmes, there is also debate about the less tangible, qualitative, effects of EU policies - generally defined as Community "added value" - and in particular on institutional capacity and policy learning, which is generally indicated as one of the major achievement of Cohesion Policy.
- Differing philosophical traditions underpinning evaluation influence the debate. Whether
 a positivist approach (based on the idea that observation can lead to objective
 knowledge), a realist approach (based on the social enquiry among practitioners to
 understand the mechanisms through which policies and programmes have an impact),
 or a constructivist approach (based on the involvement of stakeholders in
 understanding the different opinions, values and interdependencies) prevails, then
 different outcomes can be expected from the evaluation exercises, and hence different
 roles in influencing policy.
- In general, the great effort put into the establishments of concepts, methods, and
 organisation of evaluation has led to important improvements, and to a widespread
 diffusion of the practice of evaluation at different programme levels, with a particular
 focus on ex post evaluation procedures. However, to achieve the final challenge
 requires extra efforts to develop comparable indicators and targets, which in turn would
 allow for a fully integrated approach to evaluation.
- Notwithstanding the difficulties in objectively and extensively proving the effectiveness
 of Cohesion Policy in addressing regional disparities at the EU level, there is available
 evidence of good practices shared, single projects or interventions performing well, and
 some regions achieving good economic and social performance as a result of Structural
 Funds interventions.

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¹⁴ Most of the time these indicators are a "mix of variables that are quite close to policy interventions (like the share of goods transported by train or the connection to sewage networks) with variables that describe the general context (rate of employment, share of direct investments). They mix objective and subjective typologies, they often refer to different years, they are often expressed in absolute terms with no clue to how they are to be standardised, and they do not exhibit statistical validation. Targets are often overly ambitious, often just above the baseline, without justification being provided for these choices." (Barca, 2009)
¹⁵ European Commission periodical reports, 1996, 2001, and 2004.

2. THE 2000-06 AND 2007-13 PROGRAMMING PERIODS IN A COMPARATIVE PERSPECTIVE

KEY FINDINGS

- Regulations for the new programming period moved towards a simplification of the Cohesion policy architecture, from 9 objectives and 6 instruments in 2000-2006 to 3 objectives and 3 instruments in 2007-2013.
- Four new principles have been introduced with the new regulations: proportionality, gender equality and non-discrimination, sustainable development, and Lisbon Agenda targeting.
- Considerable resources from the Structural Funds are used to finance investments to improve Member States' Accessibility. The Human resources priority also plays a vital role, absorbing about 20% of the budget.
- Increased investments in Environment and Innovation priorities are expected for the 2007-2013 period, whilst expenditure committed to "traditional" instruments of SME support (e.g. investment in physical capital) has decreased.

The Community Strategic Guidelines of 2005, *Cohesion Policy in Support of Growth and Jobs*, set out the framework for the new developments in the current programming period – "knowledge, innovation and the optimisation of human capital." A more strategic approach to Cohesion policy was introduced for 2007-2013. This new approach was reflected in the way that the programmes were conceived via the Community Strategic Guidelines (CSG) and the National Strategic Reference Framework, and with reference to the Lisbon Agenda which envisaged that more funding would go to business development, innovation, and the knowledge economy. Reviewing the early implementation of the new Operational Programmes submitted to the Commission in June 2007, Ferry *et al.* (2007) note the complexities created by convergence funding being spent in the new EU-12 programmes in some southern EU nation states and "whole-region" programmes under the Regional Competitiveness and Employment Objective¹⁶.

IQ-Net in particular, established in 1996, aimed to network within the Convergence and Regional Competitiveness Programme, and focuses on management arrangements and thematic issues in relation to the new programmes. Increasingly attention has turned to local and regional governance as being a critical issue in terms of the transition to a knowledge economy, as stakeholders argued for greater decentralisation and the simplification of programme structure, and better coordination between Cohesion policy, other Community policies, and the national policies of Member States.

noted that the performance of programmes was being undermined by the structures and systems used for

¹⁶ "As the impact and added value of Cohesion policy came under scrutiny once again, as part of the forthcoming budget review, it is estimated that the Structural Funds programmes are implemented effectively. The delivery methods and governance of Cohesion policy has often been regarded as part of the added value of the policy, in particular because of the multi-annual, strategic approach, and the incentives for cooperation between organisations and across sectors. Yet, achieving that added value has often proved difficult. Although there are many examples of 'good practice' in administration of the Structural Funds successive rounds of evaluation have

managing and delivery of the interventions."

2.1. Changes in the conditions of implementation

The three new priorities set for the 2007-13 period (Convergence, Competitiveness and employment, and European territorial cooperation) fall within a new Cohesion policy legislative framework. This is composed of the following key elements:

- A general regulation (EC 1083/2006), defining rules common to all financial instruments and based on the principle of management shared between the Union, the Member States and the regions. This regulation provides for a new programming process as well as new norms for financially managing, controlling and evaluating the projects.
- A regulation for each financial instrument: European Regional Development Fund (EC 1080/2006), European Social Fund (EC 1081/2006), Cohesion Fund (EC 1084/2006) and the Instrument for Pre-Accession Assistance (EC1085/2006). In particular each regulation defines the scope of assistance of the funds.
- A new regulation creating a cross-border authority to conduct cooperation programmes (EC 1082/2006).

The new regulations moved towards a simplification of the Cohesion policy architecture by reducing the number of objectives and instruments, from 9 objectives (including Cohesion Fund and Community Initiatives) and 6 instruments in 2000-2006, to 3 objectives and 3(+1) instruments in 2007-2013. Table 3 below illustrates the changes.

The three new objectives incorporate the previous Objectives 1, 2 and 3, and the previous Community initiatives: INTERREG III, EQUAL and URBAN II. INTERREG III have been now integrated into the European territorial cooperation objective, while URBAN II and EQUAL programmes have been included within the Convergence and Competitiveness and employment objectives. The Leader+ programme and European Agricultural Guidance and Guarantee Fund (EAGGF) have been replaced by the European Agricultural Fund for Rural Development (EAFRD). The Financial Instrument for Fisheries Guidance (FIFG) has become the European Fisheries Fund (EFF). These two funds, EAFRD and EFF, now have their own legal basis and are no longer included in the EU Cohesion policy. In addition, the Cohesion Fund no longer functions as a stand-alone objective but participates in the Convergence objective, and its rules have been harmonised with those of the Structural Funds.

In conclusion, only three funds operate in the new programming period:

- the "Structural Funds": European Regional Development Fund (ERDF) and European Social Fund (ESF);
- the Cohesion Fund.

The ERDF focuses on the following priorities: 17

- productive investment which contributes to creating and safeguarding sustainable jobs,
 primarily through direct aid to investment in small and medium-sized enterprises;
- investment in infrastructure;
- development of endogenous potential by measures which support regional and local development. These measures include support for and services to enterprises, in particular SMEs, creation and development of financing instruments such as venture capital, loan and guarantee funds, local development funds, interest subsidies,

¹⁷ Art 3 Reg. 1080/2006.

networking, cooperation and exchange of experience between regions, towns, and relevant social, economic and environmental actors;

technical assistance.

The ESF supports actions in the following: 18

- increasing the adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change;
- enhancing access to employment and the sustainable inclusion in the labour market of jobseekers and inactive people, preventing unemployment, in particular long-term and youth unemployment, encouraging active ageing and longer working lives, and increasing participation in the labour market;
- reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment, and combating all forms of discrimination in the labour market;
- enhancing human capital;
- promoting partnerships, pacts and initiatives through networking of relevant stakeholders, such as social partners and non-governmental organisations, at the transnational, national, regional and local levels in order to mobilise for reforms in the field of employment and labour market inclusiveness.

Assistance from the Cohesion Fund is envisaged for: 19

- Trans-European transport networks;
- the environment. In this context, the Fund may also intervene in areas related to sustainable development, namely energy efficiency and renewable energy, and in the transport sector outside the trans-European networks, rail, river and sea transport, intermodal transport systems and their interoperability, management of road, sea and air traffic, clean urban transport, and public transport.

In addition, the Instrument for Pre-Accession Assistance (IPA) assists Non-Member States for actions in the fields of institutional capacity, cross-border cooperation, regional development, human resources, and rural development.

¹⁸ Art. 3 Reg. 1081/2006.

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¹⁹ Art. 2 Reg. 1084/2006.

Table 3: The Cohesion policy architecture from 2000-2006 to 2007-2013

2000–2006		2007–2013		
Objectives	Financial instruments	Objectives	Financial instruments	
Cohesion Fund	Cohesion Fund		ERDF ESF Cohesion Fund	
Objective 1	ERDF			
	ESF	Convergence		
	EAGGF — Guarantee and Guidance			
	FIFG			
Objective 2	ERDF			
Objective 2	ESF	Regional competitiveness and	ERDF	
Objective 3	ESF	employment	ESF	
INTERREG III	ERDF			
URBAN II	ERDF	> European territorial	ERDF	
EQUAL	ERDF	cooperation	LKDF	
Leader+	EAGGF — Guidance			
Rural development and restructuring of the fisheries sector outside Objective 1 EAGGF — Guarantee	EAGGF — Guarantee FIFG			

Source: EC 2008, EU Budget 2007: Financial Report

The Convergence objective

The Convergence objective aims to stimulate growth and employment in lagging regions by improving infrastructural endowments and promoting innovation, a knowledge-based society, the quality of the environment, and administrative efficiency. It is financed by the ERDF and the ESF, as well as the Cohesion Fund, and addresses the least developed areas of the Union.

As for the previous programming period, the areas eligible for Convergence are the regions whose GDP is less than 75% of the Community average. With the new programming, Member States eligible for the Cohesion Fund, because their GNI is less than 90% of the European average, and regions which would have been eligible for the Convergence objective if the threshold had not decreased due to enlargement, are also targeted by this objective (Table 4).

Table 4: Eligibility for the Convergence objective from 2000-2006 to 2007-2013

	2000–2006	2007–2013	
	NUTS 2 regions whose per capita gross domestic product (GDP) is less than 75% of the Community average.	No change	
Objective1	Transitional support for regions and areas which were eligible for regionalised objectives for the period 1994–99, but in 2000–2006 are no longer eligible for Objective 1 (phasing-out).	Tapering transitional support up to 2013 for regions which would have been eligible for the Convergence objective if the threshold had remained 75% of the average GDP of the EU-15 and not the EU-25 (<i>phasing out</i>). Corresponds to the transitional support of the regional competitiveness and employment objective.	Convergence
Cohesion Fund	Member States whose per capita gross national income (GNI) is below 90% of the Community average.	No change Tapering transitional support for Member States which would have been eligible for the Cohesion Fund objective if the threshold had remained 90% of the average GNI of the EU-15 and not the EU-25.	ro ·

Source: EC 2008, EU Budget 2007: Financial Report

The Competitiveness and employment objective

The Competitiveness and employment objective aims to reinforce the regions' competitiveness and attractiveness as well as employment, by anticipating economic and social changes. The main themes are innovation and research, sustainable development, adaptability of employees and firms, and employment and social inclusion. It is funded by the ERDF and the ESF.

It covers all the areas of the European Union not eligible for the Convergence objective, and the regions which were covered by Objective 1 in 2000-2006 but whose GDP now exceeds 75% of the EU-15 average (*phasing-in*). Contrary to the previous Objective 2, there is no longer zoning for this priority (urban and rural zones, etc.) (Table 5).

Table 5: Eligibility for the Competitiveness and employment objective from 2000-2006 to 2007-2013

2000-2006	2007–2013
Objective 2: industrial, rural and urban areas or fishing, meeting certain criteria. Community ceiling platform at 18%.	All the regions not covered by the Convergence objective or by transitional support.
Objective 3: all the regions not included in Objective 1.	support.
Previous Objective 1 transitional support (phasing-out).	Transitional support for NUTS 2 regions which were covered by Objective 1 but whose GDP exceeds 75% of the EU-15 GDP average (phasing-in).

Source: EC 2008, EU Budget 2007: Financial Report

The new European territorial cooperation objective

The territorial dimension of EU regional policy has been explored in the last three permutations of the INTERREG generation of programmes. However, it is a recent addition as a mainstream core objective in the current 2007-2013 programming period, and coincides with the recent wave of enlargement, the largest in the EU's history.

Traditional Regional policy emphasises endogenous development based on local productivity and innovation, competitiveness, and regional specialisation. Growth-orientated Regional policy emphasises the need for strong urban cities and agglomerations of city-region development, and the worry is that it may further marginalise peripheral localities and regions. Territorial cohesion aims to build bridges between economic effectiveness, social cohesion and ecological balance, "putting sustainable development at the heart of policy design" (*Green Paper on Territorial Cohesion*, European Commission, 2008a).

Flowing from the European Structural Development Perspective (ESDP), the new discourse of territorial cohesion (Davoudi, 2007) "adds a spatial justice dimension Member States agreed to European Spatial policy". The ESDP developed in 1993, and was adopted in May 1999 at the Potsdam Informal Council of Ministers for spatial planning. The underlying idea of the ESDP is that economic growth convergence is not enough to achieve economic and social cohesion, and that concerted action is needed on spatial development, linking the development of urban and rural areas.

The new European territorial cooperation objective aims to reinforce cooperation at cross-border, transnational and inter-regional level. It is to be considered as complementary to Convergence and Competitiveness and employment objectives, since the regions eligible for it are also eligible for the other two objectives. It is financed by the ERDF, and aims at promoting cooperation between regional and local authorities in the fields of urban, rural and coastal development, the development of economic relations, and the setting up of small and medium-sized enterprises (SMEs). This cooperation should be based on research, development, the knowledge-based society, risk prevention, and integrated water management.

In contrast to the previous programming period, the status of territorial cooperation has now been raised to the level of a separate objective itself, with its own legal basis and, therefore, greater visibility. Cooperation with countries outside the European Union is no longer financed by the Structural Funds, but by two new instruments: the European Neighbourhood and Partnership Instrument (ENPI), and the Instrument for Pre-Accession Assistance (IPA). Only non-Member States which do not receive financial assistance from EU (Liechtenstein, Norway and Switzerland) are concerned with European territorial

In the 2007-2013 programmes, approximately 2.5% of EU Cohesion policy expenditure is focused on the territorial dimension (see Box 2 for more detail). If territorial cohesion policy is to be reprioritised, balanced and sustainable development objectives will need to be made more explicit in regional programmes. Environmental issues, such as quality of environment, climate change, energy questions and environmental sustainability, will need to be placed much more at the forefront of policy agendas, and greater clarity will be required over matters of competence with regard to land use and development planning at national and regional levels in Member States. In 2007, the Commission invited Member States to respond to a survey on the conception and implementation of territorial cohesion, and the results will be published in 2009. Territorial cooperation and networking is increasingly being regarded as a possible key investment, through the European Grouping of Territorial Cooperation (EGTC).

Box 2: Cross-border cooperation

CROSS-BORDER COOPERATION

In Leipzig in May 2007, Member States agreed to prepare a report on territorial cohesion by 2008, and the Green Paper on Territorial Cohesion was launched in October 2008: *Turning Territorial Diversity Into Strength* (European Commission, 2008a). The Territorial Agenda and the first action programme for its implementation, adopted in November 2007, identifies six priorities across the EU:

- · Regional innovation clusters
- Ecological structures
- · Cultural resources

cooperation.

- · Polycentric development
- New forums of partnership
- Territorial governance.

It covers both the territorial dimension and the principle of balanced development across the European Union. "Territorial cohesion highlights the need for an integrated approach to addressing problems on an appropriate geographical scale which may require local, regional and even national authorities to cooperate" (European Commission, 2008a). Proponents of territorial cohesion policy are arguing for a new policy of European spatial planning which maximises synergies between sectoral and national policies, focusing for example on:

- transport policy and its role within the less developed regions;
- energy policy and renewable energy policy as a contribution to sustainable development;
- broadband and internet access, and its role in competitiveness and social cohesion;
- rural development policies and CAP, and policies for rural areas;

- · an integrated maritime policy for marine areas;
- environmental policy and the location of economic activity;
- new territorial partnerships.

Cross-border cooperation aims to develop cross-border social and economic centres through common development strategies. Projects funded by grants under the cross-border cooperation programme must have the following aims:

- to promote cooperation between border regions, and thus to help them overcome their specific development problems;
- to promote the creation and development of cooperation networks between border regions, and the establishment of links between these networks and wider Community networks.

Cross-border cooperation is essentially about "filling the gaps". It does so through agreed cross-border 'analysis and response' strategies. It deals with a wide range of issues, which include:

- · improvement of infrastructure, and the provision of local water, gas and electricity supplies;
- environmental protection;
- alleviation of the administrative and institutional obstacles to the free flow of persons, products or services across borders;
- agricultural and rural development;
- measures in the fields of energy and transport aimed at the development of trans-European networks;
- justice and home affairs;
- · aid to investment and provision of supporting services and facilities;
- promotion of business cooperation, enterprise development, financial cooperation, and cooperation between institutions representing the business and industrial sector;
- training and employment measures;
- · local economic development;
- measures to promote cooperation in health;
- the development and establishment of facilities and resources to improve the flow of information and communications between border regions;
- cultural exchanges;
- · local employment, education and training initiatives.

For cross-border cooperation, all NUTS 3 level regions are eligible, along all the land-based internal borders and some external borders, and along maritime borders separated by a maximum distance of 150km. Cross-border cooperation embraces a geographical area larger than the previous INTERREG III, mainly insofar as maritime cooperation is concerned.

Source: EC 2008, EU Budget 2007: Financial Report

The principles

Within the new Cohesion policy framework, some principles of intervention are the same as in the 2000–2006 period, namely **complementarity**, **consistency**, **coordination**,

compliance, and additionality. Furthermore, the principles of proportionality, gender equality and non-discrimination, sustainable development, and Lisbon targeting (i.e. use of the funds towards Lisbon goals), have been introduced with the new programming period.

With regard to the principle of additionality,²⁰ for the new programming period there now exists a corrective financial mechanism in case the principle is not respected, which had no counterpart previously.

For the newly introduced principles, the Funds must now target the Lisbon goals of promotion of growth and jobs. The Commission and the Member States agreed that at least 60% of the expenditure on the Convergence objective and at least 75% of that on the Competitiveness and employment objective should be assigned to these goals.

The **proportionality** principle consists of modulating the obligations attributed to the Member States, contingent on the total amount of expenditure on an operational programme. This rule concerns:

- the choice of indicators used in operational programmes, and the obligations for evaluation, management and reports (Art. 13 Reg. 1082/2006);
- monitoring: if the programme does not exceed €750 million, and if the contribution of the Commission does not exceed 40% of public expenditure, the State has fewer obligations (Art. 74).

The principle of **partnership** (Art. 11) has been also extended, stressing that any appropriate organisation representing civil society, environmental partners, non-governmental organisations, and organisations responsible for promoting equality between men and women, can participate in negotiations concerning the use of Structural Funds.

Strategic approach and programming

During the 2000-06 programming period, the implementation of Structural Funds assistance continued to take place as in the previous framework programme, but was streamlined and simplified in some respects. Firstly, a development plan had to be submitted by the Member States, drawn up in partnership with its regional authorities. On the basis of the development plan, a so-called Community Support Framework (CSF) was established and adopted by the Commission. Operational Programmes (OPs) were then suggested by Member States. Single Programming Documents (SPDs) were finally adopted by the Commission.

The new Council Regulation No. 1083/2006 leads to a simplification of the programming process through the creation of the National Strategic Reference Framework (NSRF), and the cancelling of the Community support frameworks (CSFs) related to Objective 1, and the single programming documents (SPDs) related to Objectives 2 and 3. Programming complements no longer exist, and the Operational Programme is the only programming and management tool.

The new strategic approach to cohesion represents an important change compared to the previous period. It involves the adoption of Community Strategic Guidelines (CSGs) at the

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²⁰ In Regions covered by the Convergence objective the Structural Funds must not substitute a State's infrastructural spending (Art. 15 Reg.1083/2006).

EU level to support the design of National Strategic Reference Frameworks (NSRFs), which in turn form the basis of the OPs.

Community Strategic Guidelines are suggested by the Commission and adopted by the Council, in accordance with the Parliament's opinion. Their main purpose is to define "an indicative framework for the intervention of the Funds, taking account of other relevant Community policies". The current guidelines, presented by the Commission on 5th July 2006, include three main priorities:

- making Europe and its regions more attractive places to invest and work;
- improving knowledge and innovation for growth;
- more and better jobs.

The Member States then have to prepare National Strategic Reference Frameworks, which have to be in line with the Community Strategic Guidelines. According to the Commission, the NSRFs do not represent classical management instruments, like the Community Support Frameworks (CSFs) in the period 2000-2006, but define national policy priorities. The NSRFs have to be applied to the Convergence and Regional Competitiveness and Employment objectives, while their applicability to the European Territorial Cooperation objective is voluntary.

The main elements of the NSRFs are:

- an outline of the strategy and its justification based on development problems and trends;
- a list of the OPs;
- an indicative annual allocation from each fund, as well as arrangements for coordination with other EU funding.

It is worth highlighting that NSRFs should also include a description of their contribution to the Lisbon strategy priorities.

The Member States OPs, which focus on the regional level, are built around the priorities set out in the National Strategic Reference Frameworks. They are only concerned with one of the three objectives, and benefit only from the expenditure of a single fund – mono-fund (apart from the exceptions defined by Article 32.2). There is one exception to this latter rule: the ERDF and the Cohesion Fund can be used together for infrastructure and environmental programmes. The main elements which the OPs must consists of are: an analysis of the eligible area, a justification of priorities based on the CSG, NSRF and an ex ante evaluation, the specific objectives of the key priorities, funding plans, and the implementation of the programmes as well as an indicative list of large projects.

Finally, a so-called "strategic follow-up" has been introduced. Within the framework of the Lisbon strategy, EU Member States have to adopt National Reform Programmes (NRPs). For the first time, the annual reports must include a section explaining the contribution of the OPs to the implementation of the NRP. Furthermore, there is a "strategic reporting" by the Commission, including summaries of the Member States' annual reports as well as a Cohesion report.

2.2. New financial tools for regional development

Aims and objectives of the "four Js"

In support of Cohesion policy over the 2007-2013 period, the European Commission has developed several financial engineering initiatives intended to improve access to finance and risk capital, involving enhanced cooperation between the EC and the European Investment Bank (EIB). In 2006 the EC launched JASPERS, JEREMIE and JESSICA, three major new initiatives for Cohesion policy which were first presented in 2005, involving closer cooperation between the European Commission, the EIB, the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD), and other international financial institutions. A fourth initiative, JASMINE, was launched in 2008 to reinforce the development of micro-credit in Europe.

These are additional to the financial instruments available to SMEs under the EC's Regional Policy programmes such as ERDF and ESF, and are aimed at supporting efforts for the improved quality of project conception in the EU, offering technical assistance capacity for the conceptualisation of big projects based on good practice principles of financial planning, and strengthening the financial development provision available for SMEs.

Joint Assistance to Support Projects in the European Regions (JASPERS)

JASPERS is a technical assistance instrument to help Member States to design and prepare large projects supported by EU Structural Funds and the Cohesion Fund, providing free technical assistance, including technical, economic and financial analysis, to public authorities. The rationale behind the conception of JASPERS is the lack of experience in new Member States of preparing large projects to EU specifications. The initiative will represent a major increase in resource transfer to new Member States, and significant technical assistance free at point of delivery to national authorities supported by the EIB JASPERS office. The Commission hopes in this way to have more projects submitted, more quickly and to a higher quality. Individual decisions on major projects will still be taken by the Commission.

Approximately 900 projects in the 2007-2013 period are expected to be submitted and approved by JASPERS. At the end of December 2008, JASPERS was providing assistance to 280 projects which, when approved by the European Commission, will absorb investments of some €58 billion. The JASPERS portfolio is relatively well balanced between the five sectors: roads, railways/ports/airports, urban (including urban transport, energy efficiency), water/wastewater, and solid waste/energy sectors. In addition, JASPERS deals with horizontal tasks such as providing expertise on public-private partnerships (PPPs), the financial analysis of projects and state aid issues. Major projects account for 79% of total active interventions, small projects for 7%, and horizontal projects for 14%.

The scheme builds on the technical assistance component already allowed for in the Structural Funds in the current and previous programming periods. JASPERS is a major joint policy initiative of the EIB, the EC and the EBRD. It targets regions covered by the Convergence Objective, with priority being given to large projects and to projects in the ten Member States that joined the EU in 2004, and to Bulgaria and Romania. As of October 2008, JASPERS is fully operational, with a portfolio of over 330 projects and a staff of 56 experts. As part of the EU Economic Recovery Package, the EC now intends to expand the use of the JASPERS facility, proposing an increase of 25% in its capacity from 2009.

Joint European Support for Sustainable Investment in City Areas (JESSICA)

JESSICA is an initiative of the EC, in cooperation with the EIB and the Council of Europe Development Bank, to develop a coordinated approach to the financing of urban renewal and development, and promote sustainable investment, together with economic growth and jobs, in Europe's urban areas. The need to do more in this field was requested in 2005 in the context of the consultation on the draft Community Strategic Guidelines on Cohesion, and the European Parliament's report, "The urban dimension in the context of enlargement", which called upon the Commission to reinforce actions for urban agglomerations and areas. The 2006 EC Communication on "Cohesion policies and cities: the urban contribution to growth and jobs in the regions", ²¹ set out the need for an increase of the leverage of public resources through the involvement of the private sector. The JESSICA programme follows on from the URBAN I and II programmes of 1994-99 and 2000-2006, which were targeted at helping the regeneration of urban areas and neighbourhoods in crisis, tackling the high concentration of social, environmental and economic problems increasingly present in urban agglomerations.

The intention of JESSICA is to create public-private partnerships for implementing urban projects capable of generating financial returns which will repay the initial investments. JESSICA offers the Managing Authorities of Structural Fund programmes the chance to take advantage of outside expertise and to have greater access to loan capital for the purpose of promoting urban development, including loans for social housing where appropriate. Where a Managing Authority wishes to participate under the JESSICA framework, it will contribute resources from the programme, while the European Investment Bank, other international financial institutions, private banks and investors will contribute additional loan or equity capital as appropriate. Since projects will not be supported through grants, programme contributions to Urban Development Funds will be revolving, and help to enhance the sustainability of the investment effort. The programme contributions will be used to finance loans provided by the Urban Development Funds to the final beneficiaries, backed by guarantee schemes established by the funds and the participating banks themselves.

JESSICA started later than JASPERS or Joint European Resources for Micro-to-Medium Enterprises (JEREMIE), but it is now in active development. As a first step, evaluation studies of countries or regions were carried out to determine how best to organise urban investments. Five evaluation studies took place in 2007 and 20 in 2008. On the basis of the evaluations completed to date, the first concrete operations were expected to be launched before the end of 2008. The European Commission and its partners in JEREMIE and JESSICA are working to organise networking platforms with the Member States and regions implementing these initiatives, or intending to do so, where knowledge, experience and best practice about these instruments can be exchanged. The form of these networks is still under discussion, but these initiatives will be launched in 2009.

A baseline study carried out on JESSICA-related evaluations and activities by the Urbact II Working Group 3 (2008) has shown that there are a number of lessons to be learned at this stage. JESSICA should be seen as a flexible instrument, complementing rather than competing with existing instruments, with a mixture of private sector financing and public funding being essential. The potential for easily replicating JESSICA models across countries is seen as limited, due to the diversity of economic and legal structures in the Member States, although knowledge-sharing across countries is crucial. Potential projects

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²¹ (COM (2006)385).

must be part of an "integrated plan for sustainable urban development", a concept relating to the Leipzig Charter and the sustainable communities agenda, and must be capable of remunerating investors or otherwise repaying the funds invested through user charges or other revenue generation. One important issue raised by the implementation of JESSICA is the involvement with the private sector, with local authorities needing to develop their thinking in order to create effective public-private partnerships. Another issue is the clarification of legal and regulatory matters regarding the legal form of Urban Development Funds in different Member States.

