EUROPEAN UNION

Committee of the Regions

COTER-IV-003

DRAFT OUTLOOK OPINION

of the

Committee of the Regions

on

THE LEVERAGE EFFECT OF THE STRUCTURAL FUNDS

Rapporteur: **Manuel Chaves González (PES/ES)**

President of the Region of Andalusia

CdR 118/2006 rev. 2 ES/DS/NT/ht

THE COMMITTEE OF THE REGIONS,

HAVING REGARD TO the European Commission's decision of 24 March 2006, to consult it on this subject, under Article 265(1) of the Treaty establishing the European Community;

HAVING REGARD TO the letter from the European Parliament of 20 July 2006 requesting the CoR to draft an opinion on the consequences of regional policy on EU cohesion;

HAVING REGARD TO the decision of its President of 1 June 2006 to instruct its Commission for Territorial Cohesion Policy to draw up an opinion on this subject;

HAVING REGARD TO its Opinion on the *Communication from the Commission to the Council and the European Parliament: Building our Common Future: Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013* COM(2004) 101 final (CdR 162/2004 fin)[1];

HAVING REGARD TO its opinion on the *Third Report on Economic and Social Cohesion* (CdR 120/2004 fin)[2];

HAVING REGARD TO its Opinion on the Communication from the Commission *Cohesion Policy in Support of Growth and Job Community Strategic Guidelines, 2007-2013* COM(2005) 299 final. (CdR 140/2005 fin);

HAVING REGARD TO its draft opinion (CdR 118/2006 rev. 2) adopted on 11 December 2006 by its Commission for Territorial Cohesion Policy (rapporteur**: Mr Manuel Chaves González (PES/ES) -** President of the Region of Andalusia);

adopted the following opinion at its ... plenary session, held on … (meeting of …):

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1. **Socio-economic and political background to the opinion**

1.1 On 24 March 2006, in a letter signed by Commissioner Wallström, the European Commission stated that it would be interested in the Committee of the Regions drawing up an outlook opinion on ***The leverage effect of European Cohesion Policy under the Structural Funds.*** The Commission is of the view that the Committee's opinion will make a substantial contribution to the Fourth Report on Cohesion, which is due to be adopted in Spring 2007.

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1 OJ C 164, 5.7.2005, p. 4.

2 OJ C 318, 22.12.2004, p. 1.

1.2 The Committee of the Regions also received a letter, dated 20 July, from the President of the European Parliament, Mr Josep Borrell, asking the CoR to deliver an opinion on the report by the MEP Ms Francisca Pleguezuelos Aguilar (ES/PES), a member of Parliament's REGI Committee, on the repercussions of structural policy for cohesion in the EU. The COTER Commission decided that this outlook opinion would also meet the request from Parliament.

1.3 This opinion attempts to contribute to the debate on the future of cohesion policy in an enlarged Europe and its role in the Union's budget. In the Committee's view, a number of past proposals have questioned the effectiveness of cohesion policy in a European Union in need of reform as a result of enlargement and which is deeply involved in the process of globalisation. This report is primarily concerned with the underestimate of the effects of cohesion policy implied in these earlier proposals.

1.4 Europe is currently experiencing huge socio-economic changes and technological challenges that are central to the main objective of the 2000 Lisbon Agenda, maintaining and developing a European model able to combine prosperity and solidarity. Europe can do this only by keeping a robust policy framework which provides actors with instruments not only to seize new opportunities but also to deal with the repercussions.

1.5 The regions and local communities are among the most exposed to these challenges but are also the best-positioned to translate strategic policy orientations into concrete actions, capable of mobilising social and economic actors across Europe.

1.6 The renewed EU strategy for growth and jobs can, therefore, succeed only if it is able to mobilise its resources in all of the Union’s territories. Both EU and national budgets are under pressure, however, and Europe must, therefore, attempt to find the best way of increasing the financial resources available. The CoR considers that, because of its strategic orientation and delivery mechanisms, cohesion policy is an effective lever at the Union's disposal.

1.7 This opinion will attempt to bring a range of elements to the debate, giving broad consideration to the leverage effect, taking account of a number of impacts that cohesion policy has throughout the Union. The methodological appendix contains the information necessary to understand the scientific methodology and the working dynamics used by the Committee in drawing up this opinion.

2. Attempted definition of the leverage effect

In this opinion, the CoR proposes adopting a broad concept of the leverage effect, which takes account of a range of factors that are important for assessing the impact of the Structural Funds. Consequently, and in an attempt to be comprehensive, the opinion will aim to take account of the leverage effect provided by Community funds, covering the following areas:

- Financial aspects
- Political and strategic aspects of thematic concentration
- Institutional capacity building
- Increasing cohesion in Europe.

2.1 *Financial aspects of the leverage effect*

2.1.1 Cohesion policy offers considerable added value at European level, since Community expenditure helps to achieve better results and to secure the support of stakeholders more effectively than expenditure at the national or regional levels. According to European Commission's estimates[3], every euro spent at EU level by cohesion policy leads to further expenditure in Objective 1 regions, averaging 0.9 euros. If we consider Objective 2 regions, the average additional expenditure generated rises to 3 euros for every euro invested.

2.1.2 This multiplier effect is a result firstly of the thematic and geographical concentration of the Structural Funds. The concentration of the Funds, in conjunction with a reasonable set of instruments, increases the chances of achieving the necessary critical mass, thus making it possible to generate further investment at a later date. The capacity for attracting investment can thus be increased through thematic and geographical concentration, because this means that investment can be made with lower administrative costs.

2.1.3 Secondly, a leverage effect is also created as a result of the wide variety of financing instruments available, even though Member States and regions are often unable to make the best use of all the measures potentially available under cohesion policy. The study referred to in this opinion identified the global grant, for example, as a flexible instrument that can create and enhance the financial leverage effect of many projects and programmes.

2.1.4 Other instruments that could be used to promote the leverage effect are those derived from the Structural Funds' involvement in financial engineering instruments for businesses, especially SMEs, such as risk-capital funds, guarantee funds, loan funds and urban development funds, for example. In many eligible regions considerable experience has been built up of these support instruments, particularly in the area of risk capital finance, in the course of implementing the Structural Funds. The same is true of the development of revolving funds, which can make a contribution to regional development beyond the funding period. Welcome in this context are the JEREMIE, JASPERS and JESSICA initiatives, promoted by the European Investment Bank (EIB) and the European Investment Fund (EIF), among others, which could play a significant role in implementing this type of measure.

2.1.5 This type of instrument can also increase public authorities' capacity for cooperating with the international financial institutions and with the private banking sector, which can act as

3 European Commission: COM(2005) 299. Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013, Brussels, 5 July 2005.

sources of financing for other development projects. Other potential advantages of using these instruments are the greater flexibility that they can bring to management of the Structural Funds and greater solvency when dealing with the external agents provided by the EIB and the EIF.

2.1.6 Lastly, the leverage effect can be increased by improving a range of factors concerned with strengthening public-private partnerships. Being able to identify obstacles that put off private investors and setting up and supporting project teams and partnerships with the private sector are crucial factors for generating private investment in relatively short timeframes.

2.1.7 Because of its stable financing and multiannual programming, cohesion policy also ensures the possibility of developing solid relationships with the private sector, which has the potential to generate greater investment over a longer period of time. This defining feature of cohesion policy in relation to national policies of the same type is a source of added value that should not be ignored.

2.1.8 This point should be set in context; in some Member States, especially the ten new Member States, a sharp increase in public investment might jeopardise their meeting the deficit criterion and the rules of the Stability and Growth Pact in the short and medium term. Greater use of public-private partnerships (PPP) might be a valid alternative solution to a direct increase in public investment.

2.2 *Strategic Policy Orientation*

2.2.1 Public investment must be carefully defined and properly planned at all levels. It is therefore important to emphasise that cohesion policy has a key role to play in organising regional and national priorities in such a way as to create synergy at the European level. It goes without saying that a European investment strategy must be matched by corresponding national and regional policies that should result in high-quality public investment in areas relating to the Lisbon Strategy.

2.2.2 This investment concerns education, knowledge, innovation and research, social services, lifelong learning and the establishment of European bodies. This investment not only affects demand; it also has long-term structural effects on the economy, increasing economic growth and making the regions more competitive. The leverage effect created by cohesion policy is thus caused by a number of different factors.

2.2.3 First of all, by the Member States and regions incorporating new ideas and approaches into policies, in order to promote innovation in economic development. The case studies that have been analysed lead to the conclusion that cohesion policy has focused national policy priorities on areas that are important to economic growth, such as innovation, research and active policies to improve employment and social inclusion.

2.2.4 This focus has developed in particular as a result of the opportunity provided by the Funds to launch pilot projects, with new approaches and instruments, such as cluster policies for innovation or more participatory approaches. This has helped to raise awareness and to broaden the scope of the "innovation" concept, more successfully incorporating aspects relating to organisation, finances, management, training and promoting innovation into regional development strategies.

2.2.5 Secondly, cohesion policy has led to account being taken of political areas that were previously overlooked by national or regional policies. A number of pilot-projects such as the Regional Innovation Strategies (RIS) and the ERDF's Innovative Actions have gradually established themselves as key national and regional policies. Broadly speaking, the most flexible and market-focused approaches have been the common denominator for the new approaches introduced by cohesion policy.