Joint European Resources for Micro-to-Medium Enterprises (JEREMIE)

JEREMIE is a joint initiative of the EC and the EIB Group to improve access to finance for SMEs and first-time entrepreneurs. The initiative aims to encourage business development, including highly innovative activities, for the benefit of regions and the EU economy as a whole. Assisting the growth of SMEs leads to growth in jobs, thus contributing to the aims of the Lisbon Agenda. The EC draws attention to the importance of improving access to finance in its Communication of July 2005, "Cohesion policy in support of growth and jobs, Community strategic guidelines 2007-2013". In particular, the Commission refers to the need to enhance support for start-ups and micro-enterprises through technical assistance, grants and non-grant instruments such as loans, equity, venture capital or guarantees. It is argued that there is a clear correlation between access to finance and risk capital for SMEs, and economic growth and competitiveness.

JEREMIE builds on financial support for SMEs provided in previous programming periods. In the 2000-2006 period the Structural Funds could be invested in SMEs at their establishment and in their early stages or expansion, if involved in activities which fund managers judged potentially economically viable.

The move towards implementation of JEREMIE began with a series of evaluation studies ("gap analyses") to assess the demand and supply for financial engineering and identify SME finance market failures in regions and Member States. These studies also served to raise awareness among the national authorities, the financial sector and potential beneficiaries regarding the tools that could be made available to improve the flow of funds to SMEs. Some 36 studies were completed in 2007, with 20 more expected to be completed by the end of 2008. JEREMIE is now in the process of becoming operational, offering Member States, through their national or regional Managing Authorities, the opportunity to use part of their EU Structural Funds to finance SMEs by means of equity, loans or quarantees, through a revolving Holding Fund acting as an umbrella fund.

To date, the EIB has signed Memoranda of Understanding with the Slovak Republic, Greece, Romania, Bulgaria, Cyprus and several French, Spanish and Italian regions for future cooperation in the context of JEREMIE's implementation. The EIF signed the first JEREMIE Funding Agreement with the Greek Government in June 2007, and up to October 2008 had signed Agreements with the governments of Romania, Latvia and Lithuania. Further JEREMIE Agreements expected include the Slovak Republic, Languedoc-Roussillon and Bulgaria; JEREMIE is expected to become active in 15 Member States in 2009.

Joint Action to Support Micro-finance Institutions in Europe (JASMINE)

In September 2008 a fourth financial engineering initiative was introduced. The intention of the Micro-Credit Initiative, JASMINE, is to improve access to finance for micro-enterprises (employing fewer than 10 people), and for socially excluded people (such as the unemployed or ethnic minorities) who want to become self-employed but do not have access to traditional banking services. This initiative, in line with the Lisbon Strategy for

growth and jobs, aims to make small loans, or micro-credit, more widely available in Europe to satisfy unmet demand. Under JASMINE, Member States are encouraged to adapt their national institutional, legal and commercial frameworks to promote a more favourable environment for the development of micro-credit. JASMINE also recommends establishing a new European-level facility with staff to provide expertise and support for the development of non-bank micro-finance institutions in Member States, equipping micro-financers to offer not just a loan, but a business mentoring service. Thirdly, this initiative proposes setting up a micro-fund in the new facility to help finance the loan activities of micro-finance institutions which can also expect to draw in contributions from a range of investors and donors. The JASMINE concept will be tested during an initial three-year pilot phase from 2009.

Concluding remarks

The establishment of these four new financial instruments is an important step on the road to revolving loans funds, targeted to address market failures and gaps in provision in lagging regions. They address perceived structural disadvantages in urban development finance, small firms and micro-enterprise finance, and to build capacity for large-scale project conceptualisation, application and implementation, particularly in the EU-12.

The "four Js" represent a bid for a renewed approach to EU Cohesion policy-making. On one hand, there is a distinct effort to attain higher European added value input by offering more sustainable and flexible forms of financial assistance that are higher leveraging and have high volumes of applications. On the other hand, there is a move towards dynamically boosting the administrative capacity of respective Managing Authority administrations. The transformation of grants into recyclable forms of finance is particularly novel in EU policy-making, and is intended to represent a major step towards an economically more sustainable approach to EU Cohesion policy assistance. Results of similar initiatives piloted in particular in the UK 2000-2006 regional programmes are starting to emerge, and will inform the debate for legacy-based revolving finance schemes. Another important common feature resides in the leverage effect achieved through a flexible combination of grants and loans. It is also hoped that the new initiatives will:

- offer access to new sources of expertise and technical financial and managerial capacity that will improve the numbers, size, flow and quality of projects submitted to the European Commission and delivered by Managing Authorities and local administrations;
- offer stronger incentives towards better overall performance;
- support the development and modernisation of the financial sectors in the regions.

There is some concern that the new financial initiatives are too large-scale in term of project conception, or that mechanisms already exists in some existing Structural Funds Programmes, e.g. to support venture capital and loan funds in their respective regions. There is still much more to do to communicate the role and the potential of the new financial initiatives; it is at present too early to evaluate their possible impact.

2.3. Differences between 2000-2006 and 2007-2013 in the patterns of expenditure

In this section we present a comparative analysis of expenditure patterns adopted under Cohesion policy in the 2000-2006 and 2007-2013 periods. The aim is to investigate which changes occurred in the allocation of Structural Funds between the two programming

periods, in particular distinguishing between Objective 1/Convergence and Objective 2/Competitiveness regions. Figures 1, 2 and 3 provide a graphic illustration of the results achieved.

Data from DG Regio is available on committed expenditure both for the 2000-2006 and 2007-2013 programming periods. These are a collection of planned expenditures included in the Operational Programmes approved, at the national and regional level, in each Member State at the beginning of the two programming phases. For each Programme, it was possible to identify the Structural Funds expenditure assigned to single measures by priority. However, comparisons are made difficult by a series of limitations in characterising data, and available analyses generally focus on one or other programming period. The following section provides an attempt to overcome these obstacles.

In what follows, Structural Funds expenditure has been included in eight policy areas through a selection of relevant Fields of Intervention for the previous programming period, and of Codes by Priority themes (i.e. the former, and now updated, Fields of Interventions) for the new period. For 2000-2006, FIFG and EAGGF funds have not been included in order to ensure a better comparability with the 2007-2013 programming period. A table proposing a correspondence between the 2000-2006 categorisation of expenditure (Fields of Intervention) and the 2007-2013 categorisation (Codes) is provided in Annex 1.²² The selected investment areas are:

- Accessibility
- Business support (aid to SMEs)
- Environment
- Equal opportunities
- Human resources (vocational training/education).
- Innovation
- Tourism
- Urban regeneration.

Figures 1 to 3 below present the statistical data obtained. The performance of the Structural Funds in these priorities has been also investigated in the case studies (Part II).

Accessibility vs. Human resources

The Accessibility policy area includes transport together with telecommunications and information society infrastructure. Investments in the transport sector relate to new transport lines or links, or the completion of existing networks, as well as investments intended to upgrade existing infrastructure, while the latter sector includes telephone infrastructure, information and communication technologies, services, and applications for citizens and SMEs.

The Human resources policy area includes interventions in labour market policy, addressing themes such as educational and vocational training, workforce flexibility, entrepreneurial activity, innovation, young employment, etc.

During the programming period 2000-2006, considerable resources were used for investments in both the areas of Accessibility and Human resources, in Objective 1 and

 $^{^{22}}$ The Annexes are available by request from the EU Parliament's Policy Department B at poldep-cohesion@europarl.europa.eu.

Objective 2 regions respectively.²³ The former invested about 25% of expenditure in accessibility projects, while the latter spent about 40% on human capital improvement.

A similar tendency is visible in the period 2007-2013. Convergence regions are still generally facing challenges more related to accessibility issues, so the majority of the funds has been devoted to interventions aimed at increasing and upgrading their infrastructure (almost 30% of the total resources, about €45 billion). Competitiveness regions, on the other hand, have developed a set of strategies more in support of their labour markets, accounting for about 35% of resources.

Environment

Particular attention was paid to the environmental sustainability of the new infrastructure in the 2000-2006 period. Environmental sustainability was, indeed, another important area of investment in Objective 1 regions, which spent a disproportionately larger amount of money on this area compared to Objective 2 regions (8%, compared with 3%).

For the 2007-2013 period, another significant priority is represented by environmental protection and risk prevention, which includes, beyond the 'traditional' environmental infrastructure such as solid waste treatment, water supply and distribution and sewerage, new and more innovative interventions such as air quality, integrated pollution prevention and control, and mitigation of and adaptation to climate change. The impact of climate change on Europe's environment and its society has indeed become central to the European agenda. This means efforts to mitigate climate change by tackling the growth in greenhouse emissions, and the need for measures of adaptation.

The importance of these issues is confirmed by the fact that the allocation of funds for environmental infrastructure for the period 2007-2013 has more than doubled since the period 2000-2006 (16%, as opposed to 7%). Again, also for the new programming period, Convergence regions have committed more expenditure to Environment than Competitiveness regions (17% of resources, compared to 8%). This can be explained to a large extent by the greater infrastructure needs of the New Member States.

Innovation

In the 2000-2006 programming period, innovation accounted for 5% of expenditure. The categories concerned were: research projects based in universities and research institutes, innovation and technology transfers, establishment of networks and partnerships between businesses and/or research institutes, RTDI infrastructures, training for researchers, and Information Society (basic infrastructure, technologies, services and applications for citizens and SMEs).

Although the relative budgetary proportions for Objective 1 and 2 were the same (5%), nevertheless differences between the two objectives existed in terms of investment type. In Objective 2 regions, support was more concentrated on the development of environment-friendly innovations, as well as boosting the transfer of technology, while Objective 1 regions supported the creation of innovative enterprises and the diffusion of technology. In

²³ See also European Commission, 2007. "Growing Regions, Growing Europe. Fourth Report on Economic and Social Cohesion". Luxembourg: Office for Official Publications of the European Communities.

the new Member States, this is also a consequence of the need to restructure declining sectors previously dominated by large firms.²⁴

In the 2007-2013 period, the funds allocated to innovation have increased. For Competitiveness regions this increase is very significant (13% of resources). This reflects the central importance of innovation recognised since the re-launch of the Lisbon agenda in 2005, the "partnership for growth and jobs", where innovation was seen as a key driver. In the context of the Lisbon Agenda, the Council stated that "the Union must mobilise all appropriate national and Community resources including Cohesion policy". This means that promoting innovation is a main priority for the Cohesion policy programmes for 2007-2013. Investment in innovation involves enterprises, centres of production excellence or of knowledge transfer, and collective foresight systems, and the regional level is particularly appropriate for such interactions. Regions are well placed to appreciate needs and to develop policies by encouraging relevant actors to focus on shared interests. For this reason, the Structural Funds have a key role in developing regional innovation.

Business support

Business support aims at overcoming firms' problems in accessing resources, knowledge, and experience. Resources under this area of investment can be granted to both new and already existing firms, and for the creation of networks of cooperation between firms. The support could be either direct (e.g. grants for investments in physical capital) or indirect (e.g. business and advisory services). This support represented around 10% of both Objective 1 and Objective 2 programmes in 2000-2006, with the regions covered by the latter objective showing a slightly higher budgetary proportion (11%, compared to 8%). However, in terms of actual budgetary figures, the resources for business support were greater in Objective 1 regions than in Objective 2 regions.

For the period 2007-2013, the funds devoted to business support have decreased significantly. Only 3% of expenditure has been allocated to this area at the European level, with Competitiveness regions still showing the largest proportion (4%, compared to 2%). This reduction confirms the tendency of shifting the form of support provided to firms, and SMEs in particular, towards the newer innovative instruments which include, for example, access to R&TD services, introduction of environmental management systems, adoption of pollution prevention technologies, grants for investment in R&TD infrastructure, and technology transfers.²⁷

Equal opportunities

Gender equality, or equal opportunities, has been a priority objective of the four European Structural Funds since 1994, and has been reinforced in the programming period 2000-2006 through a dual approach strategy that combines gender mainstreaming with dedicated measures to promote gender parity.

During 2000-2006, both Objective 1 and 2 programmes confirmed the commitment to embrace equal opportunities in terms of both the principles set down in Art. 119 of the

²⁴ Innovation in the national strategic reference frameworks, Working Document of the Directorate General for Regional Policy, October 2006.

²⁵ Presidency conclusions, European Council, March 2005.

²⁶ See footnote 6.

²⁷ See Ex post evaluation of Objectives 1 and 2 in the 2000-2006 programming period, Work Package 6: Productive environment, RTD, Innovation. First Intermediate Report (to be published on DG Regio website)

Treaty of Amsterdam (European Council, 1997), and the promotion of equal access to all groups irrespective of gender, race, ethnic origin, disability or geographical location.

At the European level, in 2000-2006 investment in the area of equal opportunities accounted for about 6% of total funds, with Objective 2 areas allocating the largest proportion of resources (15%), and Objective 1 regions allocating only slightly less.

In the programming period 2007-2013, funds for equal opportunities have decreased to a European average of 3%. This is particularly evident for Competitiveness regions, now allocating only 9% of resources. Such reduction should not be interpreted as the Member States attaching less significance to equality issues. It could be rather explained by the fact that under the new programming, the elements connected to equal opportunities and gender equalities are stressed more in a indirect way (gender mainstreaming approach) than in a direct one through positive actions.

Urban regeneration

Looking at the resources addressed to this area, it is clear that Urban regeneration has always been considered a priority of cohesion policy, even if not at the same level of other policy areas such as, for example, Accessibility, Human resources or Innovation.

This sector corresponds to a specific 2000-2006 field of interventions (n. 35) used to identify projects aimed at the upgrading and rehabilitation of industrial sites and the regeneration of urban areas. Typical interventions include the physical regeneration of public spaces as well as the construction of new public buildings. However, actions included in this field could also involve environmental interventions (e.g. the recovery of a waste water treatment plant) or transport (e.g. the enhancement of the urban transport system), so that the inclusion of a project in this or another sector was not always straightforward. In general, projects were included in the Urban regeneration sector when they involved the upgrading/recovery of an already existing urban infrastructure.

At the European level, 6% of resources were allocated to urban regeneration interventions in the 2000-2006 period, with a slightly share in the Objective 2/Competitiveness Regions (7%).

A reduction of resources has been observed for the period 2007-2013 in both Convergence and Competitiveness regions (down to 4% and 5% respectively). In the new programming period, this sector has been considered strictly in terms of urban (and rural) regeneration interventions, and rehabilitation of industrial sites and contaminated areas, excluding cases of extension or upgrading of already existing infrastructure belonging to other fields. The reduction of its scope could have therefore contributed to the decrease of its relative budgetary importance.

Tourism

Even if the tourism industry is important for creating growth and jobs, and promoting regional development in many regions, it is not a clear priority of Structural Funds interventions, so only 3% of resources in Objective 1 and about 5% in Objective 2 regions were spent in this area during 2000-2006. This is also confirmed in the new programming period, where tourism plays a minor role with less than 2% of the budget in both Convergence and Competitiveness regions.

Figure 1: Allocation of Structural Funds in Europe in the two programming periods

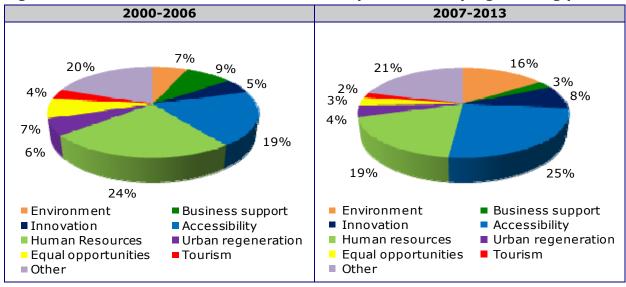


Figure 2: Allocation of Structural Funds in 2000-2006

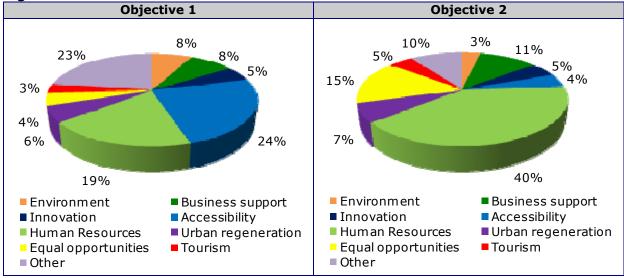
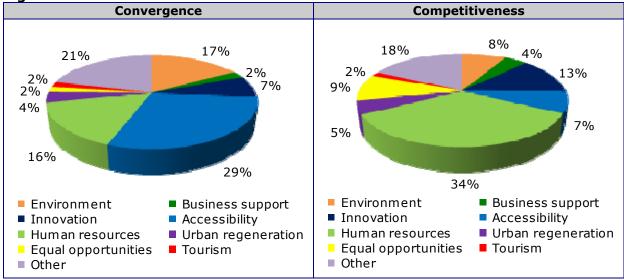


Figure 3: Allocation of Structural Funds in 2007-2013



Source: Authors' processing of DG Regio data

Concluding remarks

The following general assessments at the European level can be made:

- In both programming periods, considerable resources have been allocated to finance investments in the area of Accessibility, which is in the new programming period the priority with largest share of the funding, accounting for a quarter of total Structural Funds expenditure. This is to a great extent a consequence of the high investments New Member States are making in this area.
- Human resources also play a vital role in the framework of Cohesion policy, and are largely subsumed within the interventions co-financed under Structural Funds programmes, absorbing about 20% of total resources.
- Expenditure allocated to "traditional" instruments for SME support (investment in physical capital and business support services) have decreased significantly in both Convergence and Competitiveness regions, in the face of a counterfactual increase of more innovative forms of support aimed at boosting technological development, innovation and entrepreneurship.
- Increased investments in Environment and Innovation are expected for the 2007-2013 period, confirming an awareness of the future challenges that European regions are likely to face in the coming years such as globalisation, climate change, demographic change, and security of energy supply²⁸ and the role that Community financial instruments could play in responding to these challenges.
- Attention to equal opportunities is now addressed more indirectly, being an element present in practice in almost all interventions addressing human resources. This has resulted in a reduction of funds dedicated solely and exclusively to this priority, even if the new strategic approach and programming puts greater emphasis on gender and equal opportunities in the labour market.
- Tourism is the priority receiving the smallest amount of resources, since supporting this is primarily a national and regional responsibility.
- To a very large extent, aid from Structural Funds in 2007-13 is still delivered in the form of non-repayable grants (90% of expenditure).

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²⁸ See European Commission (2008c), Regions 2020: An Assessment of Future Challenges for EU Regions.

3. ADDED VALUE AND SUSTAINABILITY OF STRUCTURAL FUNDS

KEY FINDINGS

- Added Value or "spillover effects" of EU Regional Policy have been identified in studies across the EU-25 as relating to five broad thematic areas: a political added value, a policy added value, added value in collaborative working, in accountability, and a learning added value.
- Experiences vary, but there are differences in the experience of the "spillover" effect
 between EU-12 and the New Member States (EU-15). Broadly, EU-15 "spillover"
 effects were in the areas of: new policy area development, policy process added
 value, the creation of new institutional structures and modernisation of existing
 ones, new policy practice ethos development, policy coordination improvements,
 and improvements in relation to the "enlargement experience" and emerging
 European citizenry.
- A number of factors are often also presented as "detracting value", such as setting a
 dominance and distortion on national Member State priorities through the
 necessities of co-financing, an institutional "culture" clash, and views that the
 Structural Funds are overly complex and bureaucratic with excessive administrative
 requirements for Member States and their regional authorities.
- A recent review of sustainable development integration within cohesion policy programmes argues that the task of integration in Sustainable Regional Development initiatives generally requires more time from projects than programmes allow. There is still an absence of integrated expertise, data and authority, and a tendency to neglect the interdependencies between social, economic and ecological factors.

3.1. Added value of the Structural Funds

The debate on the meaning of a "European Added Value" of the Structural Funds has been at the heart of the reform debate leading to the 2000-2006 and 2007-2013 programming periods. Increasingly the qualitative and quantitative understanding of added value has been the subject of debate, focused in particular outside Objective 1 areas, where the impact of EU regional policy is less easily measured through direct intervention results. This resulted in the conceptualisation of the new Objective 2 particularly relating to the Lisbon and Gothenburg Agendas, which supported new areas such as the knowledge economy, innovation, and competitiveness. Increasingly, and as the Structural Funds are changing shape and density of intervention, the debate on added value is intensifying as stakeholders and policy makers seek to understand how we can achieve "more with less", i.e. how to sustain a significant EU Cohesion policy in an enlarging territory with increasing regional demands and disparities. It is frequently argued that in a wider EU, the Structural Funds need better targeting on key priorities. The shape and meaning of an EU added value is thus constantly changing.

The significance of a "European Added Value" concept was first highlighted in the Second Cohesion Report (CEC, 2001):

"The added value of Community involvement in regional development is not only related to the expenditure incurred as such. Benefits also stem from the method of the implementation developed in the 1988 reform of the Structural Funds, which was revised in each subsequent programming period."

A particular feature of the Commission's argument has been that additional effects are associated with a Europeanisation or "Community method" of programming policy delivery (Bachtler and Taylor, 2003), associated at the programme level with multi-annual strategic planning, and broad and diverse key stakeholder involvement leading to new partnership arrangements, focusing on shared objectives, transparency, a more systematic and structured approach to programme management procedures and inclusiveness, thus improving policy making and policy delivery as a whole. At a macro level, EU regional policy was seen to generate recognition for an integrated regional development policy at national Member States level, and to make a significant contribution to a shared best practice methodology of regional development across Europe. Additionally, the Commission has always seen the value of a Regional Policy and its synergies with the aims of other Community policies. Other contributors (Mairate, 2006, and CEC, 2002) mostly centre on the definition of added value as "an increased value resulting from community action" and "economic and non-economic benefits associated with Cohesion policy", and relate it to the extent to which this adds value to Member State administrations' interventions.

The main difficulty in providing a better understanding of added value lies in distinguishing the impacts and effects resulting from a de facto application of a regional policy (whether an EU or a national policy) as opposed to those that relate to the application of Structural Funds. Additionally, what almost all definitions fail to identify is the extent to which EU regional policy adds value, either directly or indirectly, beyond the scope of its prime objectives.

In the context of the reform of the 2000-2006 programme, there have been varied contributions from Member States, largely positive, collected and analysed by IQnet (Bachtler and Taylor, 2003). These fall into five main categories:

- Added value is expressed in the context of the solidarity aspect of the Structural Funds between richer and poorer Member States.
- Added value is expressed as a series of positive regional development impacts and specific effects, for example acceleration of diversification, maintenance of local employment, an enhanced political recognition of the regional dimension, and improved consideration of environmental issues.
- A significant Member State view has been linked to the role that the Structural Funds play in improving the governance process of regional development in respective countries. This in turn is seen to relate to, for example, strategic planning, partnership, integrated development, long-term planning, evaluation, and learning through experience transfer.
- Added value focused particularly on cooperation and knowledge and exchange-related benefits. Examples are inter-regional co-operation, the information society, and good practice exchange.
- A number of factors are often also presented as "detracting value", such as setting a
 dominance and distortion on national Member State priorities through the necessities of
 co-financing, an institutional "culture" clash, views that the Structural Funds are overly
 complex and bureaucratic with excessive administrative requirements for Member
 States and their regional authorities.

Box 3: Debate on Added Value: early responses from the UK

DEBATE ON ADDED VALUE

Early responses from the UK

Other researchers (Ecotec, 2003) have argued added value for the UK in that:

"The regional programming process is certainly a strong feature of the Structural Funds and they may offer advantages in terms of the quality of strategies that they produce. Domestic regional strategies, and particularly underpinning spending plans, are not necessarily subject to the same degree of transparency and rigour in their preparation, scrutiny, monitoring and evaluation, although this varies across the UK. [...]

One manner in which the Structural Funds are able to promote innovative actions or approaches is through the focus that particular programmes take, introducing an idea that is new to the UK or one which not currently supported. The Structural Funds have demonstrated their capacity to influence domestic policy and practice in the past although this is not a universal characteristic of programmes. Examples have been identified more frequently in the case of Community Initiatives and Innovative Actions. [...]

Potentially, one of the areas of added value offered by the Structural Funds is the semi-independent status of the European Commission and the Structural Funds in regional development. Whilst it would be wrong to overstate this role it does seem to be important in bringing together different parties in agreeing a shared agenda for change, in establishing investment priorities and in translating this into practice."

The Scottish Structural Funds Value Added Group (2006), in a report for the Scottish Government, identified three quantitative and five qualitative elements of added value of the Structural Funds:

- a greater scale of outputs and outcomes;
- · wider scope of outputs and outcomes;
- shorter timescales due to additional funding resources;
- more efficiently managed projects;
- better fit with national and local strategies;
- more integrated with parallel and similar projects;
- better supported by evidence base and evaluation;
- promotion of key policy goals.

Another dimension explored is the territorial cohesion attributes of the European added value of Structural Funds by Colomb in 2007:

"The added value of transnational cooperation for European spatial planning can occur as a result of two processes: cooperation across borders is expected to tackle specific strategic spatial development issues at a new scale in a better way than without cooperation and solve spatial planning problems which were previously addressed in an inefficient way. [...] Secondly, cooperation across borders can help individual actors to improve their local/regional spatial development policies by learning from the 'good practices', innovative policies and technologies used by other partners in the transnational network. In that case added value is primarily of a local nature. [...] one may argue that a form of European added value emerges through the gradual 'emulation' between policies and practices leading to increased effectiveness and efficiency."

Source: Authors

Some recent insights on Added Value can be construed from the extensive thematic and sectoral 2000-2006 programme ex post evaluation being currently undertaken on behalf of DG Regio, with a particular focus on Work Package 11 (WP 11), "Management and implementation systems for Cohesion policy", and Work Package 1 (WP 1) "Coordination, analysis and synthesis".

The WP11 research focuses primarily on the added value of the Structural Funds relating exclusively to management and implementation developments taking place in the 2000-2006 programming period. It offers the most comprehensive definition of added value to date. "Added Value is defined as a positive effect of Cohesion policy management and implementation on the implementation of Member States' own policies for regional/economic development (or in some areas public policy more broadly) which:

- has occurred because of the influence of Cohesion policy and would not have occurred had Cohesion policy not intervened (policy off situation);
- has consisted of tangible changes in the ways Member States manage and implement domestic policies (spillovers) and which have improved the operations of Member States' own policies."

This is a welcome contribution to the definition of added value, as it clearly separates the issue of an input of a European regional policy *per se* versus national regional policies, and adds the dimension of "spillover" or additional effects achieved beyond the Structural Funds' prime policy scope. The difficulty remains in trying to qualify and quantify added value across EU programmes. Broadly, there is significant understanding that these fall into a number of typologies expressed as:

- a political added value (a contribution towards making the EU more visible to its stakeholders);
- a policy added value (promotion of a strategic dimension in regional development policymaking, integrated, multi-sectoral development, stability by multi-annual programmes);
- collaborative working (partnership);
- accountability (monitoring and evaluation);
- learning added value (promotion of a relevant policy framework, encouraging learning and dynamic innovation).