2.2.6 Lastly, the joint national and regional development strategies that make up cohesion policy have promoted the adoption of more strategic approaches to economic development and employment, which has in turn helped to implement concrete projects. A number of areas, such as technology, innovation, the development of human capital, equal opportunities and the environment were identified as important factors for growth and built into the relevant polices to achieve a more integrated approach.

2.3 *Capacity building*

2.3.1 Another aspect of leverage in the implementation of the Structural Funds worth highlighting is their effect on the way in which civil services operate, in other words, modernising them, improving their management and harmonising their procedures in the European context. Cohesion policy has supported the implementation of Community policies, especially environmental protection and equal opportunities, as well as economic and social restructuring, in line with the priorities set out in the Lisbon and Gothenburg strategies.

2.3.2 In this regard, it is worth highlighting the implementation of the National Reform Plans as key elements for achieving the aims of the Renewed Lisbon Strategy and the necessary coordination between these and the National Strategic Reference Frameworks 2007-2013.

2.3.3 Mention should also be made of promoting partnerships, improving institutional capacity for designing and implementing public policies and extending the culture of evaluation, transparency and exchanging good practice. These factors all form part of the system developed in the European Union for cohesion policy, thus helping to improve governance at all levels, because authorities then apply many of these approaches in other sectors. The creation of new bodies, such as the Regional Development Agencies, has also played a key development role in many of the Union's regions.

2.3.4 Cohesion policy has also made a substantial contribution to the drafting of plans and programmes in this area. There is an ever greater emphasis on rigorous diagnosis and analysis, objectives are drawn up with greater precision and plans and programmes are better supervised and evaluated, with benchmarking becoming standard practice. Designing long-term strategies for public investment has become a common feature of today's planning culture.

2.3.5 This has also increased Member States' capacity for adopting and effectively implementing Community legislation in a number of areas, such as the environment. In particular, cohesion policy has led to major changes in public procurement law in the Member States, opening up public markets to all EU companies and making access to them easier, thereby strengthening the single market. This aspect warrants particular consideration in the light of the recent rounds of EU enlargement.

2.3.6 Lastly, the European Union's cohesion policy has promoted and strengthened the role of the regions in the decision-making process when drawing up and implementing Community regional policies. Achieving critical mass in human terms to ensure the sound management of the Funds has helped to secure greater autonomy for local and regional authorities and a real increase in regionalisation and local autonomy in the European Union.

2.4 *Greater cohesion in the European Union*

2.4.1 Cohesion policy has also had a leverage effect on building a more cohesive Europe, as the result of a number of different factors.

2.4.2 Firstly, the principle of partnership and the active role played by leaders has encouraged cooperation between public institutions and the different sectors of society, with a top-down approach that has played a key role in finding solutions to problems.

2.4.3 Secondly, cohesion policy has helped to find multi-dimensional solutions to highly complex and diverse problems. The problems affecting the EU's different regions are undoubtedly varied and the conditions and economic situations diverse. Nevertheless, cohesion policy has led to account being taken of this diversity, especially in the Union's outermost regions and in those lagging furthest behind. This cohesive approach has also had a marked effect on other Member State policies.

2.4.4 Cohesion policy has thus helped to create the appropriate conditions for cooperation between EU regions and local authorities, mainly through the Interreg initiative, which has helped to settle longstanding disputes or past rifts across the two sides of a border. Moreover, cooperation between municipalities and regions without a common border has developed strongly as a result of the promotion of interregional cooperation and today it makes a not insignificant contribution to the development of new regional strategies.

2.4.5 The effects of the Urban programmes have been particularly significant in this regard: they have had a real impact in terms of both physical regeneration and social inclusion, and they have both effectively demonstrated the added value of European policy to citizens and boosted effectiveness by concentrating actions.

2.4.6 Lastly, cohesion policy has had a crucial multiplier effect on the profile of European integration. This effect has been all the greater because cohesion policy has helped to improve public services and the quality of life.

3. Conclusions

In the light of the factors that have been studied, the Committee of the Regions wishes to state that:

3.1 As a result of its specific features (partnership, additionality, strategic programming and multiannual funding), EU cohesion policy has had a number of significant impacts and leverage effects.

3.2 EU cohesion policy is a lever for financial pooling and public private partnership. It acts as a catalyst for national public and private funding in different sectors, due to its funding stability over a multiannual programming period and its capacity to mobilise a critical funding mass.

3.3 This leverage effect and other cohesion policy impacts occur in all types of region and in a great variety of programmes and projects, irrespective of the project's cost.

3.4 It should also be pointed out that the Funds' management must be simplified, in order to maximise partnerships' leverage effect. Furthermore, keeping eligible areas small and fragmented can hamper partnership cooperation in some regions, which has a major impact on the selection and commitment of partners. This problem will however be resolved in the 2007-2013 period, in which the new regulations have set out to abandon the present Objective 2 zoning.