Work Package 1 of the ex post evaluation, "Coordination and Synthesis" (Applica *et al.*, 2009), provides a summary of the stage of development of EU regional policy and outcomes of Cohesion policy in all Member States. Significantly, it draws from all existing reports and evaluations carried out as well as key stakeholder interviews. It is perhaps one of the most up-to-date and comprehensive assessments of EU added value and outcomes of EU cohesion policy across Member States that focuses on the national level and combines results with a macroeconomic impact assessment carried out under Work Package 3. Tables 7 and 8 respectively are adapted from this study, and summarise findings on the added value of Structural Funds at a national level, presenting the information segmented into EU-15 and EU-12 in order to explore previously discussed findings on the relationship of EU added value to relative Member States' progress in terms of domestic levels of development of regional policies and regional public policy structures and mechanisms. Whilst responses vary significantly across the EU-15, a common feature in the EU-12 seems to be a significant added value of EU regional policy in terms of:

- new policy area development;
- policy process added value;
- the creation of new institutional structures and modernisation of existing ones;

- new policy practice ethos development;
- policy coordination improvements;
- improvements in relation to the "enlargement experience" and emerging European citizenry.

Member States were asked to comment on added value in the ex post evaluation of Cohesion policy Programmes 2000-2006 financed by the European Regional Development Fund in Objective 1 and Objective 2 regions, and the comments are collated in Tables 6 and 7.

Table 6: Ex post evaluation of 2000-2006 Structural Funds programmes: Added Value in the EU-15

Country	Summary of Added Value contribution of Structural Funds in the EU-15
Austria	The added value of EU funding [] lies to an important extent in intangible aspects, though these are partly offset by overly complicated procedures and excessive bureaucracy.
Belgium	In general, as emphasised in particular by the evaluation documents on the Hainaut phasing out Objective 1 programme, EU support has enabled projects to be implemented which would not have been possible without this and a number of those which would have taken place anyway were carried out on a larger scale. The latter helped some projects achieve critical mass and, accordingly, increased their effectiveness.
Denmark	[] the added value of EU support was significant in increasing investment in measures to strengthen the growth potential of the regions assisted. EU cohesion policy has also in some degree contributed to the development of the regions assisted by pushing local authorities, businesses and other regional stakeholders to cooperate and so face the challenge of global change in a stronger position.
Finland	[] regional policy in Finland was reformed radically in the 1990s after Finland joined EU and there was continuing reform during the programming period. While the need for reform came largely from structural change and the challenges of adaptation to close economic integration and increasing globalisation, EU cohesion policy had a major influence on the form which the changes took. [] the programme based approach has increased the openness and efficiency of regional policy and given more powers to the regional level.
France	EU Structural Funds have contributed to strengthening policy on the business environment and the rural and urban environment. At the same time, support for investment in the business environment took the form mainly of developing business premises, the added value of which is open to question.
Germany	[] EU funding extended the scope of regional development policies in financial terms [] it is reasonable to assume that a large part of the Länder programmes on RTDI would not have taken place without EU funding. It is also likely that experimentation with innovative measures would have been more limited. [] there were, nevertheless, some innovative aspects, such as: the pursuit of a strategy integrating the activities of different Departments[]; the strengthening of existing mechanisms of financial control in a number of Länder. [] The adoption of systems for monitoring and evaluating expenditure, which for the most part did not exist before with regard to regional policy.

Country	Summary of Added Value contribution of Structural Funds in the EU-15
Greece	N/A
Ireland	More generally, the requirements of the Structural Funds contributed to the development and expansion of multi-annual programming, to the more extensive adoption of a partnership approach at national and local level and to more monitoring and evaluation of programmes. It has also been argued that 'a more consistent level of investment has continued to be achieved in co-financed than in non-co-financed parts of the NDP'
Italy	[] the added value of EU funding did not increase significantly the total amount of available finance [] It led, however, to the concentration of resources in these regions and in their deployment in pursuing development objectives. The added value was also positive in strategic terms. EU programming obliged national authorities to focus their attention on development drivers. More generally, the Lisbon Strategy and its influence on the mid-term review focused attention on competitiveness and the knowledge economy, accelerating the reorientation of development policy at national level. In procedural and planning terms, the contribution of the EU method was important.
Luxembourg	The Structural Funds were regarded as complementary sources of funding enabling more or larger projects to be undertaken.
The Netherlands	[] use has been made of evaluation standards designed to make a valid assessment of projects co-financed by the EU and that this encouraged the development of an evaluation culture. This has led, in turn, to similar arrangements being applied to other programmes in the Netherlands. It has also led to a more project based approach by the authorities implementing these programmes.
Portugal	The various Evaluation reports indicate that the Structural Funds brought added value to public policies in Portugal, evident in various aspects of the design, management and implementation of regional intervention. [] the availability of EU funding has been decisive in supporting public and private investment, which is particularly evident in areas where development is lagging. []Moreover, the increased availability of finance also allowed innovative measures to be incorporated in public policies.
Spain	The Structural Funds enabled additional economic activity to take place and encouraged new initiatives. The programmes supported have led to more resources being deployed for economic development at regional and local level. Even though private sector involvement is still limited in Spain, the requirement for partnership has resulted in a wider range of organisations becoming involved in development projects and increased the level of expenditure []. The management model of Community policies, based on a strategic planning and continuous monitoring and evaluation, has permeated into national policy-making resulting in a more effective use of public resources. Multi-annual programming has also brought a more stable policy environment []. The co-financing requirement of the Structural Funds not only led to more resources, and attention, being devoted to regional problems, but, in some cases, expenditure would not have carried out at all, or at least so soon, without EU aid. [] The strong emphasis of the Structural Fund regulations on accountability has led to the incorporation of accountability and a more result-based approach in financial management in regional governments []. In addition, Structural Fund support has resulted in important national programmes being initiated which would otherwise not have been undertaken.

Country	Summary of Added Value contribution of Structural Funds in the EU-15
Sweden	[] it is difficult to discuss the added value of the Structural Funds for the regions in quantitative terms, but that there is much qualitative information [to support the case for added value].
UK	The Structural Funds contribution is very small in relation to national public spending in the UK. Nevertheless, the Structural Funds have been used to co-finance many high profile projects across the country. The Funds have also enabled additional activity to take place, and there is evidence of programmes improving the quality of economic development and acting as a catalyst for regeneration []. They have enabled a wider range of organisations to engage in economic development and focused intervention on the needier regions. The Structural Fund programmes have made it possible to plan economic development over a longer time-frame than most other funding sources allow and have encouraged the direct involvement of a wider range of partner organisations. The funds are considered to have brought enhanced transparency, co-operation and co-ordination in the design and delivery of regional development policy, and better quality interventions as a result. "[] although EU regional policies have delivered benefits in the UK and the EU, there have also been significant challenges in their implementation, and current arrangements are often too centralised."

Source: Adapted from WP1 - Coordination of Evaluation of Structural Funds 2000-2006: Task 4, *Applica et al.*, 2009

Table 7: Ex post evaluation of 2000-2006 Structural Funds programmes: Added Value in the EU-12 $\,$

Country	Summary of Added Value contribution of Structural Funds in the EU-12
Bulgaria	N/A
Cyprus	[] the co-financed programmes implemented in Cyprus in the 2004-2006 period, in addition to helping strengthen key sectors of the economy – tourism and manufacturing in particular – which represent the driving forces for improved competitiveness and sustainable development in the rural area, had major effects in improving policymaking. In particular, they contributed to the multi-annual planning of policy with clear medium-term and long-term objectives, to improving governance through involving local authorities and economic and social partners in the programming and implementation of policy and to creating favourable conditions for mobilising private funding to supplement public sources.
Czech Republic	The 2004-2006 period was in economic terms the most successful in the short history of the Czech Republic. The rate of economic growth virtually doubled from that of the 5 preceding years to over 6% a year, almost certainly boosted by accession to the EU. There were also indirect effects, not least on the institutional environment and the increased possibilities for free movement of goods, services, capital and labour and the increased attractiveness of the Czech economy for foreign investors. There were also significant indirect effects from EU cohesion policy which led to the reintroduction of the programming and planning of policy and to the preparation of national, regional and sectoral development strategies. In addition, because of the need to distribute funds to the regions and to coordinate regional development, a new Territorial

Country	Summary of Added Value contribution of Structural Funds in the EU-12
	development Policy was formulated, involving the development of a more coherent and coordinated policy approach, increased decentralisation and the regionalisation of administrative structures and responsibilities.
Estonia	[] it has enabled policy-makers to implement a set of measures that would otherwise would taken far longer to introduce or would not have been introduced at all. EU cohesion policy has created a new context for policy-making and has contributed to better coordination of policies between different areas and Ministries and longer-term planning.
Hungary	This leaves the experience gained from the implementation of cohesion policy over the period, and the institutional structures which were developed before and during these years, which have opened the way to the potential design and execution of a coherent and effective regional policy, as perhaps the most obvious gain from EU intervention.
Latvia	The direct added value of the EU contribution is undoubtedly the impact of Cohesion policy, on GDP, productivity and other economic indicators. [] Arguably, the indirect impact has been as important as the direct. EU cohesion policy has, therefore, stimulated improvements in institutions, such as the development of a network of rural consultation services. More generally, the funds have led to an improved culture of transparency and accountability. Moreover, an evidence-based culture of evaluating policies is also beginning to emerge in partly as a consequence of the Structural Funds.
Lithuania	One important indirect effect has been to promote a culture of transparency and accountability in the country. [] Moreover, purchases for projects are subject to strict public procurement rules.
Malta	In the transition to EU membership, part of the added value of the Structural Funds consisted of making people feel part of the Community. [] Areas where significant added value from the EU contribution can be identified are: environmental protection, transport system, rural development []; the employability and adaptability of the workforce [];the policy approach, rooted in multi-annual planning of development policy [] and partnership and support for a pluralistic view of cohesion policy [].
Poland	Cohesion policy has dramatically broadened the scope of funds available for modernisation of infrastructure in Poland. It also had a significant effect in mobilising local resources, mainly through the requirement of co-financing. [] Environmental protection is perhaps one of the best examples of an area in which EU membership has led to the most profound changes of various kinds. [] EU cohesion policy has undoubtedly led to improvements in the decision-making process and in the procedures and arrangements adopted for both determining and implementing policy in relation to both regional development and other areas. [] EU cohesion policy – already in the pre-accession period - introduced the necessity for evaluation and introduced the methodology for this.
Romania	N/A

Country	Summary of Added Value contribution of Structural Funds in the EU-12
The Slovak Republic	[] despite the lack of quantitative evidence, there are signs of improvement in several aspects of regional development. [In areas such as]: investment in environmental infrastructure []; [] pressure for the newly-founded self-governing regions to formulate development strategies and programmes; [] improved the coordination of policy and laid the basis for a coherent development strategy.
Slovenia	The most important area in which EU cohesion policy generated added-value is in the procedures for policy-making and administration. [] Cohesion policy has also had an important influence on the monitoring of policies, though it remains to be seen whether it will engender a culture of evaluation.

Source: Adapted from WP1 - Coordination of Evaluation of Structural Funds 2000-2006: Task 4, Applica et al., 2009

3.2. Sustainable development of the Structural Funds

Sustainable development demands a focus on environmental, economic and social components. In a Europe context, achieving sustainable development has been defined as requiring economic growth that supports social progress and respects the environment, social policy that underpins economic performance, and environmental policy that is cost-effective (European Commission, 2001). A European Sustainable Development Strategy (SDS) was launched at Gothenburg in June 2007. It was reviewed in 2006, and concentrates on seven key themes:

- climate change and clean energy;
- sustainable transport;
- sustainable production and consumption;
- conservation and management of national resources;
- public health;
- social inclusion, demography and migration;
- global poverty and sustainable development challenges.

Whilst sustainability featured predominantly in the post-2013 budget review, with reference to climate change, secure and sustainable energy, and competitiveness, integration with sustainable regional development practice is still under-developed and it is argued that the development of Cohesion policy should be based on a better understanding of the link between environmental quality and improved economic competitiveness. Evaluations for the 2000-2006 programming period often report that approaches to sustainable development integration are limited. Environmental concerns have increased in visibility with projects supported by Structural Funds, but the main thrust has been on the economic development of regions.

A recent review of sustainable development integration within cohesion policy programmes argues that the task of integration in Sustainable Regional Development initiatives generally requires more time in projects than programmes allow. The report also praises the Nord-Pas-de-Calais region in France for its work on the sustainable development evaluation methodology, but argues that there is still an absence of integrated expertise, data and authority, and a tendency to neglect the interdependencies between social, economic and ecological factors.

3.3. Regional policy future: concluding remarks

It is commonly argued that the European Union needs closer integration and economic and social cohesion, that convergence of nation state and regions is a key priority for the European Union, and that there is impressive support for European Cohesion policy and demand for its continuation after 2013. Cohesion policy is perceived not only as an initiative to address significant disparities in the enlarged European Union, but also to develop the competitiveness of all European regions and promote sustainable development throughout European territory.

The development of the European Union's Regional policy has drawn on theories of regional science and planning, and whilst there is no one common approach, the theories have informed debates on:

- the long run dynamics of regional economic growth and development;
- competitiveness and the demands of regional and urban competitive advantage;
- clusters, innovation and regional development;
- policies for stimulating the knowledge economy, regional development and human capital;
- the role of the social economy in producing jobs and the contribution of capacity building;
- policies for sustainable development and the promotion of 'green' regional economies and sustainable regions.

Recent work has argued (see, for example, Crescenzi 2009) for a more effective targeting of regional resources, and there are many different views on convergence. Leonardi (2006) argues that there has been a general trend to convergence at national and regional levels, whilst Martin and Tyler (2006) argue that Structural Funds may simply have prevented a widening of the employment gap between Objective 1 and the prosperous regions. Martin argues that "Convergence has been slow and that powerful processes of persistence, path dependence and self-reinforcing advantage are at work in the search for regional growth and prosperity".

The 2013 EU budget review and the debate on new programmes for 2014-2020 will highlight once again the need for the Structural Funds to be flexible and adaptive to new policy concerns. The global recession of 2008-2009 places increasing responsibility on EU Cohesion policy for the period 2009-2013, and effective targeting must remain an important priority.

PART II. FINDINGS FROM THE CASE STUDIES

4. SELECTION OF CASES AND METHODOLOGY

KEY FEATURES

- Eight regions and their Operational Programmes, representative of different possible types of Structural Funds interventions, and of the wide diversity of socio-economic conditions characterising EU regions, have been identified.
- For each selected programme, the case studies evaluated the effects of the programme in the period 2000-2006 and explored the potential effect of the subsequent programme in 2007-2013; assessed the effectiveness of the programme in overcoming obstacles to regional development; assessed the added value of the Structural funding; verified the sustainability of Structural Funds interventions; and identified learning effects.
- In order to analyse the effects of the regional development programmes implemented under Objectives 1 and 2 in the period 2000-2006, the analysis focused on eight policy areas: Environment, Business support (aid to SMEs), Innovation, Accessibility, Human resources (vocational training/education), Urban regeneration, Equal opportunities and Tourism.

The general objective of the case studies analysis is to establish factual evidence on results and impacts (expected and unexpected, direct and indirect), added value and sustainability of the Structural and Cohesion Funds for the period 2000-2006. In turn, this should provide the basis for formulating overall hypotheses on the future potential impacts of the present generation of programmes for 2007-2013.

The following chapters outline firstly, the process for selection of the case studies and the methodology applied. Subsequently, the basic socio-economic conditions characterising the selected regions, as well as the patterns of Structural Funds interventions, are presented. This paves the way for the assessment of Structural Funds interventions in terms of effects, effectiveness in overcoming obstacles to regional development, added value, sustainability of the interventions, and lessons learnt. A synthesis of the findings is given in conclusion.

To offer meaningful insight, the case studies needed to be representative of the different possible types of Structural Funds interventions, and also of the wide diversity characterising EU regions. The selection process is therefore a critical aspect of the evaluation and was organised in two stages. First, the 252 EU regions defined at NUTS 2 level were classified and analysed according to their characteristic structural features, as well as their distinct patterns or trajectories of regional development. In particular, the grouping of European regions was based on the following factors: trends of demographic change, rural/urban nature, regional economic performance, and patterns of growth. For example, it was considered important to account for demographic trends in the light of the challenge that such trends represent for EU regions, and the relatively recent policy attention that has been paid to such issues in the new programming period²⁹.

²⁹ See Ex post evaluation of Objectives 1 and 2 in the 2000-2006 programming period, Work Package 7: Gender equality and demographic change.

As far as demographic change and urban-rural breakdown are concerned, regions have been grouped according to the typologies resulting from ESPON Projects $1.1.4^{30}$ and $1.1.2^{31}$ respectively. The former highlighted that the natural change component in Europe has gradually changed from being a positive contributor to regional population change to being a negative one. This is a consequence of fertility decline and population ageing, while migration has become increasingly important. The latter showed that the most urbanised areas are characterised by high population density and the presence of a significant urban centre, as well as a large human footprint in terms of land-use. The most rural areas, on the other hand, are characterised by low population density, the absence of urban centres and a smaller human footprint.

Economic performance has been assessed in terms of regional level of growth, as represented by the changes in Gross Domestic Product between 1999 and 2005, which led to the identification of three groups: low, medium and high-performing regions.

Regional economic performance was then considered as the output of the following growth determinant factors: industrial entrepreneurship, fixed capital endowment, human capital endowment, innovation and technology. In order to define distinct patterns of growth, a simple exercise was carried out by establishing a link between economic performance and the dynamics of the growth determinant factors. When a region with high economic performance records medium to low dynamics on, say, three growth determinant factors, but high dynamics in the fourth factor (e.g. innovation and technology), economic performance and, for example, innovation and technology, are said to be co-evolving, and it is likely that the latter might explain the former. Even without attempting to infer causal relations (which in any case this exercise would not identify with sufficient reliability), this simple exercise allowed the determination of distinctive patterns of growth. Some examples are: high economic performance associated with high dynamics in all four growth determinant factors (or just one, two, or three factors), low economic performance accompanied by low dynamics on four (or three or two) growth determinant factors, etc.³²

The above considerations of regional characteristics, complemented by classification of the type of Structural Fund interventions in the regions, led to the selection of eight cases considered to be representative of the range of the possible challenges to development that EU regions face, and the type of responses mobilised in the context of Structural Funds. In particular, the selection of the case studies entailed using the following criteria:

- geographical coverage;
- balance between representative coverage of 2000-06 Objectives 1 and 2 Operational Programmes (see Figure 5);
- at least one phasing-out or phasing-in region;
- balanced distribution between regions from the EU-15 ("Old Member States") and the EU-12 ("New Member States");
- balance between regions with positive and negative demographic trends;
- balance between urban and rural areas;
- weighted balance between high, medium and low performing regions in terms of economic growth;
- weighted balance between high, medium and low performing regions, in terms of a mixed combination of the levels assumed by the growth determinant factors (industrial

 $^{^{}m 30}$ Spatial Effects of Demographic Trends and Migration. ESPON project 1.1.4, Final Report.

³¹ Urban-rural Relations in Europe. ESPON 1.1.2, Final report.

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³² See Annex 2 for the full methodology and results of the classification of EU regions. The Annexes are available by request from the EU Parliament's Policy Department B at poldep-cohesion@europarl.europa.eu.

entrepreneurship, fixed capital endowment, human capital endowment, innovation and technology);

- relevance of Structural Funds spending, in terms of percentage of the regional GDP;
- at least one INTERREG cross-border programme.

Combining these criteria and preliminary information provided by the country experts, the following Operational Programmes were selected (see also Table 8):

- Umbria (Italy)
- Prague (Czech Republic)
- Umbria (Italy)
- Galicia (Spain)
- Yorkshire & the Humber (UK)
- Southern & Eastern Region (Ireland)
- Norra-Norland (Sweden)
- Malopolska (Poland)
- INTERREG III A ALCOTRA (Italy/France)

From a geographical point of view, the analysed territorial areas are located towards the cardinal points of the European periphery. Norra-Norland (SE) is at the northern periphery of the EU, Malopolska (PL) at the north-eastern, Prague (CZ) at the eastern, Umbria (IT) at the southern, Galicia (ES) at the south-western, Southern and Eastern Ireland (IE) at the western, and Yorkshire & the Humber (UK) at the north-western, while the cross-border cooperation between France and Italy lies at the core of the EU. Four of the selected areas are Objective 1 regions (i.e. representative of the lagging EU periphery), three of the regions are Objective 2 programme areas, and two of the eight case studies are in the New Member States.

Table 8 below reviews each selection criterion for the eight programmes, illustrating how the latter are representative of the different possible configurations in terms of regional patterns of development and types of Structural Funds intervention.

Objective 1 **Objective 2** Objective 1 Objective 2 ☐ Phasing-out (till 31/12/2005) Objective 2 (partly) Phasing-out (till 31/12/2006) Phasing-out (till 31/12/2005) Special programme Phasing-out (partly) (till 31/12/2005) ISPA

Figure 4: Structural Funds: areas in the EU-25 eligible for Objective 1 and 2 between 2000 and 2006

Source: DG Regio website

Table 8: Selected case studies

Table 8: Selected	case studies						
Operational Programme	Corresponding NUTS 2 region (code)		У		00-06 ective	Demographic change	Urban / rural typology
Prague Objective 2 Programme	Prague (CZ01)	Czech Rep	Czech Republic 2		2	Increase	Urban
Objective 2 Programme for Umbria	Umbria (ITE2)	Italy		2		Increase	Rural
Yorkshire and the Humber Objective 2 Programme	Yorkshire & the Humber** (UKE)	UK			2	n.a.	Urban
Objective 1 Programme for Galicia	Galicia (ES11)	Spain			1	Decrease	Rural
Objective 1 Programmes for Poland***	Malopolska (PL21)	Poland			1	Increase	Urban
Southern and Eastern Region Operational Programme	Southern and Eastern (IE02)	Ireland	i	1 (Phasing out)		Increase	Rural
Objective 1 programme for Norra- Norland	Ovre-Norland (SE33)	Swede	n	1		Decrease	Rural
INTERREG III A - Italy/France (ALCOTRA)	n.a.	Italy / Fra	nce	n.a.		n.a.	n.a.
Operational Programme	Performance	Industrial entrepre- neurship		xed pital	Human capital	Innovation and technology	Structural Funds exp as % of GDP*
Prague Objective 2 Programme	Н	Н		Н	Н	Н	0.5
Objective 2 Programme for Umbria	L	М		М	L	М	0.9
Yorkshire and the Humber Objective 2 Programme	М	n.a.		Н	М	n.a	0.5
Objective 1 Programme for Galicia	Н	Н		М	Н	L	10.9
Objective 1 Programmes for Poland***	L	н		М	М	L	n.a.
			Н				
Southern and Eastern Region Operational Programme	Н	М		Н	Н	Н	0.7
Region Operational	Н	M L		М	н	М	1.6

Source: Authors' processing of Eurostat data

^{*} GDP in € millions at market prices (year 2000).

^{**} This is a NUTS 1 region. When possible, the assessments of its economic performance and the other indicators have been made by aggregating the scores obtained by the four NUTS 2 regions belonging to Yorkshire & the Humber.

^{***} In Poland four multi-regional operational programmes were implemented in the period 2004-06:

[&]quot;Improvement of the Competitiveness of Enterprises", "Integrated Regional", "Transport" and "Technical Assistance". Since they apply to the whole national territory (comprising 16 NUT 2 regions), the case study will focus on the assessment of these programmes for only one selected region.

For each selected programme, the case studies:

- Evaluated the effects of the programme within the regions in the period 2000-2006.
 This has been done through the screening of outputs and the analysis of results and impacts (qualitatively and quantitatively). The potential effect of the subsequent programme in 2007-2013 was also verified, cross-matching the financial allocation and the typologies of interventions.
- Assessed the effectiveness of the programme in overcoming obstacles to regional development. The analysis compared the global objective, axis and specific interventions of each Programme with the territorial development needs.
- Assessed the added value of the Structural Funds as defined in Chapter 3 (see also the Glossary). The aim was to identify the strategic potential of Structural Funds interventions as compared to other sources of funding.
- Verified the sustainability of Structural Funds interventions financially, economically and environmentally.
- Identified learning effects.

In order to analyse the effects of the regional development programmes implemented under Objectives 1 and 2 in the period 2000-2006, the evaluation team focused on eight policy areas, which gave a structure to the investigation of all the most important themes of analysis (see above). These are:³³

- Environment
- Business support (aid to SMEs)
- Innovation
- Accessibility
- Human resources (vocational training/education)
- Urban regeneration
- Equal opportunities
- Tourism.

A combination of primary and secondary sources of evidence has been used to carry out the five tasks above (Table 9).

³³ See Table A1.1 in Annex for an account of the specific categories of expenditure included in each policy areas above for both the 2000-06 and 2007-13 programming periods. The Annexes are available by request from the EU Parliament's Policy Department B at poldep-cohesion@europarl.europa.eu.

Table 9: Sources and analysis

	Documentary source	Field source
Effects	OPs, Ex ante evaluations, Annual Implementation Reports, Mid term Evaluations/updates, final Evaluations, DG Regio databases	Interviews with Managing Authority and independent evaluators, interviews with beneficiaries
Effectiveness in Overcoming Obstacles	Ex ante Evaluations, Territorial Analyses, OPs, Programme Complements, other policy documents (EU National, Regional)	Interviews with independent evaluators
Added Value	Annual Implementation Reports, Mid term Evaluations/updates, final Evaluations	Interviews with Managing authority, beneficiaries, if possible with regional policy makers
Sustainability	Annual Implementation Reports, Mid term Evaluations/updates, final Evaluations	Interviews with Managing authority, beneficiaries, stakeholder representatives, and implementation bodies
Learning Effects	Mid term Evaluations/updates, final Evaluations	Interviews with Managing authority, if possible with regional policy makers

Source: Authors

The case studies analysis included two stages:

- data gathering and analysis of the existing available data at the European/national and regional levels;
- data gathering and analysis in the field through the analysis of the data on outputs and results coming from the regional monitoring systems, which were complemented by semi-structured interviews and specific site visits. The purpose of these field activities was to:
 - gather information about results/impacts when it is not available from the existing data (mainly from the monitoring system);
 - provide in-depth analysis of specific topics emerging from the desk analysis;
 - · identify good practice among the projects selected.

The finalisation of the case studies followed a common template, which allowed the identification of the full list of quantitative and qualitative data to be collected in fieldwork and ensured comparability of data by providing a standard grid for data processing.³⁴

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³⁴ See Annex 1, available from the EU Parliament's Policy Department B at poldep-cohesion@europarl.europa.eu.

5. TYPOLOGY OF THE SELECTED REGIONS

KEY FINDINGS

Socio-economic conditions:

- There is a general convergence effect in terms of GDP per capita in the regions investigated. Two specific cases of high growth are worth noting: that of Prague (illustrating the attraction potential of capital cities), and the continuous Irish growth.
- In lagging regions employment rates increased significantly, while in more advanced regions they remained stable.
- Transport infrastructure is improving in lagging regions, especially in terms of road construction.
- R&D employment is generally growing in the regions investigated, but there is no clear evidence of catching up in terms of tertiary education in lagging regions.
- Levels of innovation are generally correlated with levels of GDP per capita. Specific cases are Galicia, Malopolska and Prague, which recorded very dynamic growth rates of innovation activities.

Patterns of Structural Funds expenditure:

- ERDF programmes in Objective 1 regions invested heavily in infrastructure, particularly transport and water supply, in 2000-06. They mostly attempted to fill the infrastructure gap. In the new programming period infrastructure investments still play a key role, but Innovation and ICT have become core themes.
- Objective 2 ERDF programmes mainly supported SMEs in 2000-2006; they did not specifically address infrastructural or environmental gaps. In the new programming period, they embed Lisbon goals, focusing on innovation and environment, and making significant use of financial engineering instruments. Tourism support interventions are mostly neglected in the new period, whereas they were more strategically important in the past.
- ESF Programmes mostly focused on vocational training and social inclusion in the 2000-2006 programming period. In the new programming period, they have concentrated resources on innovation and the knowledge society.