3.5 EU cohesion policy is a lever for strategic policy orientation. It has the capacity and the potential to generate innovative approaches in different fields and to guide a large number of policies at national, regional and local level. Cohesion policy is a driving force, effectively linking the process of setting ambitious common EU objectives, such as the Lisbon strategy, with their successful acceptance and delivery by key players across the EU.

3.6 EU cohesion policy also acts as an instrument to lever resources to give decisive support to measures directly related to the Lisbon agenda, based on R&D and innovation, which are critical factors for growth in the medium and long term.

3.7 A critical factor in the success of the innovative programmes and projects kick-started by cohesion policy is that "new concepts and approaches" are accepted at the highest political and administrative levels. The coherence of strategies and collaboration between administrations are equally important. These factors have stimulated the leverage effect of the Structural Funds.

3.8 EU cohesion policy has significant effects on institutional capacity building. Applying the partnership principle, it has promoted a new model of collaborative governance throughout the EU, strategically involving the different levels of government and civil society, thus ensuring greater capital in the regions and local authorities. This will be a critical factor for development in the new Member States.

3.9 In order to maximise the long-term leverage effect of the Structural Funds, account must be taken of a region's general context and its cultural identity. There must therefore also always be a balanced relationship between EU-wide requirements and regional priorities. Attempting to change the culture and mindset of a given society, by promoting innovation, education, the entrepreneurial spirit and creativity, guarantees that the changes potentially generated by the Structural Funds will be lasting.

3.10 EU cohesion policy is a lever for the cohesive building of Europe. It has the potential to integrate various types of territory across Europe, allows for the active participation of economic and social stakeholders and is visible and perceived to be inclusive by European citizens because of its tangible contribution to improving the quality of life.

3.11 Cohesion policy also provides leverage for sustainable growth that respects the environment, preventing its neglect from becoming a factor that limits growth, as well as the quality of life and conservation of natural resources.

3.12 Because it covers the entire EU, cohesion policy provides a suitable continent-wide framework for ensuring balanced economic and social development. Addressing both convergence and competitiveness factors, it creates the essential conditions for pooling experience and exchanging best practice. Furthermore, it ensures a complete and integrated framework that consolidates mutual learning, and ensures financing and the replication of successful initiatives through practical implementation methods.

3.13 The CoR considers that the leverage effect of EU cohesion policy can be significantly reinforced in the 2007-2013 programming period. The tried and tested principles underpinning cohesion policy have been complemented by a number of measures: the adoption of a more strategic approach for cohesion policy, earmarking and a greater concentration of funds in priority sectors, an improved legal framework for adopting innovative financing schemes, the attachment of due importance to urban development programmes and upgrading territorial cooperation. These changes have confirmed that, when fundamental EU policy shifts occur, cohesion policy can play a central role in giving practical inspiration and support to economic and social change throughout the EU.

3.14 The development and selection of projects has been identified as a key factor for success: the type of instrument must be chosen carefully to ensure the best match for the regional context and the objectives to be achieved.

4. Recommendations

The Committee of the Regions:

4.1 Recommends that the European Commission incorporate the concept of leverage into its forthcoming evaluation of the current state and progress of cohesion policy.

4.2 Suggests that the European Commission, the European Parliament and the Council consider the leverage effect as an appropriate framework for evaluating EU policies, in particular as regards the mid-term review of the Community budget.

4.3 Recommends that the European Commission step up its efforts to raise awareness of cohesion policy and its benefits, profile and image.

4.4 Recommends that the European Commission build on the work already undertaken to promote different financial instruments under the Structural Funds (JEREMIE, JESSICA, etc.) and in particular create the necessary competition law arrangements for the development of risk capital funds and guarantee programmes in the regions.

4.5 Recommends that Member States cut red tape, establish a legal, administrative and financial framework that facilitates innovative activity and stimulate specific forms of funding for innovative companies (including risk-capital, business angels, micro-credit, etc.).

4.6 Recommends that the European Commission and the Member States evaluate progress on simplification and decentralisation of the management of the Structural Funds for the period 2007-2013. In particular, it is recommended that particular attention be paid to ensuring proportionality between administrative costs and the type and scale of the measure.

4.7 Recommends that the Member States strengthen partnerships at all stages of the governance and management of the Structural Funds, putting into practice effective ways of involving regional and local authorities and civil society throughout the process, and recommends a thorough-going partnership with cities on account of their potential as drivers of growth and employment.

4.8 Recommends that the European Commission, Parliament, the Member States and the EIB clearly identify the obstacles that are keeping investors away from engaging with PPPs cofunded by the Structural Funds. Clear interpretation at EU level of PPP agreements and simplification of state aids regulation would thus be of considerable help. Disseminating knowledge about the potential benefits and problems of PPP among regional and local authorities is also needed.

4.9 Recommends that the European Commission and the Member States safeguard the experimental and pioneering role often played by the Structural Funds. In this respect strongly recommends that the Member States use the performance reserves and other instruments to reward and expand the most successful strategies and to consolidate the results of territorial cooperation.

4.10 Recommends that particular attention be paid when implementing the Structural Funds to the goals set out in the Kyoto Protocol and that everyone concerned stays on track towards sustainable growth in a way that respects the environment.

4.11 Recommends that the Member States and the Commission promote the leverage effect when programming the Structural Funds so as to encourage the generation, stimulation and funding of projects with a considerable leverage effect, and when drawing up reports and in the evaluation cycle.

4.12 Recommends that, in order to take full advantage of the leverage effect of the Structural Funds, the regions and Member States be rigorous in establishing adequate coherence between regional strategies, National Reform Plans, National Strategic Reference Frameworks and Operational Programmes implemented under European cohesion policy.

4.13 Suggests addressing the benefits of the leverage effect and working on improving public awareness of the potential benefits through both specialised and large-scale publicity activities.

4.14 Recommends that the Commission study and measure long-term development in the regions, focusing on the fact that changes in their culture and mindset are needed to ensure that these regions make real progress on their social and economic development.

4.15 Welcomes the initiative of the European Commission to establish "Regions for Economic Change" networks and recommends a broad thematic range in order to reflect different territorial dynamics of change, making use of innovations produced during the current period and which should actively involve local and regional authorities in the process of selecting the initiative's priority fields and **expects** to be fully involved in the development of this initiative.

4.16 Recommends that the European Institutions adopt the approach of solidarity between territories as a fundamental dimension of the concept of EU cohesion. Cohesion policy must continue to be a central element of European integration policy.

Brussels, ...

The President of the Committee of the Regions	The Secretary-General of the Committee of the Regions
Michel Delebarre	Gerhard Stahl

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ANNEX 1: METHODOLOGY USED IN DRAWING UP THE OPINION

1. Background

On 24 March 2006, the European Commission stated that it would be interested in the Committee of the Regions drawing up an outlook opinion on ***The leverage effect of European Cohesion Policy under the Structural Funds.*** The Commission is of the view that the Committee's opinion will make a substantial contribution to the Fourth Report on Cohesion, which is due to be adopted in Spring 2007.

The Committee's Commission for Territorial Cohesion Policy (COTER) agreed that this would be a key dossier for 2006 and thus decided on 5 April of this year to set up a working group to assist the rapporteur in drawing up the opinion, contributing the different experiences and points of view of the regions and cities on the way in which the Structural Funds are managed.

At the COTER Commission meeting held on 23 June 2006, it was decided that the working group would comprise the following eight members: in addition to the rapporteur, Mr Chaves (ES/PES), the group's members would be Sir Albert Bore (UK/PES); Mr Bernard Soulage (FR/PES); Mr Michael Schneider (DE/EPP); Mr Luc Van den Brande (BE/EPP); Mr José Macário Correia (PT/EPP); Mr Väino Hallikmägi (EE/ALDE) and Mr Witold Krochmal (PL/UEN-EA). The working group has to date held two meetings, one on 7 June and another on 14 September.

The Committee of the Regions also received a letter, from the President of the European Parliament, Mr Josep Borrell, asking the CoR to deliver an opinion on the report by the MEP Ms Francisca Pleguezuelos Aguilar (ES/PES), a member of Parliament's REGI Committee, on the repercussions of structural policy for cohesion in the EU. The COTER Commission decided that this outlook opinion would also meet the request from Parliament.

2. Methodology and working dynamics

The main leverage effects to be addressed in the outlook opinion were identified:

- financial leverage and PPPs, national (public) co-financing, private funding and PPPs, and new schemes, e.g. financial engineering (JASPERS, JEREMIE and JESSICA);
- leverage in policy delivery, strategic approach, institutional capacity, exchange of experience.

To complement the work of the rapporteur and the working group, the Committee of the Regions decided to commission a study from the OIR (Austrian Institute for Regional Studies and Spatial Planning), in order to draw up a body of evidence as to the leverage effect of the Structural Funds, by providing a number of case-studies. This technical report will be appended to the outlook opinion.

The cases will revolve around four main strands:

- Strategic policy orientation
- Financial pooling and Public-Private Partnerships (PPP)
- Institutional capacity building
- Horizontal cohesion-building in Europe.

There is also a desire to ensure that funds are equally distributed between different funding regimes (Objective 1, Objective 2, Cohesion Fund, Interreg/urban cooperation) and between the different EU Member States.

3. Attempted definition of the leverage effect

The concept of the "leverage effect" generated by the Structural Funds is not an easy term to define, because, although everyone can agree that it refers to the process of harnessing resources at both national and regional level and from both public and private sources, it is not a straightforward issue for researchers or for the stakeholders involved in the process (regions, countries and the European Commission).