In the following sections, we explore the main characteristics of the selected regions according to two sets of characteristics: socio-economic profile, and patterns of Structural Funds expenditure.

5.1. Socio-economic conditions

The selected regions are representative of different initial levels of regional economic development and capital endowments, geographical position, topology, climate, rural-urban typology, cultural and industrial heritage, and administrative organisation, which in turn imply different economic structures. For example, Prague is the capital of the Czech Republic, and this implies that its industrial structure is more likely to be oriented towards service, education and research sectors. Hence, before illustrating the different aspects of the socio-economic condition of these regions, it is worth remembering that comparisons between these regions and the regional trends at EU level are not definitive, because of the idiosyncratic characteristics of each region. Nevertheless, it may still be possible to identify common patterns of economic performance between these selected regions and the remaining EU regions.

GDP per capita levels and growth rates

The differences between regions and their representativeness of EU patterns of change are reflected in the real GDP per capita levels. Indeed, the regions that in 1999 showed an initial level of GDP per capita considerably less than the EU-25 average (regions belonging to new Member States like Malopolska, and to the rest of the Union, e.g. Galicia) experienced, during the period 1999-2005, a higher growth than the regions with an initial GDP per capita above the EU-25 average (e.g. Yorkshire & the Humber and Umbria). Furthermore, all the selected regions (except Umbria) grew more than the EU-25 average.

This picture is fairly representative of the EU-25 regional GDP per capita growth, which has showed a catching-up by the lagging regions. Prague and Southern & Eastern Ireland represent exceptions. Although Prague had the highest initial GDP per capita among the selected regions, it experienced the highest growth rate, both in absolute value and relative to the EU-25 average. This is in line with the high growth rate of capital cities, especially in new Member States, which is related to their attraction potential, both for economic activities and for individuals. As for Southern and Eastern Ireland, an Objective 1 phasing-out region which is economically the most prosperous region of Ireland and which also includes Dublin city region, it illustrates the continuous growth of Ireland during the period of analysis: about three-quarters of the Irish population lives in the region, and around 80% of the national output was produced here.

Labour market indicators

In labour market performance the selected regions are still far from the Lisbon target of 70% employment rates (both in 1999 and in 2005). However, the trends of these regions are representative of a convergence effect in regional employment rates, with some exceptions like the Polish regions which had a significant decrease in terms of employment rate (e.g. in our sample the employment rate in Malopolska decreased by 8.3% between 1999 and 2005). Southern & Eastern Ireland also has a different pattern; at the beginning of the period it had an employment rate close to the EU-25 average, and it continued to grow during the period under analysis.

Unemployment trends do not necessarily reflect employment trends, since it might be the case that part of the population simply decides not to enter the labour market. However, it can help in understanding some general dynamics. In fact, all the selected regions also experienced a considerable convergence in terms of unemployment rates, except for Malopolska, which confirms the Polish negative labour market performance.

This is representative of EU trends, characterised by a reduction of the gap in unemployment rate, with particular decreases in lagging regions (in terms of GDP per capita), as the large decrease in the unemployment rate in Galicia illustrates. In more developed regions the unemployment rate remained stable, with Italian (e.g. Umbria), UK (e.g. Yorkshire & Humber), Irish (e.g. Southern & Eastern Ireland), French and Spanish regions experiencing some reduction, while German, Dutch, Austrian regions recorded an increase.

Table 10: Overall economic performance, 1999, and percentage change (Δ) during the period 1999-2005.

Region	GDP pei (<i>Eur</i>	_		r capita EU)	Employm (%	nent rate %)	Unemployment rate (%)		
	1999	Δ	1999	Δ	1999	Δ	1999	Δ	
Umbria	20,750	6.3%	117	-15.7%	43.5	6.2%	7.6	-19.7%	
Malopolska	7,524	30.2%	49	5.3%	51.7	-8.3%	9.3	64.5%	
Galicia	13,528	39.4%	76	10.6%	41.7	13.4%	16.2	-38.9%	
Yorkshire & Humber	18,064	27.6%	102	1.2%	56.2	3.2%	6.6	-30.3%	
Prague	24,192	48.4%	136	17.7%	60.6	-1.2%	4.0	-12.5%	
Southern & Eastern IE	24,646	43.7%	139	158%	55.8	7.5%	5.4	-20.3%	
Norra- Norland	19,266	32.2%	132	1.5%	56.8	6.5%	11.5	-24.3%	

Source: Case study reports

Note: figures above represent NUTS 2 regions and not necessarily the exact case study programme areas.

Industrial distribution of economic activities

At sector level in the EU, there is a general trend of economic activities shifting from agricultural and manufacturing towards the service sectors. The shift towards the service sectors is still slow, however, especially in the less developed regions (i.e. with a GDP per capita below 50% of EU average). Indeed, in terms of added value and employment, many regions in new Member States, and Objective 1 regions in general, are still heavily reliant on the agriculture and manufacturing sectors. Clearly the industrial structure reflects the capital and human endowment as well as other characteristics of these regions, such as the geographical location, the historical industrial composition, the presence of administrative centres, and natural resources.

Table 11: Sector economic performance, 1999, and percentage change (Δ) during the period 1999-2005

Darian	G	iross Inv (€ Mill		t	Gross Added Value (% GDP)				Employment (%)			
Region	Manufa	cturing	Services		Manufacturing		Services		Manufacturing		Services	
	1999	Δ	1999	Δ	1999	Δ	1999	Δ	1999	Δ	1999	Δ
Umbria	483	-6.2%	318	28.7%	18.05	-10.6%	61	2.8%	22.43	-5.0%	62.31	0.9%
Malopolska	486	72.4%	526	-7.5%	19.25	-18.6%	55	8.6%	16.59	-13.0%	48.61*	22.8%
Galicia	725	53.1%	758	47.9%	15.29	-5.2%	55	0.2%	14.61	-2.3%	52.89	11.5%
Yorkshire & Humber	2,571	-4.2%	3,905	15.2%	n.a.	n.a.	n.a.	n.a.	18.02	-22.8%	70.74	13.5%
Prague	140	114.1%	1,661	2.3%	10.03	-26.8%	71	1.0%	11,09	33.8%	76.84	7,7%
Southern & Eastern IE	3,296	6.2%	n.a.	n.a	31.18	-19.9%	49	13.7%	15.26	-27.9%	66.59	10.5%
Norra- Norland	434	-47.7%	n.a.	n.a	n.a	n.a	58	-5.5%	15.9	-6.9%	73.68**	3.0%

Source: Case study reports * Data for 2000; ** Data for 2001

In all the selected regions of this study, the manufacturing sector experienced a significant decrease in both added value and employment as percentages of the regional economies. At the same time, the service sector saw an increased proportion of employment in all the analysed regions, and its growth was inversely correlated with the initial share of employment in the sector.

Prague represents an exception among the New Member States because its service sector is much more important than the manufacturing sector; this is because Prague is the national capital city, and large proportions of the national service sector are based in its region.

The general tendency of a shift of resources and activities away from the agricultural sector is also confirmed by the increase in gross investment for both manufacturing and service sectors in most of the regions. It seems that there was not a clear shift of investment towards services to the detriment of manufacturing. In fact, there are only few exceptions that show smaller decreases in one sector and increases in the other: Umbria and Yorkshire & the Humber have both seen decreases in investment in manufacturing (where the latter has still a high level of investment in absolute value), and Malopolska in the service sector.

Physical endowments and human capital

Several factors contribute to enhance capital accumulation and innovation, which in turn will lead to growth and job creation. These factors form part of the regions' framework conditions, which includes the endowment of physical capital (e.g. transport networks) and human capital (e.g. employment in highly innovative and research-based sectors, and higher education), as well as innovation capabilities.

During the period 1999-2005, the selected regions have shown similar trends in the dynamics of capital endowments, particularly in the common high growth rates in Gross Fixed Capital formation. These trends are reflected at the EU level, where disproportionately high growth rates of investments take place in metropolitan areas (e.g. Prague).

Transport infrastructure is one important aspect of regional competitiveness, as more connected regions have a comparative advantage in terms of attractiveness of business activities and population mobility. However, in terms of endowment of transport infrastructure, and therefore accessibility, there are important differences between EU regions. For example, the low proportion of motorways in Malopolska reflects the differences between EU-15 and the New Member States (even if some of the latter are improving), while the growth rate of Galician motorways illustrates the continuous growth of Iberian motorways, also in a peripheral region. If some of the selected regions (i.e. Malopolska, Galicia and Prague) improved their transport infrastructures during the period 1999-2005, this was mainly due to investment in motorways and not in rail networks (except for Prague, which has improved also the rail network).

For railways, the situation is differentiated. The density of railways is much higher in the New Member States than in the rest of the EU. However, most of the lines are single-track or not electrified, thus posing restrictions to high-speed networks. Nonetheless, the high growth of transport network in the Prague region reflects the high investments that New Member States are experiencing, and the fact that priority is given to the improvement of transport around large urban areas.

Human capital endowment is another important aspect necessary to achieve sustainable economic growth, through the attraction of foreign investment, and the development of dynamic and productive sectors which need human capital with knowledge capacity and potential. However, there are large differences between and within countries, and these are correlated with GDP per capita levels.

For the selected regions, the dynamics in human capital endowment seem somewhat different from the fixed capital endowment dynamic paths. In fact, all the regions showed positive and important growth rates in terms of employment in the R&D sector and in the proportion of people with a tertiary-level education. Their growth rates are similar, and even higher than their national averages, with only a few exceptions.

For example, the growth rate in Malopolska was slightly below the national average, but this is because of its large university sector relative to the population as a whole, which has led to a higher number of graduates compared to the national average. Indeed, among Eastern European regions, Malopolska is illustrative of those regions with a high level of education and employment in R&D-related activities.

Southern & Eastern Ireland represents a similar positive pattern in the framework of rapidly growing EU-15 peripheral regions. With six of the Irish state's seven Universities and nine of its 14 Institutes of Technology based in the Southern and Eastern Region, this region is critical for the development of Ireland's knowledge economy.

On the other hand, the high growth rates of Galicia in both employment in R&D and population with tertiary education reflects a general trend in Spain, which has experienced high growth rates. However, in terms of the proportion of population that attained tertiary-level education, there is no sign of catching up; in both the EU-15 and New Member States, lagging regions could not reduce the gaps.

Table 12: Gross Fixed Capital and human capital, 1999, and percentage change (Δ) during the period 1999-2005

		Gros	s Fixed Ca	Human capital						
Region	GFC formation (€ Millions)		Motorway network (Km)		Rail network (Km)		Employment in R&D		Tertiary Education	
	1999	Δ	1999	Δ	1999	Δ	1999	Δ	1999	Δ
Umbria	3,091	34.8%	59	0.0%	379	-4.2%	0.98	27.6%	2.82	389.4%
Malopolska	2,629	14.6%	52	15.4%	1,141	-2.2%	1.16	7.8%	14.56	14.2%
Galicia	7,864	50.7%	619	22.5%	936	0.7%	0.97	45.4%	17.53	54.9%
Yorkshire & Humber	15,033	88.3%	365	0.0%	n.a.	n.a.	n.a.	n.a.	19.77	23.5%
Prague	3,313	136.7%	9.6	14.6%	184	33.7%	n.a.	n.a.	n.a	n.a.
Southern & Eastern IE	17,175	70.6%	83	117.2%	n.a.	n.a.	n.a.	n.a.	21.63	39.6%
Norra- Norland	2,213	0.6%	17,901	0.0%	n.a.	n.a.	3.2	- 81.25	28.7	-0.7

Source: Case study reports

R&D and innovation

In terms of R&D and innovation, there are large regional disparities in the EU. R&D expenditure at EU level is correlated with GDP per capita, indicating that in New Member States and cohesion countries the level of expenditure is much lower than elsewhere. However, in a number of lagging regions (especially in Spain, Italy, Eastern Germany, Lithuania, and Estonia), expenditure on R&D has risen more than the EU average. Galicia is representative of the high growth in R&D expenditure in these regions; however, this growth is not common to all the lagging areas.

Wide disparities across regions, even if not correlated with R&D expenditure, can also be observed in the numbers of persons employed in high-tech sectors, which is a good proxy for R&D output.

The highest proportion of employment in high-tech sectors is found in German and some Eastern European regions (e.g. Prague), while it is, in general, correlated with the level of GDP per capita. In terms of change, some lagging regions (including Galicia and other regions of EU-15 cohesion countries) have experienced considerable growth rates; however, this positive change is not seen in all the lagging regions, and some of them even experienced a decline.

Southern & Eastern Ireland (i.e. the selected phasing-out Objective 1 region) represents a special situation; in fact, the region as a whole has a critical role in the research and innovation agenda for Ireland under the Lisbon agenda framework. However, the region relies heavily on highly mobile foreign direct investment, while R&D in the indigenous sector is relatively weak and tends to be focused primarily in Dublin.

Other indicators of innovation show equally wide disparities across regions. For instance, the rate of patent application is usually much lower in EU-15 lagging regions and New Member States, where some regions have nonetheless experienced considerable growth (e.g. Malopolska, Galicia, and Southern & Eastern Ireland).

It should be noted that Malopolska and Prague are representative of positive innovation areas. Malopolska shows an initial level of R&D expenditure and a growth rate higher than

the Polish average, because this region is a higher education and research pole, which attracts investment in R&D. Likewise, Prague differs from the rest of the selected sample of regions because it has higher initial level and growth rates in innovation and technology. Again, this is because it is the central pole for research and innovation in the Czech Republic, in both public and private sectors.

Table 13: Innovation and technology, 1999, and percentage change (Δ) during the period 1999-2005

Region	_	enditure of GDP		nent in high sectors	Number of publication		Number of patent applications		
	1999	Δ	1999	Δ	1999	Δ	1999	Δ	
Umbria	0.89	-12.4%	2.71	17.0%	811.0	33.7%	29.6	-36.4	
Malopolska	0.8	27.5%	0.72	186.2%	403.3	84.5%	1.7	157.4%	
Galicia	0.54	61.1%	1.56	28.2%	469.4	71.5%	5.3	45.8%	
Yorkshire & Humber	0.91	n.a.	3.65	15.1%	n.a	n.a.	112.5	-81.7%	
Prague	n.a.	n.a.	6.97	9.3%	1,701.0	67.4%	20.3	4.1%	
Southern & Eastern IE	n.a.	n.a.	7.55	-13.0%	733.5	81.8%	n.a.	n.a.	
Norra-Norland	2.48*	2.0%	4.26	2.6%	2534	26.2%	208	-97.60	

Source: Case study reports

SWOT analysis

The SWOT (Strengths-Weaknesses-Opportunities-Threats) analyses conducted in each of the selected regions show large differences in terms of elements of strength, which are representative of wider EU patterns.

In fact, the differences across the selected regions in terms of strength are the result of the selection criteria, which were intended to select a number of regions as representative as possible of the different economic and social environments in the EU.

Table 14: ERDF and ESF budgets for the periods 2000-2006 and 2007-2013

Strengths

- Business activities, mostly export oriented (Yorkshire & the Humber)
- Business clusters (Galicia)
- High level of attractiveness (Umbria and Malopolska)
- Labour force centre (Prague)
- Growth in high-tech sectors (Southern & Eastern Ireland)
- Well-developed and accessible public services (Norra-Norland)

Weaknesses

- Large rural areas, isolation and dispersion (Yorkshire & the Humber, Umbria and Malopolska, Norra-Norland)
- Poor integration of firms (Galicia)
- Limited access to utilities (Prague, Southern & Eastern Ireland)

Opportunities

- Development of knowledge-based and financial service sectors (Yorkshire & the Humber, Southern & Eastern Ireland, Norra-Norland)
- Development of high quality firms and of tourism (Umbria and Malopolska)
- Integration with international markets (Galicia)
- Favourable geographical location (Prague)

Threats

- Macroeconomic instability (Yorkshire & the Humber)
- Vulnerable to economic downturns (Southern & Eastern Ireland)
- Competition from neighbours and from Asian markets (Umbria)
- Poverty and social exclusion (Malopolska)
- Competition from emerging markets (Galicia)
- "brain-drain" towards other EU states (Prague)
- High rate of emigration (Norra-Norland)

Source: Case study reports

There are regions whose strengths are based on:

- the development of business activities (mostly export-oriented) as well as the presence of skilled entrepreneurs (Yorkshire & the Humber);
- high levels of attractiveness because of their educational activities, high levels of public spending on R&D and innovation, and cultural and environmental resources (Umbria and Malopolska);
- strategic location in terms of trade, endogenous resources, and the presence of leading multinational firms and business clusters (Galicia);
- their role as national administrative, cultural, innovative, qualified labour force centres (Prague);
- well-developed public services (Norra-Norland).

Southern & Eastern region includes strengths in all of these characteristics. In fact, it has been at the heart of Ireland's renaissance, with a highly skilled labour force and a strong high-technology base in the knowledge economy. It has a number of long-term growth sectors in high-tech industries, and a focus on rural development as well as urban growth centres, and is spreading the benefits of growth outside its capital city (Dublin) to the new gateway cities and hubs.

These strengths may mainly lead to the development of knowledge-based and financial service sectors, which may provide future high-value businesses in regions such as Norra-Norland and Yorkshire & the Humber, if policies to encourage entrepreneurship are implemented.

Other opportunities might arise from the development of high-quality firms and tourism, in order to attract foreign investment, and consequently to improve the living standard and wealth of the population (Umbria and Malopolska).

Again, new business opportunities might come from integration with international markets (Galicia) or, as with Prague, opportunities for development rely on the favourable geographical location and the increasing significance of the city in the context of the enlarged European Union.

The main weaknesses that have been identified are quite homogeneous across both the selected regions and many other regions, and can be roughly divided into three themes. The first is inequality within regions: most of the selected regions (as in the rest of the Union) have large rural areas that, due to their isolation and dispersion, prevent economic growth and well-balanced development. For example, this is the case in Norra-Norland, Yorkshire & the Humber, Umbria and Malopolska.

The second theme is the poor integration of firms. There is a large number of small firms that typically have a lower propensity to innovate (Galicia, Umbria, and to some extent Yorkshire & the Humber). Correlated to this problem is the poor rate of private investment in R&D, which has been identified in many of the selected regions and still characterises most of the lagging as well as some developed areas of the Union. Finally, there is poor infrastructure provision: access to utilities (especially, but not only, transport) is often limited, as in Malopolska, Umbria and rural areas of Yorkshire & the Humber, or costly, as in Prague. In fact, problems of accessibility and service provision are among the main determinants of unbalanced growth between and within regions.

Notwithstanding these common features, the threats that the regions have to face are substantially heterogeneous and, even if they are idiosyncratic, the selected regions are representative of several EU characteristics. For example, regions like Yorkshire & the Humber have to deal with macroeconomic instability, and increasing ageing of the population and some social attitudes towards work may have adverse impacts on the labour market. In addition, regions like Southern & Eastern Ireland (being part of an advanced small open economy) are particularly vulnerable to economic downturns, which are likely to affect the traditional indigenous manufacturing sectors as well as highly mobile FDI. Others, like Umbria, are threatened by the competition of neighbours that are more connected to the global markets, and by Asian market competition. In Malopolska, as in many regions of the New Member States, the persistence of phenomena such as long-term unemployment, poverty and social exclusion is a source of instability. In addition, the weak development of financial institutions may slow down economic growth. For Galicia and other regions showing productive specialisation in sectors affected by tough competition from emerging markets, EU enlargement is not only an opportunity but also a serious threat, since it creates scope for marginalisation of its firms. Prague has to face increased competition from other European cities, which is leading to a "brain-drain" towards other EU states; in the long run, this may lead to a deterioration of the human capital of the area. Furthermore, macroeconomic indicators are deteriorating, due to a low level of investment, and to a more general deterioration of the area's standard of living. Norra-Norland has to face serious problems of emigration and rural depopulation.

Box 4: Socioeconomic condition of the Cross-border Cooperation France-Italy area

SOCIOECONOMIC CONDITION OF THE CROSS-BORDER COOPERATION FRANCE-ITALY AREA

The area covered by this programme is not directly comparable with the other case studies, which are NUTS 2 regions. In fact, this territory includes a NUTS 2 region (Valle d'Aosta), three Italian provinces (Torino, Cuneo and Imperia), and four French departments (Savoie, Haute-Savoie, Haute-Provence and Alpes-Maritimes). This difference in territorial unit of analysis, as well as lack of data concerning this territory as a whole, has compelled us to examine this case study separately from the others.

60% of the area is in France and 40% in Italy, whilst 60% of the total population is Italian and 40% French. The territory is characterised by many small municipalities and has only two big cities with over 100,000 inhabitants (Turin and Nice), and there is a strong imbalance between urban and peripheral areas. The valorisation of the medium-sized towns and the network urban centres represents one the main opportunities to target sustainable development.

This area is naturally characterised by a high concentration of cross-border traffic flows, which also damage the quality of life and environment. The construction of high-capacity transport infrastructure (as, for example, the high-speed Turin-Lyon railway line) would reduce both air pollution and traffic concentration.

Environmental protection is particularly important in this area, which is endowed with many natural resources (i.e. sea, mountains, lakes, national parks, and centres of historical and cultural heritage). The exposure to natural and environmental risks is high, and one of the main challenges is to preserve both the natural heritage and its attractiveness to tourists. As for tourism, the slowdown of traditional tourism should be accompanied by a diversification in the industry, based on natural, historical and cultural resources.

Another challenge related to environmental protection as well as sustainable development is the exploitation of renewable energy resources. The area is facing an increasing demand in energy, which is mainly supplied by fossil fuel, but new associated infrastructures can take advantage of the potential provision of renewable energy sources.

The area has good transport infrastructure provision; however, as outlined above, new infrastructure represents new opportunities, not only to reduce traffic congestion and air pollution, but also to facilitate the cross-border mobility of people and workers. In fact, the area shows some rigidity in the labour market; in particular, female employment and part-time employment is low, whist opportunities for the employment of young people and workers in agriculture are declining.

Source: Case study reports

Box 5: Socioeconomic condition of a Northern peripheral region: Norra-Norland (Sweden)

SOCIOECONOMIC CONDITION OF A NORTHERN PERIPHERAL REGION: NORRA-NORLAND (SWEDEN)

Norra-Norland or North Sweden is the largest NUTS 2 region in Europe, with an area equivalent to the total areas of Austria, the Netherlands and Denmark combined. It occupies the northern periphery of Europe and stretches into the Polar Circle. This Objective 1 region is very sparsely populated (a population of approximately half a million persons), with some inland local authorities having a population density of 0.4 inhabitants per sq km. The region has suffered a steady outward migration for several decades, and contraction of basic services, leading to an unfavourable gender and age balance in the inland areas.

Although there is little difference between male and female economic activity rates, the labour market is highly gender-segregated, with the majority of women working in the service sector – and in many areas almost exclusively in public services - whereas the proportion of men working in manufacturing is much higher than the national average. The increasing demand for advanced skills and formal qualifications in the labour market and the growth of knowledge-intensive industries in the region have created workforce shortages. However, the education system is quite well developed in the regions, with three There are 44 Sami villages with just over 800 reindeer-owning enterprises. A Sami village is both an area of habitation and a statutory economic association, which encompasses individual reindeer-owning enterprises. The region has 90% of all reindeer enterprises in Sweden.

The region is rich in natural resources with timber, minerals and hydroelectricity. The region's hydroelectric power stations supply 20% of Sweden's electricity.

The SWOT analysis has mainly highlighted the following strengths: Norra-Norland is a region rich in natural resources, endowed with a unique environment, and this has allowed the development of profitable industries based on raw materials and rich in natural resources for processing, as well as environmentally sustainable agriculture, with products of high quality. Furthermore, there are three excellent universities and good access to education and research.

These facts may create several opportunities; the presence of profitable firms and universities can stimulate knowledge-intensive production, creativity, entrepreneurship, and ability to innovate, and enhance a strong cooperation between industry and education and research. This in turn could increase activity rates and favour local production.

The weaknesses of the region derive almost entirely from its position and its natural features: it lies in a peripheral zone of Europe and it is very sparsely populated, with long distance to cover to get from one place to another. The transport system is not well developed, and the private sector is too small, with few new enterprises with growth potential.

The major threats come from potential further reductions of population and continued emigration, which would result in a reduction of services available in remote and sparsely populated areas. In addition, agriculture is threatened by this phenomenon; for instance, previously cultivated landscapes are being subject to forestation, because they have been abandoned. This in turn has an adverse effect on the employment rate, which remains low. In addition, the vulnerable natural environment of the region is at risk, due mostly to coastal fishing.

Source: Case study reports

5.2. Structural Funds spending

In the following section, we compare the strategies adopted by the programmes selected as case studies not only with the general trends as inferred from an analysis of the 2000-06 expenditure at aggregate European level, but also with strategies adopted by the Member States in the 2007-13 period (see Section 2.3 above).³⁵

Over the period 2000-2006, investments through cohesion policy were allocated in three broad areas: infrastructure (mainly transport and environment), human capital, and productive investment (mainly SME support). Also in the financial perspective of the period 2007-2013 the Structural Funds are concentrated in these three broad areas.

At EU level, during the 2000-2006 programming period, although both Objective 1 and Objective 2 regions were eligible for investments within the three broad areas, in Objective 1 regions the focus was on basic needs in infrastructure and human resources, while in Objective 2 regions investments were more oriented towards human resources. During the period 2007-2013 in the Convergence regions, the focus is on transport and telecommunications infrastructures, while in Competitiveness regions the funds are oriented towards innovation and human resources. This reflects the importance of innovation in the new programming period in order to turn the challenge of globalisation into an opportunity. In most 'Competitiveness and employment' regions, it is the first priority. As highlighted below, our selected regions illustrate some of these features.

 $^{^{\}rm 35}$ As for Section 2.3, evidence is based on authors' processing of DG Regio data.

Table 15: ERDF and ESF budget for the periods 2000-2006 and 2007-2013

Regional Programme	ERDF				ESF				
	2000-2006		2007-2013		2000-2006		2007-2013		
	€ Millions	% GDP							
Umbria Objective 2	400.2	0.41%	348.1	0.29%	227.1	0.24%	231.1	0.20%	
Malopolska Objective 1*	255.2	0.34%	1,290.3	0.80%	101.0	0.13%	590.6	0.37%	
Galicia Objective 1	2,438.7	4.76%	2,191.5	4.28%	212.0	0.41%	358.5	0.70%	
Yorkshire & Humber Objective 2	469.2	0.50%	312.5	0.31%	63.9	0.07%	206.28	0.20%	
Prague Objective 2*	71.3	0.09%	234.9	0.11%	58.8	0.08%	108.4	0.05%	
Southern & Eastern IE Objective 1 phasing-in	399.59	0.37%	146.60	0.10%	82.34	0.08%	146.60	0.10%	
Norra- Norland Objective 1	261.0	1.8%	242.7	1.5%	90.8	0.6%	43.6	0.29%	

^{*} Data refer to the period 2004-2006. **Source:** Case study reports

ERDF and ESF - general differences between 2000-2006 and 2007-2013 programming periods

A first comparison between the programming period under analysis (2000-2006) and the current programming period shows that the selected regions broadly illustrate the reduction and shift of resources from ERDF to ESF. In fact, in the current programming period ERDF is more concentrated on the knowledge-based economy, environmental protection, and accessibility, while during the period 2000-2006 much of the budget was devoted to supporting entrepreneurial competitiveness and transport and energy infrastructure.

On the other hand, the ESF has increased its share both relatively to the ERDF and in absolute terms; it has been allocated to projects financing the improvement of workers' skills and adaptability, entrepreneurship, social inclusion, and equal opportunities.