The leverage effect should be included in the concept of Community Added Value, as set out in DG REGIO's 2002 document[4], and is clearly distinct from the concept of additionality. Consequently, and in an attempt to be comprehensive, the opinion will aim to take account of the leverage effect and all the other added value provided by Community funds, covering the following areas:

- Financial aspects (Financial Pooling, PPP)
- Political and strategic aspects of thematic concentration on the Lisbon Objectives (strategic policy orientation)
- Improving governance and administration (capacity building)
- Increasing cohesion in Europe (cohesion building).

To ensure greater clarity we could adopt the definitions set out in the European Commission document entitled MEANS[5] on additionality and the leverage effect, as well as the concept of "Community Added Value".

- Community added value is: the value provided by Community intervention that is additional to the value provided by the intervention of national or regional public authorities and/or the private sector. This value is not produced only by harnessing financial resources (see table 1).

4 EC (2002): "Community Added Value: Definition and evaluation criteria" Working paper, DG. Regio, Brussels.

5 MEANS (1999): "Evaluating Socio-Economic Programmes" – European Commission Luxembourg.

- Additionality "means that Community support for economic and social development is not substituted for efforts by regional governments. In other words, the fact that the beneficiary State's own financing remains, globally, at least equal to that which existed before the Structural Funds' contribution."

- Leverage effect: "propensity for public intervention to induce private spending among direct beneficiaries. In cases where public intervention subsidises private investments, leverage effects are proportional to the amount of private spending induced by the subsidy."

TABLE 1

Development of the main aspects of Community Added Value

1.	Economic and social cohesion
2.	Community Priorities 2.1. Infrastructure and the Information Society 2.2. Regional competitiveness 2.3. Emphasis on sustainable development 2.4. Emphasis on equal opportunities
3.	Additionality and added financial value
4.	Methods for implementing action 4.1. Partnership 4.2. Nature of the projects 4.3. Pilot and innovative actions 4.4. Audit system 4.5. Monitoring system 4.6. Evaluation system
5.	Exchanging experiences and networking

Table 1 was produced by the University of Malaga (A. Marchante and B. Ortega) on the basis of work by A. Mairate (2006): "The 'Added Value' of European Union Cohesion Policy", *Regional Studies*, vol. 40(2), pp. 167-177.

The fact that Community funds not only do not replace national funds but also finance projects that would not otherwise have got off the ground can thus be considered part of a general "leverage effect", as can the fact that total public investment (not including European funds) increases significantly when the Community Support Framework or any other type of multiannual programming of Structural Fund resources is implemented, with all the attendant consequences[6].

Nor can we overlook the fact that ultimately, what is truly important is the impact or effect that these financial instruments have at the regional level. Progress in regional development does not depend solely on whether or not the Structural Funds are used wisely; it is heavily influenced by macro-economic cycles, the international situation and national development conditions, among other factors.

In any event, progress in a regional economy will depend on several interlinking factors, which makes it more difficult to pinpoint what is an effect of the use of the Structural Funds alone.

If we want to translate theory into practice, however, and in order to support our claims with some quantitative information, we should take note of the experience of Andalusia's Integrated Operational Programme for 2000-2006 - the largest programme co-financed in the European Union during this period – with regard to the financial "leverage effect" of investment under the Funds.

Table 2, drawn up by the independent assessor[7], presents information on private investment raised by projects co-financed by the Funds under measures linked to aid for productive investment. The leverage effect ratio is also shown for all of Spain's' Objective 1 Community Support Framework regions for the same measures. In particular, it highlights measure 1.55, overseen by the IDEA Agency and which concerns aid provided to businesses by means of financial instruments, for which the ratio of private investment generated to public investment is 20.

6 Andrea Mariate. Regional studies. Vol. 40(2) pp. 167-177. April 2006.

7 UNIVERSITY OF MALAGA (2005). Updated Mid-Term Evaluation of the 2000-2006 IOP of Andalusia.

TABLE 2

Financial leverage in AIOP and CSF Measures 2000-2006 linked to aid for productive investment