Box 6: Policy strategies

POLICY STRATEGIES

Even if some differences can be found for each region's policy strategies adopted over 2000-06, some common features can be underlined which broadly reflect the orientation set at European level for the period. In fact, the selected regions share most of their priorities, such as the need to become more investment and employment-attractive, to develop the knowledge-based economy, to undertake decisive steps towards sustainable development, to support human capital and social inclusion, and to re-shape administration systems.

To meet the attractiveness objective, policies aim to renew and develop infrastructure endowments, and make cities more liveable.

To invest in the knowledge-based economy, policies promote education and investments in R&D, innovation and technology transfer; they also stimulate entrepreneurial activities, and the formation of networks among firms, institutions, research centre, and universities. For the objective of sustainable development, regional policies promote the protection of the natural and cultural environment, and the replacement of traditional sources of energy with renewable resources.

In the field of human resources, policies have the goals of increasing the adaptability and skills of workers (i.e. through the promotion of vocational training and lifelong learning), improving access to jobs (especially for young and female workers), reducing barriers to entry in the labour market (i.e. through promoting equal opportunities for disadvantaged groups and communities), and increasing female labour market participation.

Some regional policies aim to improve the capacity, efficiency and transparency of public administration systems, which might become useful for the implementation of the strategies as a whole, and also through co-operation with other bodies.

Source: Case study reports

Structural Funds resources by area of investment

Before making comparisons in terms of allocation of resources between different areas of intervention, it is worth noting that different types of investment are obviously associated with different intrinsic costs of production. Thus, the differences in terms of resources spent on different types of investment might not simply reflect differences in investment priorities, but might be related to cost differences in the units of investment.

Focusing more in detail on the areas of investment, differences among the regions selected (Table 16 and Figure 6) are evident, and reflect the regional trends visible on a larger scale at the European level (see Section 2.3). These differences are associated with different opportunities for improvement that can be exploited through the allocation of resources for investments.

Table 16: Structural Funds expenditure by policy area and region during the period 2000-2006

Region	Environ- ment	Business support	Innov- ation	Accessi- bility	Human resour- ces	Urban regener- ation	Equal oppor- tunities	Tourism
Umbria	13.1	89.7	n.a.	3.1	220.3	30.3	n.a.	14.9
Malopolska*	34.0	41.8	62.9	81.1	75.1	4.7	16.1	16.8
Galicia	275.2	138.64	50.30	1,479.0	324.8	202.8	58.7	19.3
Yorkshire & Humber	35.4	186.02	21.6	32.33	37.06	70.59	23.40	11.7
Prague *	0.3	5.1	4.5	24.0	32.3	32.3	11.2	2.3
Southern & Eastern IE	107.8	44.8	5.1	181.8	n.a.	n.a.	133.4	20.6
Norra- Norland	1.6	149.9	48.9	51.2	78.8	**	16.5	35.6

Note: n.a. = not available (often investments were made in a given policy area, but these could not be calculated statistically because of differences of categorisation).

Source: Case study reports

Human resources vs. accessibility

As illustrated in Section 2.3 in Objective 1 and Objective 2 programmes during the programming period 2000-2006 considerable resources were invested in the areas of physical and human capital respectively. Evidence from case studies confirms this general tendency. Umbria, which concentrated 60% of its expenditure on human resources, represents a significant example of the strategies adopted by Objective 2 regions. The Objective 1 regions selected in this study (i.e. Galicia, Malopolska and Norra-Norland) reflect, on the contrary, the fact that European Objective 1 regions concentrated their investments mainly on transport infrastructure to improve their accessibility (nearly a quarter of the total Structural Funds expenditure under Objective 1). In fact, the high proportion of investment in accessibility in Galicia is representative of motorway/road network construction in Spain, which accounts for almost 60% of Objective 1 expenditure.

Environment

In the selected regions, the allocation of resources to investment in the environment reflects the general prioritisation applying at EU level.

Particular attention has been paid to the environmental sustainability of new infrastructure in the Galicia and Malopolska Objective 1 regions (around 10% of total expenditure), and in Southern & Eastern Ireland phasing-out Objective 1 region (around 20%). In these regions, Structural Funds financed infrastructure for water supply, waste management, sewage treatment, drainage systems, and projects for energy saving and use of alternative resources.

In Norra-Norland, the other selected Objective 1 region, the environment received a small share of the total budget (less than 1%), which was mainly allocated to measures within the forestry industry, whilst environment was also a major theme in other measures (e.g.

^{*}Data refer to the period 2004-2006.

^{**} Expenditure on rural and local communities was about €14.7 million.

^{***} Field of intervention receiving no expenditure through the Regional OP. Investment in Human Resources was carried out to a large extent through the National Employment and Human Resources Development OP 2000-06.

business investments which improve the environment, and tourism projects based on natural heritage and environmental protection).

In Objective 2 regions, large proportions of the total expenditure were also allocated to the environment. For example, in Umbria particular attention was given to environmental infrastructure and aid to SMEs.

In the France-Italy cross-border programme, investments in the environment represented a large proportion of the budget (around 20%), and were mainly focused on air quality and the protection of the natural heritage (which was also addressed through tourism measures), use of alternative sources of energy, and environmental infrastructure.

For the programming period 2007-2013, following the EU trends both in Objective 1 and Objective 2 regions, the selected regions in this study have increased the resources allocated to this area of investment, with important increases in Galicia, Southern and Eastern Ireland, Prague, Yorkshire and Humber, and Alcotra.

Innovation

The selected regions show proportions of investment in the area of innovation similar to EU averages (around 5% on average in Objective 1 and Objective 2 regions), except for two Objective 1 regions, Malopolska (where it accounts for around 19% of the budget) and Norra-Norland (around 9%).

For example, in the former region investment focused on the creation of a knowledgeeconomy through support to enterprises and the construction, development and modernisation of higher education institutions conducting teaching, scientific research and development activities.

In Norra-Norland, important support was given to R&D, building networks involving various actors such as enterprises and the university, through the support of applied research. In this region, this orientation is also confirmed for the period 2007-2013; in fact, more funds have been allocated to innovation, whilst both the Objective 1 and Objective 2 regions have also increased their allocated funds in this area, reflecting EU trends.

Business support

Our selected regions reflect the EU pattern in terms of allocation of funds to business support. In fact, Objective 2 regions (i.e. Umbria and Yorkshire & Humber) concentrated larger proportions of their expenditure on business support than Objective 1 regions (i.e. Malopolska and Galicia), although the latter allocated a considerable amount of money, in absolute terms, to this area of investment.

However, in the period 2007-2013 the general tendency at EU level is towards a significant reduction of funds allocated to this area, in both Objective 1 and Objective 2 regions.

Equal opportunities

In the period 2000-2006, investment in the area of equal opportunities had much larger proportions of budgets in Objective 2 regions than in Objective 1. However, this tendency is not confirmed in the analysis of the selected regions, since both the Objective 2 and Objective 1 regions have a small proportion of funds allocated to this area, except for the Southern & Eastern Ireland region (around 27% of the budget).

In fact, in the latter region, childcare support, to enable more women to participate in the labour market or in training/educational programmes, was an important theme of the 2000-2006 programme, while in the period 2007-2013, it is now funded through other public means rather than through the ESF.

At EU level, the equal opportunities area of investment has shown on average a reduction on the total budget in both Objective 1 and Objective 2 regions.

Urban regeneration

At EU level, both Objective 1 and Objective 2 regions allocated small proportions of resources to urban regeneration.

The selected regions of this study show that Objective 2 regions allocated larger proportions of resources to this area, but on average lower sums in absolute terms. In particular, Yorkshire & the Humber spent a proportion of resources that was double the Objective 2 average (around 16% of the total budget).

For the 2007-13 programming period, budget allocations to urban regeneration are slightly lower at EU level, and the selected regions seem to confirm this tendency.

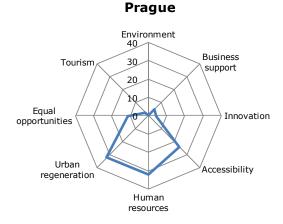
Tourism

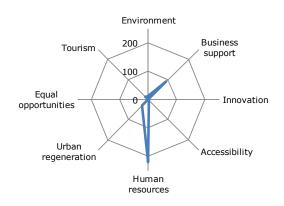
In 2000-2006, although tourism did not receive large proportions of the budget in Objective 1 and Objective 2 regions, at EU level investments in the sector were nevertheless thought to be strategically important. In the period 2007-2013, the allocations to tourism have decreased slightly.

The selected regions show similar patterns, except for Alcotra. In this cross-border area, during the period 2000-2006, tourism represented the largest proportion of investment (more than 50% of the budget), and interventions were aimed at the valorisation of cultural, historical and natural resources through, for example, the production of cultural infrastructure and studies. Tourism in the France-Italy cross-border programme in the current programming period also represents the largest area of investment, even if the amount of funds has decreased.

Figure 5: Structural Funds expenditure by policy area and region during the period 2000-2006 (Eur million)

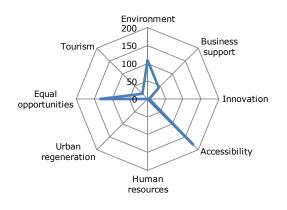
Prague Umbria

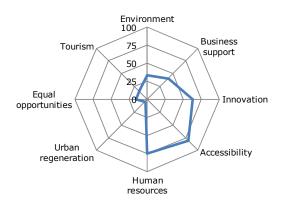




Southern and Eastern Ireland

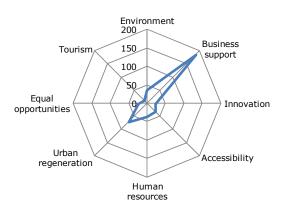
Malopolska

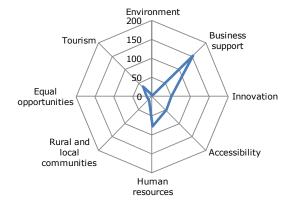




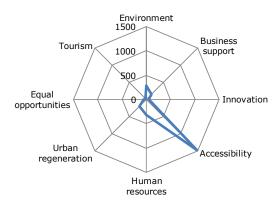
Yorkshire & Humber

Norra Norland





Galicia



Source: Case study reports

Selected measures by relevant policy area

Table 17 below displays one measure for each policy area, selected among the area of policy representing at least 80% of the total Structural Funds expenditure in each region; this measure has been chosen according to the relevance in terms of percentage of allocated funds of the total programme budget as well as financial performance (see below).

Table 17: Best-performing measures in terms of allocated funds and financial performance by policy area and region during the period 2000-2006

Region	Environment	Business support	Innovation	Accessibility	Human resources	Urban regeneration	Equal opportunities	Tourism
Umbria	Environmental infrastructure	Direct aid to firms			Human capital investment	Urban areas regeneration		Valorisation of natural, environmental and cultural resources
Malopolska	Environmental protection infrastructure	Enhancement of a knowledge- based economy business environment	Regional social infrastructure	Modernisation and development of regional transport system	Development of competencies linked to the regional labour market needs and lifelong learning			Development of tourism and culture
Galicia	Sewage treatment and drainage system			Roads and motorways	Fostering access to vocational training			
Yorkshire & Humber		Objective 2 investment partnership			People skills for new Objective 2 entrepreneurship agenda	Key employment location		
Prague		Improving the quality of partnership of the public and private sectors, non-profit sector, science and research		Transport systems supporting the transformation of the city environment				
Southern & Eastern IE	Rural water and waste management			Non-National Roads			Childcare	
Norra- Norland		General measures to support enterprise	Research and development	IT and transport infrastructure	Development of reindeer enterprise and Sami villages	Developing the countryside		Natural and cultural environment

Source: Case study reports

Box 7: Structural Funds spending in the France-Italy Cross-border Cooperation area

STRUCTURAL FUNDS SPENDING IN THE FRANCE-ITALY CROSS-BORDER COOPERATION AREA

The two cross-border programmes are funded by ERDF, through INTERREG in the period 2000-2006 and the programming objective of cooperation in the period 2007-2013. In the 2007-2013 period there has been an increase of resources in absolute terms (from €160.7 to €199.6 million: +15%) as well as in terms of budget as a proportion of GDP (from 0.020% to 0.024%).

It is worthy of note that the main programme objective for both programmes is to support cooperation for the development of the two cross-border areas (France and Italy), without any particular purpose of concentrating the resources on specific themes.

Although the ranking in terms of expenditure of the field of interventions remains the same between the 2000-2006 and 2007-2013 programming periods, there has been a substantial increase of resources towards the fields of accessibility, environmental and urban regeneration, human resources and innovation, to the detriment of tourism and culture, which, however, still have the largest share of the budget and the best financial performance.

Financial resources for accessibility have been significantly increased in the current period, even if they showed the lowest financial performance during the previous period. This slowness is attributed to the difficulties in starting and completing projects of infrastructure provision.

The best performing measures in terms of percentage of allocated funds and financial performance by field of intervention have been the measures financing the development of cultural infrastructure and studies (for example, Archéologie sans frontière au Col du Petit St. Bernard), the improvements of ICT infrastructure and studies (for example, the university degree in law and economics for the territorial development of cross-border areas), the expansion of environmental infrastructure, urban regeneration, study, research and public information (for example, the programming of a common action plan for the management of cross-border protected territory and carrying out priority operations), and the construction of new transport infrastructure, study and public information (for example, the definition, creation and production of a prototype of a cross-border information system for the identification, monitoring and management of dangerous goods).

Source: Case study reports

The following box gives examples of specific projects considered to be representative of the interventions supported by the selected measures above.

Box 8: Examples of specific projects

EXAMPLES OF SPECIFIC PROJECTS

So far, the description of the Structural Funds spending has given us an idea of the main expenditure headings and the associated main and best performing measures. However, to give a better idea about the typologies of financed interventions under these well-performing measures, we describe a specific project realised within each of the seven policy areas.

The following specific projects are chosen from a sample of projects considered most representative of each of the selected measures in each of the regions.

Environment: Aqueduct of the Meda Valle del Tevere (Umbria). This project is an intervention of water-cycle management, and has the aims of providing better and higher provision of water (possibly to substitute for mineral water), overcoming difficulties and discontinuity in water provision, and supplying the continuing and future increasing demand of water. The project will supply high-quality water to 50,000 inhabitants (250,000 in case of emergency).

Business support: Partnership Investment Fund (Yorkshire & the Humber). This venture capital fund for SMEs and social enterprises was established to improve access to loan and equity financial instruments to maximise firms' potential growth. It also has the strategic role of moving firms away from reliance on grant finance. It is an innovative example of financial engineering that provides different financial solutions (including equity) to meet different needs. However, the negotiation with a range of public and private stakeholders has not been easy to develop, in part because of a lack of administrative support.

Innovation: Malopolska centre for food monitoring and approval (Malopolska). The construction of this centre has the aim of providing better studies and information about the quality of farm and food industry products available on the market. The project primarily contributes to the development of university researchers and teachers, and will be able to expand its cooperation with industrial sector in the future. This will allow both the development of the scientific quality of the local university, and the implementation of quality assurance procedures and systems in the industrial sector.

Accessibility: Morrazo corridor (Galicia). This project consists of the construction of an 18.3-km high-capacity highway, which will allow significant reduction of the distances between the centre of Vigo (the main city in south-west Galicia) and the densely populated area on the north side of the Morrazo peninsula. This project aims to overcome traffic congestion that affects the links between the city and the surrounding area, thus resulting in a considerable saving of time and increasing accessibility.

Human resources: Galician Institute for Aquaculture Training (Galicia). This certified secondary education centre was designed to provide specific skills and capabilities in aquaculture-related activities, which is a key sector in the Galician coastal areas. Several courses have been set up, job searching of alumni has been supervised, and a matching programme has involved the main stakeholders and employers in the sector.

Urban and rural regeneration: Abbey House Youth Hostel, Whitby (Yorkshire & the Humber). This project had the aim of undertaking a restoration of this historical building situated next to Whitby Abbey. The restoration doubled the accommodation capacity, and enhanced the appearance and facilities, and thus the attractiveness, of the hostel. This project has also had an important impact on the local job market (10 existing jobs were accommodated and 55 new ones created), and the local economy (the new hostel is

estimated to be worth an extra one million pounds to the Whitby economy).

Equal opportunities: A gastronomy re-training course (Prague) will be focused on supporting small businesses. An existing community of immigrants makes products from their traditional cuisine and distributes them successfully, and free, to non-government organisations. They will be supported and provided with all the relevant knowledge and documents to be able to run an independent business as a catering company. The migrants will be trained in project administration and organisation, and will run courses for Czech people (e.g. making traditional ethnic products, languages, etc). All the courses will be free.

Tourism: S. Francesco, Civic Museum of Montefalco (Umbria). This project aimed to restore frescos in San Francesco Church, recover spaces in the crypt, and increase the exhibition space in the museum. The evaluation underlines that the interventions are desirable from an economic and social perspective, creating benefits and positive internal returns as well as an attraction for tourists. Furthermore, the number of tourists provides the necessary cash flow for the management costs.

Source: Case study reports

6. EFFECTS OF THE REGIONAL DEVELOPMENT PROGRAMMES

KEY FINDINGS

2000-2006

- Financial performance was variable, and depended in part upon the application of the N+2 rules. In Objective 1 and 2 programmes, committed expenditure was in line with planned expenditure for environment and human resources, and SME support, respectively.
- In the selected Objective 1 regions, the best performing areas of intervention were positively correlated with their share of funding in the total budget.
- There is no clear difference between ERDF and ESF performance, although in some cases (Malopolska and Yorkshire & the Humber) ESF interventions encountered some problems. Certainly, it should be considered that ERDF and ESF investments have a different nature, and their assessment might require differentiated approaches and time-horizons.
- Despite measurement difficulties, leverage effects appear to have taken place throughout the case studies.

2007-2013

- In most of the selected regions, the expected best performing area of investment are those that receive larger proportions of funds.
- Efforts have been made to increase the programmes' efficiency (for example, through the simplification of administrative procedures, a better definition of monitoring indicators, and the improvement of the final beneficiaries' awareness regarding administrative issues).
- The introduction of innovative instruments will give a additional support to Member States to prepare major projects (JASPERS), to introduce new forms of assistance to businesses (i.e. venture capital, loans, guarantees, equity and seed capital) to replace old form of financing through grants (JEREMIE), and to set up new joint initiatives to support Structural Fund recyclable investment and sustainable development in urban areas (JESSICA). Overall, this is to ensure more responsibility and effectiveness in the management of projects.
- Some possible difficulties are already foreseeable, generally linked to the current state of the macroeconomic cycle, which might prevent private economic actors from participating actively in the interventions through co-financing, in certain areas in particular (e.g. innovation and R&D). Other technical difficulties might arise from the reorganisation of the funds, as well as from changes of Objective which imply an adjustment in the programming process.

This chapter aims at providing an overall assessment of the performance of the financed programmes, providing (where possible) some generalisations based on the case studies that are representative of different socio-economic characteristics as well as Structural Fund spending. Both the past programming period (2000-2006) and the current programming period (2007-2013) are analysed to understand the evolution and innovation of the programmes.

6.1. Effects in the 2000-2006 period

Financial performance

With regard to financial performance, expenditure on a number of measures was less than the original allocation of funds, while others exceeded it. In part, this is because changes of emphasis were made during the programming period, and transfers of funds occurred in response to, for example, mid-term evaluation, and the failure of the ESF programmes to meet the N+2 targets.

At EU level, transport in Objective 1 regions accounted for about 26% of total expenditure overall, compared to 20% of planned expenditure. However, in Objective 1 regions investment in the areas of environment and people were in line with the planned expenditure, or slightly lower.

The same is true for support measures for SMEs in Objective 2 regions. However, there are some Member States where expenditure on infrastructure and resources was far below the target expenditure (e.g. Greece), and this might be in part attributable to a lack of administrative capacity.

Furthermore, the interpretation of data for New Member States with regard to actual expenditure might be somewhat misleading. In fact, given the shortness of the programming period 2004-2006 and the initial situation of these areas, it might have required more time to develop the requisite expertise. Nevertheless, the picture is quite similar to other Objective 1 regions.

The case studies analysed in this report show that Galicia has the best financial performance, considering all the measures (i.e. no Galician measure show a level of expenditure below 72% of the original allocation, and a significant part of Galician measures, especially infrastructure, are above 100%).

Umbria has the lowest financial performance in tourism, while the other measures performed well. Yorkshire & Humber had the worst performance in the measure for the support for social enterprises and community businesses, whilst business support to SMEs had the best performance. The region of Prague had the lowest level of financial performance in support of the information society, and the best in social services.

Best-performing policy areas

Firstly, we examine the policy area in which investments seem to have performed better within the regional development programmes, and ask whether the effects cover all the fields or were concentrated. Performance is assessed here according to the traditional evaluation criteria (output results, impact when available, and financial performance). This exercise is particularly useful as it can shed light on the relationship between the best performing fields of intervention and the different regional development programmes

(characterised by different priorities) implemented in regions with different socio-economic characteristics.

Galicia and Malopolska, two of the Objective 1 regions that have been analysed, show a general tendency of greater positive effects in the areas of accessibility, environment and human resources. In Galicia, in addition to these areas investments in R&D had very positive effects, considering the financial performance and the outcome indicators of the projects together. However, few resources were allocated to innovation.

On the other hand, in both Galicia and Malopolska, good performances in accessibility (the area that received the largest share of resources in both regions), human capital (which received the second largest share of resources in both regions), and environment (which received approximately 10% of the resources in both regions) have contributed positively to transport infrastructure endowment, the implementation of important training and educational courses, and environmental infrastructure (e.g. waste and water management). Disregarding their individual characteristics, these are two lagging regions in the EU-15 and New Member States respectively, and these important improvements in those areas of intervention have contributed to the reduction of the gaps with respect to the EU average in these fields.

Southern & Eastern Ireland, under an Objective 1 phasing-out regime, also performed well in terms of delivering transport infrastructure, environmental measures, and in the childcare measure (that was introduced under the social inclusion priority, and was particularly important in terms of impact on Irish social policy). These three areas of investment (accessibility, environment and equal opportunities) had the largest share of funds, accounting together for about three-quarters of the total budget, and showing very good financial performance.

The Objective 2 region of Yorkshire & the Humber achieved a good performance in the Priority "Supporting Community-led Economic and Social Renewal", which saw good results in terms of areas of land developed, numbers of unemployed people trained, people achieving progress towards vocational qualifications, capacity-building training projects, numbers of research/labour market analysis projects, ICT, environmental and transport initiatives assisted, number of people accessing ICT, and numbers of networks and organisations assisted. Prague, the selected Objective 2 region in the New Member States, appeared to perform equally well in all the fields considered, with few differences between them.

In Umbria a great emphasis was put on supporting the competitiveness of the region, supporting SMEs, and the attractiveness of the territory. Large investments were committed to a business zone, with the double aims of attracting new investment and providing a friendly environmental location for the local SMEs.

The cross-border cooperation programme between France and Italy has basically reached the targets at the end of the implementation phase, with good performance in the measures of tourism and culture, human resources and environment (which actually reached more than the target measures), which together account for about 40% of the budget. Some areas also encountered some difficulties, because of the typologies of investment (e.g. transport infrastructure) which usually require longer times for completion.

Best performing instruments (ERDF/ESF)

The fact that the project maturity period is different for each type of investment poses some problems in the determination of the best performing fields of investment, as well as in the comparison between ERDF and ESF performance. Furthermore, concerning the latter comparison, the results of the case studies do not point to a clear conclusion.

ERDF spending is more concentrated on long-term projects such as infrastructure, which are more likely to come up against planning, management and partnership problems because of the larger-scale nature of the projects, and thus their completion can be deferred over some years.

Abstracting from the nature of the projects, the ERDF and ESF performed in a similar way in the selected Objective 1 regions of Galicia and Norra-Norland. However, in Malopolska, the other selected Objective 1 region, the ESF presented some problems in the implementation of social projects, linked to the lack of experience of the beneficiaries; there were also some problems in the monitoring and evaluation process. In these regions the ERDF share of the total budget was higher (much higher in Galicia) than the proportion of ESF, however; thus at aggregate level it does not appear that absorption problems occurred.

In the selected Objective 2 regions, there are differences in terms of performance between ERDF and ESF. In Yorkshire & the Humber, the ERDF performed better financially than the ESF in Objective 2; in fact, the ESF's N+2 targets were met in the most recent Annual Implementation Report, but this was the first time for three years.

The ESF performed well and promoted successfully the employability and adaptability target in Umbria. The ERDF was also satisfactorily implemented, especially in providing tools for urban regeneration and business infrastructures.

Unexpected effects

The description of the best performing fields of investment and the comparison between ERDF and ESF performances do not, however, indicate the possibility that some unexpected effects (both positive and negative) occurred. Furthermore, the analysis of the case studies does not allow identification of the same unexpected effects across regions, even across regions receiving funds under the same Objective.

For example, some positive unexpected effects took place in Malopolska, where the government authorities showed a huge interest in the accessibility projects (particularly road construction), in Umbria where the investment in water cycle intervention was double the expected expenditure, in Norra-Norland where there was an enthusiastic support for broadband expansion as well as good cooperation between organisations (involving two general universities), or in the cross-border programme between France and Italy where some indirect positive effects occurred regarding cooperation and integration of stakeholders and institutional bodies of both countries.

On the other hand, unexpected negative effects occurred in some of the selected regions; for example, in Malopolska, there was little interest from entrepreneurs in implementing innovations, in addition to too-complicated procedures for the financial settlement of projects. In Norra-Norland, ESF measures for staff training were not used at all by enterprises in the tourism and hospitality industry, although substantial needs were perceived (even though some training took place within ERDF-funded projects).

Leverage effects

Another useful factor for the assessment of the effects of Structural Funds interventions is the capacity to trigger private investments. Structural Funds interventions follow frameworks of planned structural development of geographical areas and fields of investment. Their capacity to attract private investments can yield some lessons. On the one hand, this can shed light on the validity of the planned interventions. Indeed, private economic actors sometimes have a better knowledge of the real interventions needed to stimulate the economic engines than the planning authorities do. A positive and important attraction in some particular projects might thus mean that those interventions were at the core of the actual barriers that economic actors actually encountered.

On the other hand, low participation of private investment might indicate that whilst private investors might approve (and consider necessary) the Structural Funds interventions in the planned areas, nevertheless the planned expenditure of public funds might seem sufficient, and thus there might not be further need for private investment.

A third possibility is that it might simply be the case that Structural Funds interventions did not receive enough exposure. Lack of information might explain the absence of leverage effects on private investments.

Finally, leverage effects might not be directly linked to the fields of interventions financed by Structural Funds, but it might be the case that private investors raise their investments because they want to take advantage of the stimulated economic environment.

The selected case studies indicate that there is an underlying substantial positive leverage effect, even if there are some difficulties in measuring this impact. However, the direct participation of private investors in co-financed projects is per se an indication of positive leverage effects.

It is more difficult to have a measure at aggregate level. Structural Funds interventions might stimulate the economic cycle, and eventually lead to higher rates of economic growth that spur private investments. This is a virtuous circle of investment. Sometimes, probably more realistically, virtuous process might be concentrated on particular fields or economic sectors.

Effects on the modalities of policy making

Generalised positive effects across the selected regions seem to be associated with the improvement of modalities of policy making. In fact, gaining expertise in dealing with Structural Funds has led to the improvement of strategic planning, monitoring, and practice of evaluation, as well as to the development of cooperation and coordination between administration levels and authorities.

This is the case, for example, in Umbria, where ERDF and ESF allow the regional authorities to have full ownership and autonomy in programming regional development. Due to the availability of resources, the regional authorities can develop their own vision and policy in different fields, from the industrial sector to environmental and urban planning. Structural Funds allow also experimentation with new modalities of policy implementation (as in the integrating programmes).

In Malopolska, the use of the Structural Funds in 2004-2006 improved the quality of governance in the region. It affected both the political sphere (executive and law-making bodies) and the administrative one (offices). The competencies of regional government in the area of programming and public policy analysis have also increased. Designated evaluation units and methods of programme development and management are being improved, with concomitant efforts targeted at improving the project selection process. Four observatories have been established to monitor the situation in some areas.

Another example is the link between the Objective 2 programme of Yorkshire & the Humber with the South Yorkshire Objective 1 programme. This link was enshrined in the common chairmanship of the two Programmes' Monitoring Committees and a shared European Strategy Board (led by the Regional Development Agency, Yorkshire Forward). Furthermore, it was consolidated through a joint approach to the Mid-term Evaluation of the Structural Funds Objective 1 and 2 Programmes, and the establishment of a single Evaluation Steering Group chaired by Yorkshire Forward. Such a combined approach was found to fit well with the wider intelligence frameworks established at regional level through Yorkshire Futures, the regional intelligence-gathering network for the Yorkshire and Humber Region.

There are many strategic documents in the Czech Republic, but they are not usually followed. Decision-makers in Brussels strongly influenced the creation and setting of a National Strategic Reference Framework. In addition, the Prague development plan was checked and commented on many times by the EU to ensure the programme settings corresponded to the strategy, whilst formulating the programme.

6.2. Expected effects in the 2007-2013 period

The reform of the Structural Funds, which took place at the beginning of the current programming period (2007-2013), has brought some changes in programming, partnership, co-financing and evaluation, in the light of linking cohesion policies with the Lisbon process in order to spur higher economic growth and increase the number of jobs in lagging areas.

The reform aims at a more strategic approach for programming, the introduction of more decentralised responsibilities for partnerships (involving multi-level authorities), the reinforcing of the performance and quality of programmes through a transparent partnership and more effective monitoring mechanisms, and the simplification of the management system, ensuring sound financial management.

Most effective expected programmes

The first question addressed is about the programmes financed during this programming period which are expected to be the most effective. There are high expectations for all the analysed regions, and most of the successful programmes are those that performed well during the programming period 2000-2006 (that are also those that received the largest proportions of funds, especially in the Objective 1 regions).

In fact, Malopolska and Galicia are expected to have good performance in the areas of transport and environment infrastructure, and human resources. In addition, Malopolska is expected to perform well in tourism, and Galicia in the investment area of technological capital (ICT, R&D and innovation).

Yorkshire & the Humber and Prague (two of the selected Objective 2 regions) are expected to perform better in those fields that receive larger shares of funds. In particular, in Yorkshire and the Humber, the field that is perhaps likely to be most successful is business support for SMEs. Both the other priorities (innovation and sustainable communities) have shown particular difficulties in the past. Innovation and R&D have been characterised for a long time by lower levels in the region than nationally. Investments in these areas can be risky, and may take a long time for positive impacts to materialise.

For Prague, the fields that are expected to perform better are ICT, research and development, support to entry into the labour market, and further education of employees in enterprises. Those fields receive more or less equally large proportions of the total budget.

At the same time, the other Objective 2 region analysed (Umbria) is likely to have good performance in the areas of urban development, innovation, accessibility, ICT and environment, although human resources is the area to which most of the budget is allocated. In this case it is worth mentioning the aim of building linkages between the SMEs and university and research centres.

For the cross-border cooperation programme between France and Italy, the global aim is the improvement of the quality of living. To this end, the main expected effects concern environment and urban regeneration, tourism and culture, and human resources. These areas have larger proportions of the funds, and together receive almost three-quarters of the total budget. Other priorities concern legal and administrative cooperation, equal opportunities, the utilisation of information technologies to create cooperation synergies, training, and knowledge of foreign languages to reduce the national and physical barriers.

Changes in ERDF/ESF interventions compared to the 2000-2006 period

Comparing the innovative features of the current programming period in terms of ERDF and ESF interventions, the selected regions show changes, some of which are influenced by the lessons learnt from the past.

For example, in the Objective 1 region of Galicia priority has been given to innovation and R&D support, the reinforcement of human resources interventions, and the improvement of monitoring and evaluation. These changes are shown both in terms of strategic reorientation and corresponding concentration of resources, and in the implementation of novel management practices. All these changes are a result of learning from past experiences, making clear the necessity for increasing support to production sectors and the framework that sustains them, especially in terms of R&D, the reinforcement of lifelong learning and specific training for the unemployed, as well as guidance and consultancy for job searching and job placement. Other lessons from the past have also shown the need for the promotion of renewable energies, the management of hydrological resources, and an increasing competition among the different transport systems. These priorities have been matched with continuous allocation of large proportions of investment in these areas. Furthermore, the Galician ERDF programme for 2007-2013 also includes a project to regenerate the historical centre of Lugo, which is one of the seven main cities in Galicia, a city that boasts a well-preserved Roman defensive town wall and has been accredited as a World Heritage Site by UNESCO.

In Norra-Norland, the most noticeable feature of the 2007-2013 programme is the exclusive focus on enterprise, and the greater focus on those projects that produce concrete results. In the previous programming period there were many small projects, often financed by the ESF. In the current programming period, there appears to be a concentration on larger projects. There is greater opportunity for a better allocation of resources, due to new national rules that permit different groups of workers in an enterprise to be targeted with different types of tailor-made training. Furthermore, there has been a change in programme management, which has been moved from the Regional Government Office to NUTEK (the Swedish Agency for Economic and Regional Growth). New interest is also concentrated on cross-border cooperation. The latter is partly due to the generous allocation of INTERREG resources to the region through INTERREG A and B, whereby Norra-Norland can participate in both the Baltic and the Northern Periphery programmes. A large number of applied research projects has already been selected for funding, most of which involved collaboration with enterprise.

In Southern and Eastern Ireland, there is a greater concentration of funding on innovation and R&D through the involvement of stakeholders such as universities and institutes of technology.

Umbria has introduced integrated packages of aid (PIA) and multi-measure interventions (INDUSTRIA) for its Objective 2 regions. These new incentives complement the previous ones in a systematic way, and represent an improvement in tools for analysis, which should promote innovative private investments. Generally, e-government and firm support are creating the basis of the future growth of ICT in Umbria, both in the private sector and in public administration. The integrated approach changed the traditional utilisation of the ESF, whereby the ESF is used as a tool of support to achieve a positive match between labour demand and supply. Since 2004-2005, the region has invested in the quality of active labour market policy. Before launching training interventions in the period 2007-2013, a study was carried out analysing the needs of firms and the labour market.

Another important aspect was the network created with the University. Indeed, in the period 2000-2006, the Umbria region began financing research grants. This was a great success, and the region decided to continue the same mode of funding. Furthermore, in the previous programming period, Complex Urban Programmes (PUC) proved to be very effective vehicles of investment, enhancing the quality of life. On the basis of this, in 2007-2013 Umbria decided to launch a more ambitious initiative, the Contracts of District, as a natural development of PUC. The Contracts of District pay greater attention to social and environmental elements, and encourage more active participation by citizens.

Another Objective 2 region, Yorkshire & the Humber, has instead made greater use of financial engineering, especially in the area of social and community enterprises.

In Prague, however, the main innovative features concern the ESF. In Prague, an integrated active employment policy has been introduced, with social integration and equal opportunities accommodated within a single priority; the adaptability and entrepreneurship areas have also been changed, and focused more directly on the development of human resources. In 2007–2013, there is also a much higher allocation to further professional development and training for the employees of not-for-profit organisations.

Innovative features of the programme and innovative instruments

The main changes introduced to increase the programmes' efficiency are the simplification of complicated administrative procedures, the specification of definitions of monitoring

indicators, and the raising of awareness among final beneficiaries regarding administrative issues. Some of these changes, especially those addressing the complications of implementation and administrative difficulties, are an attempt to address some of the difficulties encountered in the past.

During this programming period, the Commission has entered into partnership with the EIB (and EBRD) to reorganise the Structural Funds interventions through the introduction of financial engineering instruments to ensure that the new generation of programmes are as successful as possible. Indeed, special technical assistance facilities have been created to bring together all the sources of expertise to help Member States to prepare major projects (JASPER), together with new repayable and recyclable forms of assistance to businesses (i.e. venture capital, loans, guarantees, equity and seed capital) to replace old form of financing through grants (JEREMIE), and a new joint initiative to support Structural Fund recyclable investment and sustainable development in urban areas (JESSICA).

The need for financial engineering initiatives to be established is not only to ensure more responsibility and effectiveness of project management, but it is also even more imperative in the light of current failures in the commercial banking sector. Thus an overview of the more innovative features of the programmes and financial instruments, and their effect on the programmes, can shed light on an important aspect of the expected impact of the new programming period.

The case study reports indicate that a number of regions are planning to use these innovative instruments. For example, Galicia has planned to use the JESSICA instrument in order to foster projects in urban regeneration. In this respect, the new URBANA project should benefit from the experience gained in the former URBAN community initiative.

Malopolska is especially interested in implementing the JASPERS initiative. Starting in 2009, this will govern the regional government's project, the Malopolska Broadband network, and a City of Krakow project, the construction of a conference centre. Moreover, there is a study (currently being conducted for Malopolska and three of Poland's other regions, with the approval of EIB) into the possibility of implementing the JESSICA initiative in these voivodships. In the Objective 2 region of Yorkshire & the Humber, there is interest in establishing a JEREMIE initiative; in addition, there is likely to be loan capital available from the legacy fund of the Private Investment Fund (PIF) of the 2000-2006 period.

A greater emphasis is now being put on the need for integration among funds and among interventions. In this context, in Umbria the new OPs for ESF and ERDF are bridged by cross-cutting thematic measures. Different actors are asked to join together in projects for urban/rural development (private and public) or business research projects (university and SMEs).

7. EFFECTIVENESS IN OVERCOMING OBSTACLES TO REGIONAL DEVELOPMENT

KEY FINDINGS

- Concerning both the selected Objective 1 and Objective 2 regions, the programmes seem to have been coherently designed to remove barriers to regional development. They were consistent with the needs and the socio-economic performance of the regions.
- Structural Funds interventions were especially effective in removing obstacles to regional socio-economic development in Objective 1 regions, such as programmes focused on improved accessibility.
- In Objective 2 programmes, Structural Funds interventions tended to concentrate on strengths and assets rather than on weaknesses. They focused on the endogenous capacity of regions (local business, natural heritage, etc).
- There were positive effects of the programmes on employment and job creation, even if there were differences in the significance of impact of the created jobs with respect to the size of regional labour markets.
- Structural interventions were sometimes found to fail to tackle intra-regional disparities. This is in part due to a lack of evidence, and in part to the fact that such disparities are the products of deep-rooted and complex factors that are difficult to change quickly.

The objective of this chapter is to assess the coherence of the programmes with respect to the regional contexts, and identify the ways in which the programmes endeavoured to tackle obstacles to regional development. The chapter examines whether there was a match between the programmes' interventions and the needs of the regions. It also looks at the impact of programmes in macroeconomic terms (on employment and growth), and addresses the issue as to whether the impact of the interventions has actually contributed to reducing the socio-economic disadvantages of the selected regions.

The effectiveness of the programmes' strategy in removing barriers to regional development

This section examines whether the programmes' strategy was coherently designed to remove barriers to regional developmen, whether the envisaged impact of the intervention was consistent with the needs of the region, and whether the policy areas covered by the programmes were consistent with the social and economic context of the region.

Concerning the selected Objective 1 regions (Galicia, Malopolska and Norra-Norland), the programmes seem to have been well designed to meet the regions' needs, mainly through the improvement of infrastructure (both transport and environmental). Some examples can be highlighted. In Galicia, to respond to the poor accessibility and sparse population, as well as the low level of ICT accessibility, there was considerable funding of transport infrastructure and the development of ICT infrastructure. Similarly, in the other Objective 1 region of Norra-Norland, the most important problem is sparse population and remoteness.

Interventions focusing on airport improvements and extensive broadband installations have made a difference, particularly in inland areas, but could not overcome all problems caused by remoteness, such as living 100 km from the nearest shop/school/surgery/work place.

In Malopolska, likewise, the low quality of transport infrastructure, accessibility to internet broadband, and poor labour market performance, together with the low demand for innovation, were tackled by Structural Funds interventions.

Positive effects occurred also in the increase of human capital endowments, ICT, and R&D and innovation resources, to narrow the gap (still very high) with European averages and benchmarks. Above all, it is worth noting that those "hard" interventions have had an important impact – even if there is not clear and shared evidence - on the macroeconomics of the region. As in Galicia, improvements occurred in employment rates, which is one of the major issues there (see below).

In addition, Structural Funds interventions targeted on Objective 1 regions addressed other recognised structural weaknesses, such as the labour market performing poorly, by improving access to vocational training and combating unemployment and the deficit in environmental infrastructure.

In Tables 18 and 19, a synthesis of the interventions on key issues for development is presented for the most strategic policy areas addressed in each programmes. The two tables present findings for Objective 1 and Objective 2 programmes respectively.

Table 18: Responses from Structural Funds to the main obstacles/challenges faced by Objective 1 regions

Eastern and Southern IE	Structural Funds Responses	· Local environmental infrastructure · Rural water · Waste management · Environment was a horizontal	
Eastern and	Obstacles/ Challenges	Need for improved protection of surface and ground waters Inadequate focus on environmental protection	
lorland	Structural Funds Responses		Enterprise networks University leading graduate programmes for SMEs Training programmes and other support for new entrepreneurs Joint marketing by new sector and area networks
Norra-Norland	Obstacles/ Challenges		Low proportion of SMEs Low rate of new enterprises Difficulties for small enterprises to reach markets
olska Norra-Nor	Structural Funds Responses		
Malopolska	Obstacles/ Challenges		
Galicia	Structural Funds Responses	 Building water supply and sewage treatment plants and waste management projects Building and upgrading energy networks Development of renewable energy energy efficiency 	
Gal	Obstacles/ Challenges	Deficit in environmental infrastructure Deficit in public utilities Energy dependence on fossil fuels	
Region	Fields of intervention	Environment	Business support (direct aid to SMEs)

Eastern and Southern IE	Structural Funds Responses		Building non- national roads Improving links to strategic transport infrastructure - E-commerce and communica- tions	
Eastern and	Obstacles/ Challenges		· Emerging physical infrastructure gaps in some areas, resulting in hidden costs from congestion, and rising commuting times and distances · Very low levels of uptake of broadband by SMEs	
lorland	Structural Funds Responses	· Projects awarded to 3 universities to do research with direct applicability to local industry · Creation of local enterprise/ university networks · Graduate mentoring schemes in firms	Development of broadband Improving regional airports Investment in rail services for goods traffic Investment in passenger rail services	New university courses Some delivered in inland communities New further education college in
Norra-Norland	Obstacles/ Challenges	· Low spending on R&D · Considerable sceptical attitudes towards universities among SMEs	Vast distances between settlements Long distances to main markets Extremely limited rail passenger services	Low tertiary education Skills gaps in enterprises, particularly new hi-tech industries
Malopolska	Structural Funds Responses	· Promoting the need to improve innovativeness of businesses and the regional economy	· Improving the condition of roads · Improving accessibility of broadband Internet	· Increasing vocational mobility of residents · Increasing labour flexibility
Malop	Obstacles/ Challenges	 Low demand for research and innovation 	Low quality of roads Limited accessibility of broadband Internet, especially in rural areas	· Insufficient response of regional labour force to the market needs. · Long-term unemployment, poverty and social
Galicia	Structural Funds Responses		· Building transport infrastructure infrastructure Society: instigating ICT infrastructure, institutional, entrepreneurial and personal access to ICT and digital services	 Upgrading educational centres. Facilitating access to vocational training. Offer job placement
Gal	Obstacles/ Challenges		· Low accessibility and dispersion of population · Deficit in transport infrastructure · Deficit in technological infrastructures and low penetration of ICT in firms and	· Low levels of tertiary education · Low R&D-linked employment · Low employment rates and high
Region	Fields of intervention	Innovation	Accessibility (Transport and ICT)	Human resources (vocational training/ education)

Southern IE	Structural Funds Responses		· Increase childcare provision through capital expenditure and improve quality of childcare	through training of childcare workers and establishment of support networks for childcare
Eastern and Southern IE	Obstacles/ Challenges		· High levels of economic and social exclusion in some areas · Need to increase female	participation In rural areas, women's lack of access to training and employment opportunities, and lack of childcare
lorland	Structural Funds Responses	automotive technology • Distance learning, with centres also in rural communities • Tailored hi- tech training		
Norra-Norland	Obstacles/ Challenges			
Malopolska	Structural Funds Responses			
Malop	Obstacles/ Challenges	exclusion.		
cia	Structural Funds Responses	opportunities to the unemployed and young people . Fighting long-term unemployment and job reinsertion		
Galicia	Obstacles/ Challenges	unemployment rates		
Region	Fields of intervention			Equal opportunities

Source: Case study reports

The selected Objective 2 regions focused on their strengths rather than just addressing their weaknesses. As an example, in Umbria the programme tried to consolidate the unique natural and cultural heritage through the regeneration of small medieval towns and the restoration of museums and castles. In addition, Umbria focused on typically active entrepreneurship in order to attract investment, and promoted collaboration between small firms on specific issues (e.g. innovation or research). It also tried to improve the functioning of the labour market through increasing employability and accessibility.

Yorkshire and Humber focused on local business, directly assisting SMEs by supporting employment training and skills development (especially in high-tech sectors), and promoting the establishment of new businesses and start-ups, while trying to reduce the reliance of the region on traditional manufacturing.

In the Objective 2 region of Prague, a highly urbanised area, the programme interventions contributed most to the improvement of the city's public transport system.

Finally, in the France-Italy cross-border area, the Structural Funds financed, among other things, interventions to reduce natural risk and preserve the environment, improve labour market accessibility, reduce the imbalance between urban and peripheral areas, and support the development of attractiveness to tourism.

Table 19: Responses from Structural Funds to the main challenges faced by Objective 2 regions

Region	Yorkshire &	Yorkshire & the Humber	Umbria	oria	Pra	Prague	Cross-border France-Italy	France-Italy
Fields of intervention	Obstacles/ Challenges	Structural Funds Responses	Obstacles/ Challenges	Structural Funds Responses	Obstacles/ Challenges	Structural Funds Responses	Obstacles/ Challenges	Structural Funds Responses
Environ- ment			· High level of natural and technological risks · Many environmental resources	Sustain firms in environmental protection and quality promotion regeneration of polluted or abandoned areas			· High exposure to natural and technological risks · Presence of protected areas and provision of renewable energy sources	Common action plan for management of the cross-border protected territory and carrying out priority operations
Business support (direct aid to SMEs)	Continuing reliance on traditional industries Low business stock, start-up and survival rates Low employment in high-tech sectors, and declining in manufacturing	· Support entrepreneurship · Improving the competitivenes s of companies by helping them adapt to changing customer demands · Assisting SMEs though training and skills development · Support small businesses	· Economy is scarcely integrated, with many small firms specialised in traditional sectors Good conditions for attraction of foreign investments.	· Sustain business competitivenes s				
Innovation					unproving the quality of partnership between the public, private, and non-profit sector, science, and research Interconnecting universities and science-research workplaces	· Partnership between public and private sector and R&D, creating new/upgraded R&D facilities and new business premises/ centres		

Region	Yorkshire &	Yorkshire & the Humber	Umbria	oria	Prague	ane	Cross-border	Cross-border France-Italy
Fields of intervention	Obstacles/ Challenges	Structural Funds Responses	Obstacles/ Challenges	Structural Funds Responses	Obstacles/ Challenges	Structural Funds Responses	Obstacles/ Challenges	Structural Funds Responses
Accessibil- ity (Transport and ICT)					· Transport systems supporting the transformation of the city environment	· Construction works, city transport improvement		
Human resources (vocational	· Low proportion of workforce in high-tech sectors and tertiary education	· Investing in reducing social exclusion and addressing constraints including low			· Ensure the creation and functioning of open, sufficiently structured	Increasing employment, fighting long-term unemployment Creation of IT programmes.	· Increase of youth unemployment and unstable iobs	· University specialisation course for the territorial development of cross-border areas, and
training/ formation)	· Low levels of skills and qualifications in parts of the region	levels of skills and confidence · Training and skills development			labour market Development of initial education	and improving education of children with special learning needs	· Cross-border research projects	other education projects · Projects for labour market accessibility
Urban re- generation	Areas of high deprivation persist Inability to attract investment in parts of the region	Reducing social exclusion and addressing constraints including the decline of the industrial base and environment degradation Addressing the underperformance of key centres, the drift of services from market towns, and the failure in exploiting key coastal settlements	Demographic growth in bigger towns High quality of life and of provided services	· PUC and urbanisation interventions			· Increase of the strong imbalances between urban and peripheral areas · Valorisation of medium-sized towns and the network of urban centres	· Urban regeneration interventions to balance urban development

Italy	Structural Funds Responses		Cooperating centres 47 new cultural itineraries Increase of common cultural events
er France-	Structu Resp		
Cross-border France-Italy	Obstacles/ Challenges		High attractiveness to tourism and opportunity of supply diversification . Low coordination and integration in tourism and territorial
Prague	Structural Funds Responses	· Providing services and access to education to specific groups and immigrants	
Pra	Obstacles/ Challenges	· Integrate specific groups at risk of social exclusion.	
bria	Structural Funds Responses		 Interventions in cultural and environmental fields
Umbria	Obstacles/ Challenges		· Competition of neighbours that are more connected to the global markets · Cultural, historic and architectural resources
Yorkshire & the Humber	Structural Funds Responses		
Yorkshire &	Obstacles/ Challenges		
Region	Fields of intervention	Equal op- portunities	Tourism

Source: Case study reports

Clearly, those are examples for the most important policy area for each region, but overall it seems that Structural Funds interventions responded well to the obstacles and the challenges in the selected regions. It seems that regions in both Objective 1 and 2 programme areas had a strategy consistent with the local needs. The noticeable difference was that regions with Objective 1 programmes invested more in directly improving physical accessibility by means of infrastructure, while Objective 2 focused on the endogenous capacity of the regions (local business - natural heritage). This was due to the different allocation of financial resources. It is possible to assume that a further and greater effort to concentrate resources on the strengths could have produced even greater effects in Objective 2 Regions.

Impacts of the programmes on the regional economy

With regard to the impacts of the programmes, it is also important to understand whether there was a significant contribution to the regional economy as a whole rather than on specific issues.

The programmes were designed to tackle a few specific general objectives, such as increasing the number of jobs and improving labour employability, as well as contributing to the reduction of intra-regional disparities.

In general it is difficult to assess the number of new jobs created by single programmes, both at sub-regional and regional level, partly because it is too early to capture these effects. More importantly, however, this is because of the lack of appropriate data, which poses difficulties in disentangling the specific effects of the programmes on wider socio-economic issues. Thus it is difficult to assess the impact of programmes in economic terms. In Galicia, the HERMIN macro-econometric model was used in the mid-term evaluation to estimate that 26,000 jobs had been created. This meant a reduction in the unemployment rate of 1.31%. The number indicated in the Galicia IOP Annual Report (2007) fits relatively well with the econometrically estimated values without taking into account demand-side and non-permanent effects.

In the Malopolska regional programme, it is difficult to estimate changes in the labour market because a wave of emigration in search of work abroad has intensified, as have the dynamics of economic development. Both factors contributed to the fall in the rate of unemployment in the region.

In the other Objective 1 region, Norra-Norland, the results for maintained and created jobs declared by projects look impressive, and have in many priorities exceeded targets, but authorities, project promoters and evaluators agree that the figures are not reliable.

In the Eastern and Southern Ireland programme, in employment and human resources, 12,800 new jobs were created and 44,000 people were trained under the micro-enterprises measure delivered by the 22 City County Enterprise Boards.

Similarly, in the Objective 2 case study regions selected, the measurement poses difficulties for the assessment of the effects on employment. However, in Umbria and Yorkshire & the Humber it seems that the programmes had significant effects on local employment. In Prague, on the other hand, the number of jobs created seems not to be important relative to the size of the economy. It is also important to mention the different economic dynamics of the three regions. While Umbria and Yorkshire and the Humber are

declining industrial areas (with increasing job losses; the latter region having a booming service sector), Prague was at that time an expanding economy.

Effectiveness of the programmes in removing intra-regional disparities

Removing intra-regional disparities is one of the parallel objectives of Cohesion policy, and although Structural Funds interventions have positive effects on the economy, they sometimes fail to tackle this problem.

The Galician IOP has, as one of its final goals, balancing the Galician territorial structure. Some actions have been undertaken in the framework of specific coherent territorial and functional units ("Comarcas") and the deepening of economic and social integration with the north of Portugal. In the current programming period, a new policy to balance the territory has been launched through a new plan of territorial rebalance. The closure of the transport infrastructure network has had spillover effects on the entrepreneurial development of the main agglomeration centres in the Galician landlocked areas. The development of rural tourism has also helped to reduce inter-regional disparities.

In Malopolska, the OPs reflect the need to reduce intra-regional disparities. In fact, they incorporate the objectives of integrating Western Malopolska with the other parts of the region, reducing the disparities between Northern Malopolska and the rest of the region (Northern Malopolska is predominantly agricultural, with an underdeveloped industry and a lower tourism potential), and taking advantage of Krakow's dynamic development in the development of the entire region. Some difficulties faced in permanently reducing social exclusion in particular areas were highlighted in the mid-term evaluation. Little discernible improvement in urban areas was found, while disadvantage and polarisation seemed to be continuing.

In the Prague region, the programme contributed to reducing intra-regional disparities. The European Commission awarded only part of Prague's financial support. It was mostly for the eastern part of Prague, which had a lower GDP and houses about 31% of Prague's population, and ERDF interventions were focused on this part of the region.

From a qualitative point of view, it is important to highlight the selected cross-border programme between France and Italy. The programme was successful, and contributed to increasing the intra-regional exchange of experiences and collaboration, in particular in the fields of accessibility, tourism, human resources, environment and urban regeneration. Furthermore, in the environmental field the programme strengthened the natural potential of the areas concerned with specific projects. In the Objective 2 regions, Umbria and Yorkshire & the Humber, the programme's ultimate impact on intra-regional disparities is not yet known (as in Norra-Norland). However, it is apparent that in areas of deprivation, the causes of social exclusion are so multi-stranded, deep-rooted and complex that there can be no "quick fix" solution, and reducing disparities may take many years to achieve. At the same time, it is important to note that the resources available through Objective 2 interventions in the Structural Funds were not sufficiently large to ensure and guarantee such a significant impact in acute cases of social exclusion, compared with the resources available under Objective 1 and the new Convergence Objective for the 2007-2013 period.

8. EU ADDED VALUE

KEY FINDINGS

- Most of the initiatives in the selected regions would not have taken place without Structural Funds financing, or their success would have been limited. Evidence can be found from both the selected Objective 1 and 2 regions, and in the EU-15 as well as in New Member States.
- Structural Funds have played a fundamental role in the implementation of interventions that otherwise would not have been made with national funds only. This holds particularly true for long-term and large-scale investments, such as environmental and transport infrastructure in Objective 1 regions.
- Another main contribution of Structural Funds to regional policy was in terms of strategy: they had a decisive influence in strengthening or introducing new planning and programming methods. This is especially true for New Member States.
- It seems that Structural Funds have had a great added value also in setting up partnerships, subsidiarity and ownership, through the participation of local authorities, private actors and social representatives at all phases of the development programmes.