Priority	Measure	Title	Total AIOP investment 2000-2004 (EUR) (1)	Gross private investment generated 2000-2004 (EUR) (2)	Gross financial leverage 2000-2004 AIOP (3)=(2)/(1)	Gross financial leverage 2000-2004 CSF (4)
1	2	Improving the processing and marketing of agricultural products (EAGGF- O)	142 203 635	554 430 999	3.90	2.13
1	3	Provision and adaptation of production spaces and services to businesses (ERDF)	74 254 728	12 087 939	0.16	0.21
1	4	Support for businesses involved in the social economy (ERDF)	9 644 249	59 513 727	6.17	3.23
1	7	Promotion of businesses' organisational capital (ERDF)	4 737 702	6 114 598	1.29	2.22
1	51	Support for industrial, commercial and service-based businesses (ERDF)	163 047 524	818. 810 138	5.02	5.00
1	53	Provision and adaptation of production spaces and services to businesses (ERDF)	4 270 670	17 965 950	4.21	2.38
1	55	Improving business financing conditions (ERDF)	93 263 386	1 955 027 559	20.96	20.00
6	10	Aid for businesses' energy efficiency and savings (ERDF)	11 183 104	170 564 890	15.25	6.67
7	55	Endogenous farming-related development of rural areas: agricultural diversification (EAGGF-O)	36 498 019	19 862 397	0.54	0.54

N.B. Account is taken only of measures implemented under the AIOP 2000 -2006 for which private investment generated (code 548) is the sole indicator of results.

Source: Updated Mid-Term Evaluation of the AIOP 2000-2006.

It should be stated that here we are looking at the gross effect of public investment on private investment, because its net effect is inevitably lower. To understand this difference, account must be taken of at least two effects on investment.

- *The deadweight effect.* It is likely that some of the productive investment financed with European funds would have occurred even without the help of these funds. In this case, some public funds would simply be used instead of private financing, thus replacing it.

- *The crowding-out effect.* To the extent that public resources have to be financed through taxation or public debt, fewer resources are available for private productive investment.

Consequently, in order to calculate the net impact of public investment for production, the scale of the above effects would need to be measured.

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ANNEX 2: EXECUTIVE SUMMARY OF THE REPORT ON LEVERAGE EFFECT

EUROPEAN UNION

Committee of the Regions

THE LEVERAGE EFFECTS OF EUROPEAN COHESION POLICY UNDER THE STRUCTURAL FUNDS

Executive Summary
extracted from the Final Research Report
by the CoR contractor, ÖIR Managementdienste GmbH

Report realised under the Framework Contract for policy analysis activated by the CoR Directorate for Consultative Works.

"Give me but one firm spot on which to stand, and I will move the earth"

This famous quotation attributed to Archimedes by Pappus of Alexandria in his "Collection" (Synagoge, Book VIII, c. AD 340) aptly describes the importance of leverage as a method of triggering motion and thus change. Motion and change are dynamic processes, processes which once successfully launched create a wave – or at least a ripple – effect, radiating outwards and onwards in patterns their initiators may have never envisaged, or imagined. This report seeks to analyse the leverage effect of European funding (Structural and Cohesion) through 11 Case Studies. This analysis goes beyond the largely accountancy and indicator based European approaches traditionally employed to measure the leverage effects of such policies to present a more dynamic and inclusive picture of leverage-effects-in-action.

The report has been commissioned by the Committee of the Regions in support of its Outlook Opinion. The Committee of the Regions participated in the selection of these case studies.

Chapter 2 of the report establishes its Conceptual Analysis, setting out both the context of the study and the general operational frameworks within which the Case Studies must be viewed. The term "leverage effect" is often restricted to purely financial considerations where it is measured in terms of the scale of additional funds attracted, or levered, as a result of a given investment.

Although this approach is as valid as it is understandable, it cannot provide anything approaching a comprehensive view of leverage-effects-in-action. It is relatively simple to record the scale of investment in a project, to determine whether the construction of physical infrastructure actually generated the improved mobility it was designed to achieve, or whether investment-attracting job-creation schemes succeeded in attracting the investment, and in generating the jobs, as planned.

It is more difficult to measure, in statistical terms, the leverage effects which flow from other investments, yet these leverage effects are readily visible – once you make the effort. How do you measure the leverage effects of estranged communities being brought into contact with each other and with their relevant state authorities as in the *Peace Programme*? Facilitating the emergence of "normal" society in a post-conflict situation contributes to the generation of business and jobs from within that society and it assists in the attraction of inward investment both in terms of companies and tourism. The fact that it is extremely difficult to assign a hard figure in terms of Euros or jobs to that leverage effect has often meant that the effect is simply not acknowledged.

The reform of existing structures, institutions, policies and approaches is a difficult, complex and usually lengthy process. It is also one which has traditionally flowed from a theoretical analysis and has often taken place under a "top-down" approach. When such reforms involve cross-border questions in two or more nation states, the level of complexity is significantly increased. When Austrian regional authorities create successful project-based structures to boost economic development, and when those structures attract interest from neighbouring states, a real leverage effect is generated by European funding.

When citizens and services of different Member States successfully pool resources to generate new and better services in a cross-border region, jobs are created, investment attracted, and the whole project of European construction is enhanced and validated. Without European funding to explore such possibilities in the first place, and to "jump-start" the initial and therefore innovative projects, the framework would simply not have existed. The Zorg over de Grens project, involving Belgian, Dutch and German bodies in the broad area of healthcare is an example of this difficult to quantify leverage-effect-in-action.