The objective of this chapter is to identify the added value of Structural Funds interventions in the framework of concurrent national and regional policies, from a qualitative and a quantitative point of view.

Added value: a quantitative approach

The quantitative added value of Structural Funds can be addressed by attempting to understand whether the investments implemented through ERDF/ESF would have been implemented in any case by national or regional funds in the absence of EU intervention.

In Objective 1 regions, most of the initiatives would not have taken place without Structural Funds. In Malopolska, for instance, although the Structural Funds supported interventions in all the areas of investment, it seems that without Cohesion policy, those interventions occurring in the areas of environment and accessibility would have been unlikely to have taken place. Moreover, the scope of other interventions would have been much smaller.

In Galicia, many important infrastructure projects (e.g. the transport infrastructure of the Mazzaro corridor, or the Dodro residual water treatment plant), as well as important human resources projects (e.g. IGAFA - Instituto Gallego de Formación en Acuicultura - a complex technical project which involved specialised knowledge and skilled human resources), would not have taken place without the Structural Funds contribution. Neither local authorities nor regional or central government would have been capable of implementing such a project without the financial support of the Structural Funds.

In Norra-Norland it is too early to quantify added value, but there is a common understanding across the region that a part of the intervention aimed towards local development would not have taken place without Structural Funds support. Initiatives were

taken and developed faster than would otherwise have been the case. Indeed, the limited (in Swedish terms) timescale made available for the programme by the Managing Authority forced actors to prioritise the development of project applications and project ideas.

In Eastern & Southern Ireland and in Objective 2 regions, the perception is that many important interventions would not have been achieved without Structural Funds finance, or their success would have been limited. In fact, the long-term perspective and incentive provided by the Structural Funds' co-financing allowed the regional administrations to plan ambitious long-term investment, especially in infrastructure. This is especially the case for Umbria.

In the cross-border area covered by the France-Italy programme, although the funds are not so relevant in terms of the degree of investment (quantity), without the European contribution the projects would not have been implemented for financial, cultural and administrative reasons. Indeed, cross-border projects are not normally perceived by local administrations as essential tools for local development. Therefore, it is very probable that national/local resources would have been allocated to more traditional and mainstream interventions rather than to collaborative projects across national boundaries. There are still difficulties in establishing joint projects with separate public administrations, due to reasons such as the different legal frameworks, differences in administrative structures, and differences in respective policy aims.

An EU-sponsored cross-border programme is able to provide a common management and strategic platform, which limits the differences mentioned above. Often local actors (public and private) think of their "neighbours" as potential competitors rather than partners, especially, for example, in the fields of tourism and business. The programme was able to build a climate of trust, providing a financial incentive to push for cooperation. It is a first stage towards changing the attitudes of local actors, and creating the necessary synergies to react to common global competition and threats.

Table 20: Added value of Structural Funds by fields of intervention

Field of intervention/ Region	Galicia	Malopolska	Norra-Norland	Eastern and Souther n IE	Umbria	Yorkshire & the Humber	Prague	Cross-border France-Italy
Environment	 Awareness on priority targets from European environmental policy and strategic guidelines Large infrastructure investments 				. Environ- mental infrastructure			Different cross-border interventions of natural resources valorisation
Business support (direct and indirect aid to SMEs)			· Most of the great expansion of applied R&D in the regional universities added value		New industrial areasPiat and Pit	More and larger projects Establish-ment of small business loan funds		
Innovation		 Improving the scientific, research and teaching potential. Implement-ation of projects on innovation 	 More support to business sectors in terms of applied research 				· Partnership between private sector and R&D, support to starting innovative enterprises	
Accessibility (Transport and ICT)	· Bigger investments in heavy transport infrastructure in reasonable periods of time · Awareness of priority targets in ICT and the knowledge society	· High financial effectiveness of projects	 Distance learning by broadband entirely additional in many rural areas Workplace learning 					
Human Resources (vocational training/ education)	· Awareness of priority targets (European Employment Strategy and Lisbon Strategy) · Vocational training systems. · Incentivise long life learning	 Larger number of projects implemented in this area of intervention 	A number of ESF projects for people with disabilities, people of foreign extraction and women would not have been developed without ESF.			Most training and skills projects Financial resources for reskilling the unemployed are restricted. Large training budgets for	 Higher number of people and more suitable interventions 	· Specialis- ation course in Economics and Law for the territorial development of cross- board areas

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Field of intervention/ Region	Galicia	Malopolska	Norra-Norland	Eastern and Souther n IE	Umbria	Yorkshire & the Humber	Prague	Cross-border France-Italy
						SMES		
Urban regeneration					PUCs are both a tool of financing projects of regeneration and an opportunity for capacity building in the municipalities	Most of the infrastructure projects, particularly their capacity to leverage other public and private sector investment	Contribution to reduction of air pollution, support to use of public transport	
Equal opportunities								• It provides some "public services" as project nº 106 with a cross-border relevance
Tourism					· Valorisation or regeneration of areas for cultural and environmental development			· Programme creates the conditions to have a crossborder tourism area

Source: Case study reports

Added value: a qualitative perspective

The contribution of Structural Funds was fundamental, particularly in terms of the determination of ambitious regional policy strategies and in terms of subsidiarity and ownership by local actors. This positive effect does not only come from the presence of an additional amount of finance offered by the Structural Fund programmes, but also from the programming and implementation of more effective and long-term strategies.

The main contribution of Structural Funds to regional policy in terms of strategy was a decisive influence in introducing well-defined targets and goals in planning and programming and in regional development policy. The strategy was also fine-tuned on the basis of the European priorities. The eligible actions for ESF were mainly linked to the European Employment Strategy, and the ERDF ones captured the targets from the Lisbon and Gothenburg strategies.

The quality of programming was also improved since a better quality of project application was required, and generally strategies and objectives were well-designed and set, as compared in many instances to requirements set for regional projects in respective Member States. The common policy framework set by Structural Fund programmes ensures a wider stakeholder consultation and participation in the design and implementation of programmes, and this allows better and greater coherence in programming.

Cross-cutting themes such as Environment and Equal Opportunities were reinforced, if not introduced, by the ESF and ERDF actions. Interventions in this field were implemented in two ways, i.e. both as specific sector interventions and as a mainstreaming tool. Moreover, Structural Funds played a fundamental role in terms of subsidiarity and ownership by local actors in regional policy. In this respect it is essential to stress the importance of the partnership principle introduced by the EU regulations. Since the main actors are to be found at the regional level, it is essential to set up a framework in order to discuss and debate policy actions with stakeholders, local and regional authorities, trade unions and entrepreneurial associations at the regional level. Evidence from all the case study regions, especially from the New Member States, confirms the importance of this Structural Funds contribution. It is therefore essential to highlight the important role that Structural Funds have played in educating all levels in public administrations – central, regional and local – in cooperating and collaborating for regional development.

A number of good examples were evidenced in our case studies:

- Local public authorities at NUTS 3 level in Galicia have developed specific consultancy units to support small municipalities (NUTS 4). In the private sector, consultancy activities and project guidance have become more visible, and this has helped entrepreneurial practices in project management and strategic goal formulation.
- In Malopolska, EU procedures and methodology standards have been successfully
 applied in extremely diversified institutions: not only local government units, but also
 institutions of higher education, social welfare institutions, private businesses, nongovernmental organisations and others.
- In Norra-Norland there is a general consensus that Objective 6 and 1 programmes have led to much-improved project management skills and a greater rigour in the handling of public resources. Interviewees also remarked upon the fact that all stakeholders in the region had learnt improved project management from the Structural Funds methodology.

Box 9: EU added value in a cross-border area: the case of cross-border cooperation between France and Italy

EU ADDED VALUE IN A CROSS-BORDER AREA:

The case of cross-border cooperation between France and Italy

Analysis of the added value of EU Structural Funds is also particularly important for cross-border programmes, since the area that is administered, e.g. two or more regions, belongs to two or more countries. This might affect the implementation of effective regional development policies.

In fact, although the funds are often not so relevant in their scale (quantity), without European contributions the projects would not have been implemented for financial, cultural and administrative reasons. Cross-border projects are not normally seen by local administration as an essential tool for local development:

- so it is probable that national/local resources would have been allocated in more traditional and ordinary interventions rather than in collaborative projects;
- there are still difficulties in establishing joint projects between different public administrations for a number of reasons (different legal frameworks, different administrative organisations, different policy aims). The cross-border programme is able to provide a common management and strategic platform which mitigates the above differences;
- often local actors (public and private) think of the "neighbours" as potential competitors rather than partners, especially in the fields of tourism and business. The cross-border programme was able to build a climate of trust, providing a financial incentive to push for cooperation. It is a first stage in changing attitudes among local actors, and creating the necessary synergies to react to the global competition.

Specifically, the cross-border cooperation programme had noticeable added value in the fields of environment (through public-private partnerships and the creation of an operational group; it has the added value of identifying the cross-border priority interventions), accessibility, competition (through the creation of the cross-border synergies necessary to compete in the global economy; it permits providing cross-border information for the identification, monitoring and management of dangerous goods), tourism (through the composition of a global package of tourism opportunities), and human resources (through the building of connections between different actors to exchange good practice and to provide new skills for private and public beneficiaries).

Source: Case study reports

A specific added value that was identified at local level concerned the building of local partnerships, which has important effects in a more efficient use of resources for economic and social development. For example, in the Galician case a significant effort was made to overcome the tight financial and organisational capabilities of small municipalities in order to provide local environmental services (water and sewage plants), other services and amenities, and to promote urban regeneration. Another important example is Malopolska, where local government administrations constituted the largest group of beneficiaries (86% of applications), despite the traditional centralised governance that is normally more

characteristic of the country. It seems that local administrations become the key institutions in local development, due to their capacity to absorb Structural funding and deliver at the local scale.

In conclusion, evidence in the case studies suggests that EU Structural Funds have had an added value in both qualitative and quantitative terms. In Objective 1 regions especially, but also to a lesser degree in Objective 2 areas and regions, Structural Funds were the main financial sources driving local and regional development. However, the greatest impact of Structural Funds in terms of added value was in qualitative terms. Structural Funds were a powerful tool in the capacity-building of administrations at local, regional and central government levels, which could challenge old practices, install new and innovative projects and approaches, and enrich the administrations' programming and implementation abilities. This was made possible mostly because of the common standard for programming under the European Regional policy framework. Structural Funds were also an important tool for developing new networks for cooperation at a local level, and for raising the ownership of local development amongst regional and local actors (private and public).

9. SUSTAINABILITY

KEY FINDINGS

- It seems that ERDF projects have a high degree of sustainability.
- ESF interventions appear to be more dependent on EU support. This is due to the nature of the projects funded, in which intangible outcomes are more difficult to identify and assess under the sustainability criterion.
- In Objective 1 regions, infrastructural intervention turned out to be robust and sustainable. This is the case not only because these infrastructure investments are relatively permanent, but also because they prove to be useful to large communities of users. On the other hand, business support interventions show a lower level of sustainability than the other areas of investment. The reasons for this could be that the industrial fabric of the regions is not yet well developed, and that SMEs are still too fragmented along territories, and are not innovating to any great extent.
- In Objective 2 regions, business support is the field of intervention that received the largest proportion of funds, yielding quite satisfactory results from the sustainability point of view.

The objective of this chapter is to examine the sustainability of Structural Funds interventions by establishing whether the effects of the programmes are expected to last in the long term, or whether their effectiveness is to be considered only temporary. It is worth stressing that this analysis can neither be exhaustive nor complete, since the projects have been implemented only very recently.

Sustainability in the area of infrastructural investments

In general, ERDF appears to produce long-lasting effects, especially in Objective 1 regions where positive effects are shown in the areas of accessibility, environment, and human resources. Of the Objective 1 regions, Galicia showed one of the highest levels of project sustainability. This is because the region has chosen to devote the largest part of the funds to infrastructure projects that, although requiring a high level of investment, are long-lasting, with maintenance and operational expenditure that is relatively low when compared with the total investment.

In Malopolska the largest proportion of resources was allocated to accessibility, and the results in terms of sustainability of the projects implemented were satisfactory. Implementation of environmental infrastructure projects (e.g. waste and water management) was extremely successful, not only *per se* but also because it created positive external effects in other sectors, such as tourism. For example, evaluations of project effects in Malopolska led to the conclusion that the provision of road and water/sewage infrastructure contributed significantly to increasing the tourism potential of the region, more so than projects strictly related to tourism and cultural facilities.

Similar conclusions may be drawn with regard to infrastructure investment in the Norra-Norland region. The physical infrastructure projects created in the region are likely to be sustainable, and the innovations which have followed have become integrated into normal societal services.

In Prague, the main fields of interventions were related to the revitalisation and development of the city environment. It is highly probable that the results and impacts of ERDF projects (so-called "hard projects") will be extremely sustainable. These projects were of a high quality and standard, and can be further developed.

The region of Yorkshire & the Humber has invested a lot in business infrastructure support. The sustainability of infrastructure projects or those involving capital expenditure was high, because of the nature of these projects in providing a tangible and long-lasting physical output; furthermore, the provision of workspace such as SME incubation premises proved to be economically sustainable. Equally in Umbria, the programme provided local authorities with an opportunity to make a lasting contribution in the field of business support. The construction of new industrial areas, and the adoption of an integrated approach that promoted a greater participation of business actors, are elements which underpin a high degree of sustainability in the future.

Sustainability in the area of business support

Focusing on business support, we have divergent results. In Malopolska, existing levels of regional aid to firms will be very difficult to maintain without further Structural Funds intervention, even if the leveraged private investment and its effects on the number, size and competitiveness of firms will probably be long-lasting. The general trend described above emerges also from evaluation of business support in Norra-Norland. Here Structural Funds provided the opportunity to set up collaborative networks among firms, and between firms and universities; these collaborations are likely to continue, although some perhaps less intensely, since some networks of micro-enterprises may be unable to finance joint projects without external finance.

Sustainability in the area of human resources and equal opportunities

Results and impacts of intervention funded by the ESF as educational and lifelong learning investments are less straightforward to interpret. This is partly due to the difficulty of evaluating human capital in a restricted time-frame (i.e. it is difficult to say if a project had a lasting effect on workers' education by only looking at the effects a few months after its completion), and partly to the method of programme evaluation (surveys) that may not be entirely reliable. The evaluation of sustainability of the effects of projects implemented in the area of human resources does not lend itself to a uniform assessment.

In Umbria, for example, where it was decided to invest heavily in human resources, especially in the employability and adaptability of graduates, good and long-lasting results were achieved by projects which linked business to research or education to labour. For example, the Stone Roots project developed a new methodology of intervention for the enhancement of archaeological sites, with the participation of University, students and graduates. The sustainability of this project derives from the effectiveness of the new methodology, and the skills developed and learnt.

Similarly, in Yorkshire and Humber, there was good performance noted in the "Supporting Community-led Economic and Social Renewal" priority, which has proved successful in terms of areas of land developed, numbers of unemployed people trained, people achieving progress towards vocational qualifications, capacity-building training projects, number of research/labour market analysis projects, ICT, environmental and transport initiatives, and

numbers of networks and organisations assisted. The creation of sustainable community and social enterprises contributes to economic sustainability in deprived areas; however, longer-term follow-up would be needed to determine their sustainability, particularly in the light of the move away from grant funding towards loan funding.

Box 10: Sustainability of projects in Southern & Eastern Ireland.

SUSTAINABILITY OF PROJECTS IN SOUTHERN & EASTERN IRELAND

Southern & Eastern Ireland, as an Objective 1 phasing-out region, had some different results from other Objective 1 regions, partly because it had different priorities. It achieved its best performance in accessibility (particularly transport infrastructure), environment, and equal opportunities (particularly through the Childcare measure):

- Accessibility measures will have a high degree of sustainability, although public financial support will be still required for road improvement and maintenance.
- Environmental projects (Rural Water/Waste Management) are sustainable in the long term, through means such as rationalisation/amalgamation of schemes (reduced number of plants and economies of scale) and pay-by-use schemes.
- On the other hand, projects related to Human Resources and Equal Opportunities show
 a low degree of sustainability. In particular, the impact of Social Inclusion and Childcare
 measures will not be sustainable without continuing financial support. There are
 exceptions, such as some facilities which are privately run due to an initial grant aid;
 such facilities will be financially sustainable. However, the majority of grant-aided
 facilities were community-based, serving disadvantaged parents, and many of these are
 likely to require ongoing public financial support and are therefore less sustainable.

Source: Case study reports

Possible effects of an interruption of Structural Funds support

The effects of an interruption of Structural Funds support are not easy to assess; they depend heavily on the degree of development of the particular region.

In Objective 1 region Galicia, econometric studies show that rates of growth would sharply fall if there was an abrupt loss of European aid; the end of external financing would generate a negative shock that would have an impact upon the region's economic growth. This shock would affect output growth dependent upon the contribution of public capital, and partly on private investment, which is directly financed by European aid and complementary domestic resources. This is an interesting result, showing that regional policy based on Structural Funds must take into account certain factors related to the design of stabilisation policies. This is the reason why Cohesion policy grants a "soft" transitional period for regions losing their eligibility for Structural Funds support. European Regional policy has set up a transition mechanism to smooth out the effects of negative shock induced by the abrupt curtailment of European aid.

In Norra-Norland, national government spending on adult education, lifelong learning, business support, and regional development is much larger than the EU contribution. This is particularly true for adult education and lifelong learning. On the other hand, the care needs of the ageing population in inland areas are likely to absorb a greater proportion of

local government budgets in the future, limiting their ability to provide the necessary future public sector match funding for projects. The same is true for training programmes for individuals and small enterprises, which are not viable without public sector finance unless a substantial part of the cost is financed through fees, which in itself is an unlikely development. More generally, it is possible that public funding in certain areas will be reduced in the near future due to the financial crisis. All this will make the role of Structural Funds even more critical in ensuring the sustainability of public interventions.

In the Prague Objective 2 region, only national funding will continue to support all the fields of intervention, but the amount of allocation will be much lower, causing a decrease in the total activities realised. This would mainly influence the activities financed from the ESF. Not only large infrastructure projects would be delayed, but also part of the strategic plan for the City of Prague, as well as a national objective (e.g. accessibility of air transport, building of tunnels and bypass roads as motorway network components, operating public transport) to which these interventions contribute, could be imperilled.

Box 11: Sustainability of projects in the France-Italy Cross-border Cooperation area

SUSTAINABILITY OF PROJECTS IN THE FRANCE-ITALY CROSS-BORDER COOPERATION AREA

The cross-border cooperation programme between France and Italy achieved its best performances in the fields of intervention of tourism and culture, human resources and environment, while the interventions in the areas of business support and innovation were of limited impact.

Assessing the sustainability of the programmes is not straightforward, mainly because a considerable number of projects represent the follow-up of previous periods. Hence, it is difficult to verify the general capacity of those projects to stand alone after the co-financing is over.

However, it is possible to identify some elements of sustainability, especially in the field of environment, where the ongoing investment and initiatives for the creation of a cross-border European park are encouraging for the prospect of future sustainability; and in the field of tourism, as many buildings of cultural and historic value have been restored. The project is characterised by sustainability because partners will continue cooperating in the new programming period, strengthening the tourism network.

The programme had a low impact on innovation and business support. Nonetheless, project no. 220 "Interplast" is showing interesting results, due to the high level of contribution by local partners. This may indicate the degree of local interest in the project, and therefore it could be sustainable in the long term.

Source: Case study reports

10. LEARNING EFFECTS

KEY FINDINGS

- The lessons learnt are many and quite heterogeneous across regions a challenge for their assessment.
- Structural Funds support enhanced cooperation. There has been a generally recognised feeling that forms of cooperation helped the achievement of regions' main objectives, especially in the fields of Innovation, Environment and Business Support. Cooperation can take place at several levels: administrative, academic, inter- or intra-sector, and so on.
- Administrations and citizens have not always absorbed EU horizontal themes, in particular with respect to gender issues. The most successful results were found to be in environmental themes.
- There have been considerable learning effects in EU procedure/governance methods, which have often been integrated into regions' own practices and procedures.

The aim of this chapter is to assess learning effects resulting from the implementation of Structural Funds interventions. The main lessons relate to the needs for innovation, better estimation of financial allocations, flexibility and complementarities, as well as further simplification.

The needs for Innovative projects and innovative methods implemented through Structural Funds

Structural Funds allowed for the development and implementation of new policy tools and innovative management systems, which were then adopted by national administrations. In many cases, innovation and new programme managing methodologies were observed, of which some of the following are examples:

- In the Galicia region, Structural Funds were used to experiment with innovative measures and pilot projects in issues related to promoting start-ups, venture capital, and improving managerial capabilities, networking and organisational capital in SMEs.
- The collaborative networks developed with both ERDF and ESF support were new to Norra-Norland, and brought together organisations which had never collaborated before: public and private, different counties, universities and enterprises, and enterprises with one another. From these have emerged networks that are likely to be sustainable. All interviewees remarked upon the benefits of the new collaborative spirit in the region as the best and most unexpected result of the Objective 1 programmes.
- The City of Prague considered the ERDF support as a key element of its development. ERDF funding opened up opportunities to develop access to modern technologies (e.g. the Galileo navigation system, and a security system for public transport).
- In 2003 the use of ESF to support loans to small and micro-enterprises was first raised as a possibility by Government Office West Midlands, and following discussions with the European Commission, ESF loan fund schemes were subsequently established in most English regions, including Yorkshire & the Humber Objective 2. In Yorkshire & the

Humber, ESF and ERDF funding was used in the Partnership Investment Fund (PIF), which mirrors recent financial engineering initiatives by the Commission. This revolving fund providing loans to small businesses took a long time to establish, partly due to negotiation of arrangements with the private sector banking partner, but by the end of the programming period had become a successful initiative; the repaid loans are to be rolled over into a legacy fund for continuing loan support to other small businesses.

Some of the main learning effects in respectively Objective 1 and Objective 2 regions deriving from the implementation of Structural Funds intervention are summarised in Tables 21 and 22.

Table 21: Learning effects, by fields of intervention: Objective 1 regions

	errects, by neius of fire	ervention: Objective		
Field of intervention/ Region	Galicia	Norra-Norland	Malopolska	
Environment	 Foster efforts in the field of sewage and waste water treatment Pay attention to operational problems in the more complex networks 			
Business support (direct and indirect aid to SMEs)		 Acknowledgement of the benefits of networking for enterprises 	 Better ways to stimulate business demand for innovations must be sought 	
Innovation		 Universities and enterprises learning to work together SMEs overcoming hostility towards academia, and universities' understanding the needs of SMEs 	 Joint projects of businesses and institutions of higher education and/or research and development units in the field of innovation need to be stimulated 	
Accessibility (Transport and ICT)	 Foster high-speed rail connection between the main Galician cities, the North of Portugal (Oporto), and the Spanish and European high-speed railway networks 	 Opportunities for remote communities to improve airport and scheduled flights in terms of expanding markets (the test industry) and visitor industry 	 Continuation of current policy directions in this area necessary Need for increased expenditure on this kind of intervention, especially roads 	
Human resources (vocational training/ education)	 Grant lifelong learning to other social groups Improve employment guidance in educational centres and schools, and increase the quality of teaching activities 	 Development of advanced specialised training tailored to the needs of certain branches and industries 	· Favour the promotion of projects with high sustainability of results	

Source: Case study reports

The need for better estimation in the allocation of financial resources

One of the most common problems characterising the case studies was the difficulty of understanding ex ante the financial allocation to specific interventions, and the private

sector demand for the respective interventions. In New Member States this was accompanied by very little knowledge, experience and practice in setting the monitoring indicator targets. Now there is a common understanding of the need for investigating the real economic needs of the region, and putting more effort into the ex-ante planning phase.

As an example, in the Prague OP most of the indicators in Priority 1 exceeded the set target value by the end of 2007, due to the high interest in projects regenerating urban territory, building technical infrastructure, and improving urban transport. The reason for this was the poor condition of the technical infrastructure, particularly in the peripheral districts, and the need to modernise or improve the poor condition of the roads and to improve transport safety. By contrast, the achievement rate of projects on research and development, and on information technology, was low. One important reason for this was that the projects focused mainly on renovation or completion of the basic infrastructure and regeneration of the urban environment rather than R&D measures. Similarly, the growing interest in information technology appeared subsequently; hence projects were submitted with a notable delay. Moreover, one negative factor was the concern of potential applicants about the possibility of state aid being withheld due to incorrectly designed projects to provide internet access, amongst the already competitive environment of internet providers in Prague.

The need for integration and flexibility

Another common understanding was the need for complementarity and flexibility among interventions, and also between the ERDF and the ESF. The lesson drawn was the importance of an approach which envisages the combination of different tools.

In Prague, ESF projects for social integration included not only simple consultancy services or training, but also active support in the creation of small businesses (e.g. bakeries, tearooms, catering) where people (handicapped, immigrants, etc.) could work. These projects allowed the participants to learn a new trade, or to start a new business; these are permanent effects that are not dependent on further national or EU funding. Due to the projects being focused on groups at risk of social exclusion, the range of services provided was significantly extended in the last year. Socially disadvantaged people now have easier access to education (courses, retraining), and at the same time their access into the labour market is being improved, as well as their direct involvement in the working process.

Table 22: Learning effects, by fields of intervention: Objective 2 regions

			. Objective 2 regio	
Field of intervention/ region	Yorkshire & the Humber	Prague	Umbria	Cross-border France-Italy
Environment			N/A	 Partnership was important for cross-border priority interventions
Business support (direct and indirect aid to SMEs)	 Focus on a subset of the regional target clusters and sectors with potential for greatest impact Focus on moving SMEs away from grant dependency towards loan and equity finance 		 Importance of strategic approach Bottom-up partnership Continuity of funds Needs of coordination of interventions sustained by the integrated approach 	
Innovation		 Learning effects in terms of activities valuation, concerned with research and development and information technologies. 		
Human resources (vocational training/ education)	 Evidence-based workforce development interventions, to deliver wider business growth strategies, and not be too focused on qualification- based outputs 	Necessity for a better targeting of the ESF programmes on the Prague labour market, included training programmes		· Invest in cooperation to give new opportunities of employability to young graduates
Urban regeneration	· ERDF should expect a return on investment to counter the view that public contributions are less valuable than private investment	Better coordination of financial flows to the city infrastructure	 PUC determined extraordinary maintenance; Contracts of District went in same direction but with a more integrated strategic approach 	· Reduce the polarisation around larger centres
Tourism			 Interventions are desirable from an economic and social perspective 	 Cooperation can strengthen the attractiveness of tourism

Source: Case study reports

Yorkshire & the Humber invested significant funds in the field of business support; here, an umbrella business support scheme was developed with the Regional Development Agency, which enabled all eligible Agency-funded activity, including clusters, to be flexibly matched

with ERDF through a single route. The introduction of sub-regional investment planning and the better deal for business frameworks meant that activity was complementary and strategic rather than funder-led.

In Umbria, the most effective interventions in the business support field were the ones that combined different tools (support for research, investments and training) and funds (ERDF –ESF).

Box 12: Learning effects in the France-Italy Cross-border Cooperation area

LEARNING EFFECTS IN THE FRANCE-ITALY CROSS-BORDER COOPERATION AREA

As a general consideration, in the French-Italian cross-border cooperation, Structural Funds were used more to experiment with an innovative modus operandi than for new projects. This is because the programme was aimed at promoting cooperation as a tool of governance.

Partnerships, synergies and collaborations were the key elements of the construction of the programme. In many cases these innovations in governance became an important basis of development for the future of the cross-border region.

In specific fields, the creation of an operational group for Environment based on strong partnership was important for establishing the cross-border priority interventions. Moreover, cooperation was an important factor in increasing the economic and environmental value of the natural resources.

In business development, the "InterPlast" project, which can be considered as an example of best practice, is a case in which firms were involved in a network for competition. The important lesson learnt was that, in order to succeed in a global system, cross-border cooperation is better than local competition.

Source: Case study reports

Need for a better integration between EU horizontal policies and national and regional strategies

Another lesson was the difficulty in integrating the EU horizontal themes (environment/gender issues) into national/regional policies and priorities; these otherwise remained time-confined measures.

An exception to this trend is Galicia, where EU horizontal themes (environment/gender issues) were also integrated into national and regional policy priorities. Environment issues were widely incorporated into the measures of the Galicia IOP, and the environmental effects and impacts were evaluated and monitored across the full extent of the programme, and a network of environmental authorities was set up to implement a surveillance device. Gender issues were evaluated and reported on in the more significant measures, and were specifically treated under the equal opportunities measures.

In Norra-Norland, the implementation of the horizontal themes seems to have been the least satisfactory part of the Objective 1 programme. The equal opportunities theme seems to have been reduced to counting beneficiaries according to gender in most projects, which

were not specifically dealing with gender issues. Project applicants were asked to declare whether their project would have a gender-positive, negative or neutral impact. A large number of projects seem to have been allowed to be gender-neutral, which is not the intention of the Structural Funds regulations. However, there were numerous successful projects specifically aimed at training women for work in industry. Several interviewees remarked upon the fact that a requirement to involve female PhD students in maledominated research areas turned out, against expectations, to be achievable. In addition, it should be noted that the proportion of women with higher secondary and tertiary education in the region is higher than the percentage for men, and that more women than men participated in professional development and training projects. The environment theme was felt to be more easily integrated into projects, partly due to the region having an action plan for environmental sustainability. In addition, many of the infrastructure projects and some of the enterprise projects had to incorporate environmental aspects, such as impact assessments, in order to be eligible. The specific theme of integration of population at risk of exclusion was in a way the horizontal priority that was dealt with most satisfactorily, as a number of ESF projects specifically targeting foreign-born beneficiaries developed (although there were no projects of this type in the hinterland, and few integration aspects were included in projects, because there are very few foreign-born inhabitants in that area).

In the Prague Objective 2 region, almost all horizontal themes were systematically translated into national and also regional policies, but sometimes only in a declarative form. As for management procedures and the planning methodology, there was a distinction between ERDF and ESF programmes. The administration under ERDF was seen as being too complicated, and although some features were seen as desirable, the transition to project implementation was perceived to be problematic due to an over-complicated hierarchy. The officers received EU rules and other documents in English, and translated them individually. This created problems with the correct interpretation of the documents, and complicated the implementation process.

In Yorkshire & the Humber, the horizontal or cross-cutting themes in the Objective 2 Programme reflected both EU and national/regional priorities, as expressed in strategic documents, rather than influencing these. However, these themes all appear to be difficult to evaluate in Objective 2, and the Mid-Term Evaluation for Yorkshire and the Humber Objective 2 found that they were often seen by project managers as barriers to be overcome, rather than something which was integral to the project development process. There was criticism of the approach taken to the themes, with views expressed that more support should be given to embedding the themes, moving from what was described as a "tick box" approach to something more focused on developing ownership of the themes. It was also argued that there was a need for more, and perhaps simpler, guidance on when and how the themes might be addressed in project development, as well as diffusion of examples of good practice.

In the cross-border cooperation programme between France and Italy, institutional learning, the awareness of differences in development, and the culture of cooperation have led also to some of the EU horizontal themes (environment/ gender issues) being embodied at local and regional policy levels.

The need to simplify implementation procedures

Probably one of the most common comments on the Structural Funds concerned their complicated administrative mechanism. Often this becomes one of the major obstacles in implementing the programmes and in absorbing the resources, since the beneficiaries can

be discouraged from applying for funding for fear of lengthy and complicated procedures (selection, control and payment). Most often the intricate implementation system can harm the quality of the procedure, causing reverse discrimination in project selection. The reason for this is mainly due to the multi-level governance of the Structural Funds.

On the basis of the lessons learnt from the 2004-2006 programming period, Prague has introduced new interventions during the current programming period, particularly directed towards:

- simplification of the hierarchy of the implementation structure;
- clarification of monitoring indicators;
- creation of a suitable system for the building of absorption capacity which ensures: (i)
 the submission of projects in an appropriate quantity and quality, (ii) the preservation
 of the set absorption capacity level, (iii) regular monitoring of this level, and (iv)
 adoption of remedial measures that will result in improvements.

Also several major differences in the 2007-2013 programming period compared to the past period are based on the lessons learnt by Yorkshire and the Humber. The simplification of the programme in terms of fewer priorities, the withdrawal of requirements for private sector funding, and the decoupling of the ERDF and ESF programmes are the most striking examples in the Yorkshire & Humber programme.

11. SYNTHESIS

Evidence and observations from the case studies reveal that:

- In Prague, Czech Republic, the ERDF has been very successful, whilst the ESF has made much less impact, due to failures in the process of programming on the technical side of programme implementation, bureaucracy, and the transition of programme management from Ministry level (national level) to municipality (regional level). One problem that was highlighted was that the measures focused on the enhancement of the labour market in terms of reducing unemployment. The unemployment rate in Prague was very low in this period, and there was not a strong demand for this measure. However, under ERDF the Managing Authority had difficulties in agreeing target indicators, and problems in monitoring and evaluating the ESF. These problems represent the initial learning period for the Structural Funds, as this region was new to Structural Fund financing, being a new Member State.
- In Malopolska, Poland, the reasons for certain deficiencies are firstly, the lack of relevant experience in the region and nationally, and the short time span of the Structural Funds' utilisation period (incomplete programming period). The most successful interventions appeared to be in such areas as the environment, accessibility, and, to a large extent, human resources. Poorer results appear to have been achieved so far in the areas of innovation, business support, urban regeneration, and tourism. Malopolska, like the Prague region, seems to have a well-established administrative capacity for the new programming period.
- In Galicia, Spain, building and upgrading transport infrastructure have resulted in a major change in the accessibility of Galicia from outside, as well as a big improvement in inter-regional connectivity. These improvements are making possible significant increases in the productivity of the Galician economy. Environmental sustainability has been substantially improved by means of environmental water supply and sewage infrastructure investment. Investment in supporting SMEs has also leveraged important private investment. Human capital has substantially improved by means of the development of regular vocational training, lifelong learning, and also specific training for the unemployed and for the disabled. Labour market policy measures have also helped to reduce unemployment rates. One important lesson learned in the 2000-2006 programming period refers to the potential demand for encouraging R&D measures and their financial absorption capacity. Among them it must be noted that there are difficulties in getting firms in the region involved in R&D partnership projects, and this has an impact on the levels of private investment triggered.
- In Norra-Norland, Sweden, accessibility and infrastructure investments have been successful, and show signs of being an important development for the future of the region. The investments in applied R&D have also been successful, and have produced better results than expected. Despite the tangible results achieved in many Objective 1 projects, the case study highlights that the most important result of the programme was that it brought together and encouraged collaboration at all levels. This "new-found habit" of co-operation seems set to continue, e.g. the new research cooperation agreement which is about to be adopted between Luleå and Umeå Universities (which are physically located over 100km apart). Another result of this Objective 1 programme is a new interest in cross-border and international contacts and co-operation. Having managed projects to EU standards in a regional setting, regional organisations are now confident and eager to venture further afield. Trans-national contacts and cooperation are now being seen as an instrument for growth. One problem area in the Objective 1

programme concerns the fields of business support and human resources. A substantial number of business support and staff training projects were owned and managed by small firms themselves. Firms applied for help to do a needs or skills analysis, and then applied again for funding to buy in consultants to give advice or carry out training. This means that there were very large numbers of very small projects, managed by small private sector organisations not used to EU project management standards or evaluation requirements. Whilst co-operation developed in the R&D projects and in the networks, it is clear that the effectiveness of the plethora of small individual enterprise projects could not be managed to the same degree as the larger projects. This was partly remedied in the new programme, which is targeted at larger co-ordinated interventions by SMEs.

- In the Southern & Eastern Region, Ireland, measures where indicator targets were achieved or over-achieved were often those involving ERDF capital expenditure on infrastructure, such as Non-National Roads in particular. Not all infrastructure projects achieved well, however; some measures such as Waste Management and Tourism were slow to deliver due to delays, including planning delays, at the start, which impacted on their indicator performance at the Mid-Term Review as well as later. Indicators involving training, such as those under the ESF-funded element of Childcare, show more variation; some over-achieved on their targets, but others under-achieved. The 2000-2006 Programme performance is regarded as excellent in terms of delivering transport infrastructure and environmental measures, especially waste and water management, and the Childcare measure was regarded particularly important in terms of its impact on Irish social policy within the region. With regard to sustainability of projects within the Programme, infrastructure projects tended to be regarded as most sustainable in the long term. Projects involving training provision were the least sustainable in the long term, requiring continuing financial support, although individual recipients of training will continue to reap the benefits of this. Business support programmes operated by agencies for new entrants were also often not sustainable, requiring ongoing public support. Many childcare projects were also not economically sustainable without continuing financial support; one lesson here is the need for longer-term evaluation after a programming period, in order to identify sustainability issues.
- In Yorkshire & the Humber, UK, the ERDF seems to have performed better financially than the ESF in Objective 2. The success of Structural Funds in leveraging investment from the private sector varied across the Priorities and Measures, with ERDF being more successful in this regard. The programme focused particularly on assisting small businesses and building capacity in deprived communities, setting a number of targets for increasing numbers of jobs and employability. However, the final figures are not yet known, nor whether the effects are long-lasting and sustainable, which would need to be determined by follow-up assessments. The lack of monitoring information on many of the environmental and equality cross-cutting themes made it difficult to estimate the contribution that the programme made in these areas. On the basis of the output data that is available, the Objective 2 programme appeared at mid-term to be making a stronger contribution to the economic than to the social, environmental and resource efficiency objectives of sustainable development.
- In Umbria, Italy, the SPD proved to be effective in the procedures and the interventions intended to promote territorial competitiveness. The SPD promoted settlements of high-quality firms, and urban regeneration receptive to the social needs of micro- and macro-urban realities. It created the bases for the utilisation of e-government. At the same time, the SPD activated efficient tools in support of, and as a stimulus to, innovation. It was very effective for the interventions in water management. Equally, the ESF intervened to reduce or remove the obstacles to regional development; it

In Alcotra, Italy and France, the INTERREG III Programme for the period 2000-2006 achieved considerable progress in terms of cooperation compared with INTERREG II in the previous period (1994-1999). The Programme suffered from two major problems, however. Firstly, in the programming phase, there was a lack of cross-border region statistical information. Secondly, in the implementation phase, there were vast territorial differences in legal and administrative matters. The output results and financial performance have been consistent with expectations, although the N+2 rule is difficult to accommodate because of delays with payments by many public institutions. The main factors of success are the institutional stability, the strengthening of transparency, participation and institutional communication, and the integrated approach. The development of collaboration created a continuity of management and a high quality of partnership. Despite the small scale of the intervention, there are noticeable positive effects. The Programme has selected and promoted actual cooperation projects, and increased reciprocal knowledge of public administrations; North Italian and French small and medium firms have started to work together as partners rather than competitors.

Table 23 below offers a synthesis of the main findings by fields of investigation.

Policy Department B: Structural and Cohesion Policies

Table 23: Synthesis from case studies

	T C T C	, L					
OP	SIKALEGY	EGY	EFFECTIVENESS	VENESS	Sustainability	Added Value	l essons learnt
5	2000-2006	2007-2013	2000-2006	2007-2013			
Yorkshire & the Humber (UK)	· ERDF - Most of the resources on SMEs · ESF - Human capital investment (employability and entre- preneurship)	· Focus on best performer and financial engineering	· ERDF - low level in terms of jobs and increase of sales, better performance in term of financial support to SMEs	Expected good performance, especially in business support and innovation (ERDF; nos of SMEs and jobs supported) and human capital (ESF; nos helped with training and jobsearching) Expected good performance in environmental good practice and equalities and diversity; crosscutting themes to be integrated with the Priorities	or The (environmental and financial) sustainability is probably the biggest challenge. The Programmes addressing social issues (urban regeneration) had considerable difficulties in continuing. On the other hand, support for SMEs if based on loans had a greater chance of being self-sustaining	. In innovation and urban regeneration . ICT projects in particular supported by ERDF . Cross-cutting themes, e.g. equal opportunities and environment, would probably not have been implemented without Structural Funds . Mechanisms such as networking and PPP had a big impetus from Structural from Structural from Structural from Structural from Structural from Structural such as networking and PPP had a big impetus from Structural from Structur	The Programme needs: more concentration and financial leverage (move from grants to loans) more investment in innovation simplification and flexibility in the management of funds increase of local partnership sustainability is an issue more integration between ESF and ERDF
Galicia (Spain)	the resources on firstly, transport system and secondly, on environmental infrastructure ESF - Most of the resources on development of human resources, employability and equal opportunities	on: transport and environmental infrastructure (increasing resources on the latter), financial engineering ESF - Focus on human capital improvement and employability	Good effectiveness (both financially and physically) The impact is reflected also in the macro context indicator	· Expected good performance. The most effective fields: transport and environment infrastructure, human resources and ICT, R&D and innovation	. High sustainability (infrastructure and human capital). Without funds, fall in regional growth	· Financial resources (transport and environmental infrastructure), local development partnerships and organisation capabilities	. The Programme needs: more flexibility in designing monitoring devices
Malopolska (Poland)	· ERDF - most of the resources on modernisation of infrastructure · ESF - Employability	ERDF - most of the resources on development of knowledge sociey and modernisation of infrastructure ESF - Employability	 High effectiveness in the labour market, infrastructure and environment 	· Probably significant impact in transportation routes important to the development of the region	· High sustainability of projects in the areas of natural environment, accessibility; varied sustainability of projects in other areas	Improved public management quality Increased empowerment of local governments, public organisations and businesses	The main obstacle has been the lack of relevant experience in the administration

	Lessons learnt	The territorial differences in the legal/ administrative order Small and medium firms have started to behave more as partner than competitors	 Need for coordination of interventions sustained by an integrated approach 	Better coordination and targeting of financial flows to the city infrastructure and aiming at key strategic development issues and improvement of the estimation of the monitoring indicators' target values
	Added Value	Ability to promote new partnerships and investments in sharing of knowledge and the construction of networks	More innovation with SPD and quality of the intervention Environment and gender issues were a mainstream policy Local capacity of programming endorsed by Structural Funds	ron ERDF helps to realise the goals set in the strategy much faster than if there were only national funds ESF – higher intensity of cooperation between public research sites and private sector
	Sustainability	· Due to its intangible nature, it is difficult to assess the sustainability of impacts in terms of increase in collaboration. Cooperation is in any case now a permanent factor for the cross-border areas	. The integrating methodology could sustain local partnerships in developing projects	ERDF projects very sustainable; projects were of high quality and standard, and can be the basis for further development. Sustainability of ESF projects is lower than the so-called hard projects, especially in social issue projects involving direct work with clients
VENESS	2007-2013	The global aim is improving the quality of living, the main expected effects concern: environment and urban regeneration, tourism and culture, and human resources	. More links between university and enterprises, due to ESF and ERDF	
	2000-2006	 Positive effects regarding cooperation and integration of stakeholders and institutional bodies, leverage effects 	aqueduct, construction of new industrial areas, urban regeneration, e-government and information society, enhancement of tourism resources through integrating approach. Important impact also in job creation. ESF links the workforce with labour market needs.	Key effects: a long- term strengthening of the investment in infrastructure, increase of private sector competitiveness . Taking into account Prague's specific problems, Structural Funds contributed significantly to the integration of specific groups at risk of social exclusion
STRATEGY 2000-2006 2007-2013	2007-2013	· All interventions devoted to cross-border cooperation in the social, economic, environmental and cultural fields	· ERDF resources on Environment (energy and risk prevention)	· ERDF - transport and support to SMEs · ESF - supporting the development of a knowledge- based economy
	2000-2006	All interventions devoted to crossborder cooperation in the social, economic, environmental and cultural fields	· ERDF - most of the resources on supporting SMEs · ESF – vocational training and social inclusion	 ERDF - urban regeneration ESF - vocational training and social inclusion
	a o	Alcotra (France- Italy)	Umbria (Italy)	Prague (Czech Republic)

Policy Department B: Structural and Cohesion Policies

	ressours realific	The Structural Funds Managing Authorities in the whole of Sweden are now committed to follow the European Commission's demand for continuous evaluation	
	Added value	Regional authorities saw the EU approach to developing strategies as a great "eye-opener" Structural Funds enforce project management skills and improved rigour in handling public resources; develop local networks; boost cooperation	
Villid Caicton	Sustamability	· Sustainability is obtained by establishing durable networks among local authorities, Universities and enterprises	· Since a great deal of the intervention was in physical infrastructure, projects were sustainable in the long term
VENESS	2007-2013	There is greater concentration of efforts, clearer targets, and better focus Interviewees remarked on the usefulness of the tie between Structural Funds strategies and the Lisbon Agenda	Environment and Accountability Innovation and the Knowledge Economy Sustainable Urban Development Up-skilling the workforce Activation and participation of groups outside the workforce
EFFECTIVENESS	2000-2006	- Extensive development of broadband - Improvements to a number of regional airports, which has led to development of new regular services - The largest expenditure in the programme is on R&D	excellent in delivering transport infrastructure and environmental measures, especially waste and water management. Childcare measure in the social inclusion priority was particularly important in terms of impact on Irish social policy; support for SMEs was relevant too
STRATEGY	2007-2013	· ERDF - Innovation and accessibility · ESF - Skills supply and increased labour supply	· ERDF - Innovation and the Knowledge Economy · ESF - Human capital investment
	2000-2006	· ERDF - most of the resources on supporting enterprises and transport · ESF - vocational training and social inclusion in rural areas	· ERDF - main resources on infrastructure · ESF - Social Inclusion and Childcare
80	5	Norra- Norland (Sweden)	Southern & Eastern region (Ireland)

Source: Case study reports

12. CONCLUSIONS AND LESSONS LEARNT

12.1. Introduction

This chapter provides a brief synthesis of the findings of the report at a time when regional policy is being subject to increasing debate with regard to its breadth and effective targeting.

Evidence shows that the 2000-2006 programmes have had a substantial impact on infrastructure, business support, vocational training, and social inclusion. However, the full impact of the 2000-2006 programmes is still to be felt, as expenditure has not yet been finalised, and although the 2007-2013 programmes are under way, ex post evaluations of 2000-06 programmes are still not available to enable definitive discussions on the shifts in expenditure and priorities. In particular, the components of the DG Regio-commissioned ex post evaluation of the 2000-2006 programme across the EU-27 are just becoming available, but these are mostly at an early stage of final analysis; where possible, we have referred to this body of work as it is emerging.

The 2007-2013 programmes are beginning to shift the agenda towards the Lisbon Strategy, and in particular innovation, knowledge, energy, environmental and risk prevention agendas. However, the 2007-2013 programme is only now getting under way, and the full implications of the world global recession in 2008/2009 will impact on the EU Cohesion policy environment at a time when further review is being undertaken of the EU Budget and Cohesion policy spending, priorities and resources.

This report examines programmes in relation to a vast body of published evaluations, academic literature and other EU-wide policy reports on EU Cohesion policy, as well as eight case studies chosen to provide in-depth and up-to-date evidence across a range of Member States. In particular, the horizontal reading of the eight case studies serves to highlight key issues with regard to the respective added value and economic sustainability of Regional Policy financial instruments, and the conditions under which the latter seem to be more effective.

Overall, this report and conclusions do not attempt to provide a definitive generalisation of findings from the large amount of evidence examined, but to identify some topical features and a qualitative commentary which is particularly meaningful from a policy perspective. As such, this report is a further contribution to the debate which requires continued examination.

12.2. Main findings

Strategy

A marked and systematic strategic policy shift can be observed between the previous and current programming periods in the case study areas examined.

 There has been a distinct shift in ESF Programmes, which mostly focused on vocational training and social inclusion in the 2000-2006 programming period, towards a larger focus on innovation and the knowledge society during the current 2007-2013 programming period.

- Similarly, a shift in ERDF Programmes in Objective 1 areas has been observed, from large investments in basic infrastructure, particularly transport and water management in the 2000-2006 period, where it was felt a distinct infrastructural accessibility gap had to be filled, towards a smaller but still key set of infrastructure investments and a focus on core themes such as Innovation and ICT.
- Whilst ERDF Objective 2 programmes have mainly supported SMEs in 2000-2006, in the new period they embed mostly Lisbon goals, focusing on Innovation and the Environment. Tourism support interventions are mostly neglected in the new period, even where they were strategically important in the past.
- Take-up of the new initiatives such as JESSICA, JEREMIE, JASPERS and JASMINE, which represent innovative measures in the new programming period, has been slow in both old and new Member States. Largely perceived as being mostly for EU-12 Member States, the new initiatives require a great deal of programming experience and long lead times before they materialise. Aggregate results across the EU suggest that the majority of these will come to fruition towards the second half of the programmes. Not all feel confident that the new tools of financial engineering are utilisable in the new programmes. For example, it was considered that the projects expected were too large and unwieldy beyond current resources in terms of experience and capacity.

Effectiveness

The impact of the Structural Funds on regional economies, or in other words their effectiveness in achieving their primary objective, i.e. that of reducing disparities across regions and addressing structural change, is hard to measure at a regional case study level. A number of conclusions specific to the case studies have been drawn here, which provide a qualitative input complementing the ongoing work of the DG Regio-sponsored ex post evaluation of the 2000-06 programme.

- ERDF Objective 1 programmes have had an important impact on regional economic dynamics; they supported regional structures, the disciplines of monitoring and evaluation, partnership, horizontal priorities, multi-annual budgeting, financial control and audit, as well as improved governance. In the New Member States, they also promoted the renewal of the administration, helping local actors in strengthening ownership over local planning and development.
- There is no clear evidence yet of ERDF Objective 2 programmes' impacts from a
 quantitative point of view. Nevertheless, Objective 2 programmes played a significant
 role in supporting strategic interventions (water supply, urban regeneration, ICT, etc.).
 Grants targeting SMEs achieve a high coverage of potential beneficiaries, and have been
 instrumental in fostering regional enterprise and SME development in regions.
- ESF in general provided resources for the regional formation of policy and training provision, and played an important role in terms of social inclusion.
- Structural Funds played a significant role in introducing mainstream (horizontal) themes (environment and gender equality). The environmental horizontal priority, in particular, was often effectively implemented, and was seen as a welcome improvement on existing national and regional policies, whilst gender issues seem to need some "fine tuning" in terms of the corresponding tools of intervention. Some criticism of horizontal priorities has highlighted, in some instances, a "tick box" approach rather than insightful horizontal priority input. Overall, horizontal priorities have had a rather mixed performance in the 2000-2006 programmes.
- The best-performing measures seem to have been those which received a critical amount of funding this seems to hold true notwithstanding the instrument (ERDF vs. ESF), the objective (Objective 1 vs. Objective 2), or the country in which the investment takes place (EU-15 vs. New Member States).

Sustainability

A particular effort was made to consider the economic sustainability, or in other words the economic viability of programmes, priorities and projects supported beyond the programmes' life with continued intervention and waves of Structural Funding support. Case study results seem to support a particular success with infrastructure Objective 1-driven expenditure, while other forms of support under Objectives 1 and 2 have been in most cases more difficult to examine in relation to economic viability:

- ERDF infrastructural interventions seem to be sustainable, and they provide the basic infrastructure framework for development, especially in Objective 1 regions.
- ERDF grants to SMEs appear to be sustainable, especially when they aim at building networks amongst enterprises or with universities and research centres. In Objective 2 regions in particular, projects developed on the basis of a wide partnership seem to have more chance of becoming self-sufficient.
- The sustainability of ESF interventions is difficult to establish, since they account for resources supporting human resources outside the usual mainstream educational frameworks. It is therefore more difficult to establish whether such interventions will be furthered under national schemes and policies following a cessation of Structural Funds support in the respective areas concerned.
- The long-lasting impact of Structural Funds on the "modus operandi" of the public administrations involved is noticeable. The managers of Structural Funds acquired new methodologies and instruments which could permeate the whole administration and have long-term effects.

Added value

A cornerstone of EU Regional policy is the added positive impact that it seems to impart on administrations, regional stakeholders and regional policy area input:

- In Objective 1 regions, most of the ERDF interventions would have not been carried out with national or regional funding only. This is especially true in New Member States.
- In Objective 2 areas in particular, an important qualitative effect is appreciable. Strategic intervention often promoted innovation and enabled experimentation with new methodologies or tools for regional economic development, which would not have been made possible in most cases within pre-existing mainstream national/regional policies.
- Without the ESF, most of the interventions in vocational training and social inclusion would have not been implemented.
- Very important in the long term are the impacts on the governance of regional development. In this respect:
 - regional and local administrations increased their capacity in managing local development because of the availability of resources over a longer time perspective (6 programming years), making possible a wider, more cohesive and larger-scale vision (capacity-building effects);
 - capacity-building effects were not only perceived in the New Member States but also in efficient EU-15 public regional administrations, such as those of the UK and Sweden;
 - structural Funds encourage innovation and benchmarking with experiences in other countries, in the context of a common legislative framework. This was also possible as a result of territorial cooperation;
 - networking has been stimulated at regional and very local levels. Structural Funds also promote the growing awareness and ownership of local development among different actors involved, such as economic and social actors, universities, and town and village administrations;

• Structural Funds provide a decisive stimulus in the implementation of mainstream themes like environment and innovation, and to a lesser extent gender issues.

12.3. Concluding remarks

- Structural Funds have different effects on different countries and regions. Context matters. This is clear in Objective 1 regions, especially in the New Member States and as far as mainstreaming policies are concerned (in particular, environmental issues).
- Structural Funds have an important role to play in governance and innovation in EU-27 regions and localities. In the current programming period, linkages with the Lisbon strategy have been reinforced. Innovative new financial instruments have been introduced.
- The ESF is the most important source of financing for social inclusion and vocational training. It is a vital instrument for building a knowledge-based and inclusive society.
- Possibly the most important impact of Structural Funds was in regional governance.

12.4. Lessons learnt

- There needs to be further simplification in implementing Structural Funds.
- From a bottom-up perspective, the division between the ESF and ERDF in programming appears to be an artificial one, and it is an obstacle to a synergetic implementation of Structural Funds.
- The new evaluation approach of the Commission has to be fully understood and not merely formally implemented. In this way, it can have full impact in a) helping policy makers choose an appropriate strategy for their region, and b) providing a clear vision of the implementation process of the programme. It is clear, however, that there are different evaluation needs across Member States, and that incentives to establish an evaluation culture in regional and national administrations have been welcomed by many New Member States.
- In Objective 2 regions, the key lessons are that:
 - networking and integration matter as far as local development is concerned, and provide the basis for sustainability;
 - in supporting SMEs' competitiveness, it might be necessary to move from the grant approach to a loan approach. Further research is needed to determine under which conditions this proposition holds;
 - the ERDF has an important role in promoting pilot projects and innovative approaches;
 - Objective 2 programmes should be better targeted at existing strengths and assets, so as to trigger a virtuous circle of endogenous development.
- Cross-border cooperation programmes are important, but they need to move from an approach of "exchanging experience" to a more operational one. In this sense some new thinking about the eligibility of expenditure is also necessary, since at present eligibility dispositions do not allow significant infrastructure interventions.
- With regard to the new financial instruments JEREMIE, JASPERS, JESSICA and JASMINE, the loan funds are still at an early stage of development and progression, and regions and Member States are still feeling their way forward towards tapping into these. There is great interest in their potential.

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