This report seeks to understand the effects of the wide range of activities of Structural Funds, the multi-level governance aspect with the involvement of many actors and the substantial financial volume with geographic and thematic concentration and the specific implementation rules are the main features of this type of intervention. It tries to overcome the gap between the complexity of the approach and its monitoring and assessment: Most efforts to measure the impact of programmes by physical indicators have shown good results in measuring the outcome of the programmes, but fallen short in mapping these impacts at the governance level. Discussions in the recent past have focused on approaches seeking to grasp the complexity of the intervention and capturing benefits and impacts of Cohesion Policies that go beyond the present logic system: These are the added value concept, benchmarking and best practice exercises and the concept of leverage effects, where the latter seem to offer a more comprehensive approach of understanding effects and impacts of Cohesion Policies.

Leverage effects are specific cases of impacts: Impacts of European policies result from direct intervention on the ground and in the regions and should be appreciable as "added value" of Cohesion Policies. These impacts go far beyond the leverage effects and are of main concerns of European policies. "Added value" can be conceived as a segment of "impacts", referring to those impacts which are desired and can be linked to European Cohesion Policy goals. Leverage effects are actions resulting from a stimulus and creating other actions (they have a direction and an origin).

Four types of leverage effects investigated in this study, which are:

- Financial pooling and Public Private Partnerships may take the form of leverage of other sources of public funds for co-financing Structural Funds or of private funds by PPP arrangements or by attracting private investment through various forms of financial engineering (micro credit schemes, venture capital etc).
- Cohesion Policy often also affects the quality of policy making – in the form of specific strategic policy orientation in the regions and Member States by introducing policy fields that have not been previously addressed or by prioritising needs according to a European logic.
- Institutional Capacity Building is related to the requirements of multi-annual programming, the strategic approach, monitoring, evaluation, rules of accountability and financial control as well as the need for project development. Improving governance and administrative capacities to implement and manage these programmes has been one of the main strategies of regions to increase the benefits of Cohesion Policies. Thus this leverage is an input as well an output of Cohesion Policies.

- Cohesive Building of Europe is a generic aspect of Cohesion Policies and characterises the policy of integrating various stakeholder, social groups, and types of territories across Europe. It should strengthen economic and social cohesion, thus improve the quality of life for all groups of citizens and make European policies visible to people "on the ground".

Case Studies have been selected to elaborate on each of these leverage effects: The specific financial approach is examined in particular in the case of Agencia IDEA in Spain, the Regional Development Facility in the Czech Republic the Eastside Masshouse Redevelopment. The capacity to contribute to strategic policy orientation is shown for the Structural Funds in the UK, for the Future Competition in North Rhine-Westphalia in Germany, and for Castilla y León's Regional Innovative Action Programme LEGITE. The example of Greek's Rio Anitrio bridge, of the Austrian Regional Management in Styria and of the Italian Società Regionale di Granzia Marche are analysed with respect to their contribution to institutional capacity building.

The study also looks at leverage effects in terms of the contribution to a cohesive building of Europe as realised in cross-border platforms where regional and national authorities can improve services for local residents (Rhine-Meuse Euroregion, Belgium/Germany/the Netherlands), or where EU cooperation with Member States and local communities can help address specific development and post-conflict situations (PEACE Programme, UK and Ireland).

AGENCIA-IDEA (Agencia de Innovación y Desarrollo de Andalucía/Andalusian Innovation and Development Agency – Spain) is a public agency of the Andalusian Regional government which also involves the region's universities, risk capital funds and private investors. It blends EU Structural funding and European Investment Fund (EIF) support to provide a venture capital fund, micro-credits for young entrepreneurs and guarantees for bank loans. As the loans are repaid, the funds are recycled providing a very direct financial leverage effect. It is now planned to extend the Agency's catchment area to include Southern Portugal.

EASTSIDE – Masshouse Redevelopment (UK) operates under the responsibility of Birmingham City Council with ERDF funding as part of that council's programme to regenerate Birmingham's city centre. EU Structural funding has allowed the Council to achieve significant leverage effects under three headings. The first was physical, removing the 1960's "concrete collar" of the city's elevated inner ring road at Masshouse, and replacing it with a surface level development. This re-established access to the city's Eastside and created conditions for private developers to invest. The city is accompanying this investment through the Eastside Development Team and the Eastside City Jobs Team. The first team assists investors and development actors, the second facilitates the recruitment of local residents for the jobs created.

Regional Development Facility in the Czech Republic is operated by the Czech Moravian Guarantee Bank in association with the European Investment Bank (EIB) to provide matching funds to Czech regions and municipalities for projects in receipt of Structural and Cohesion Fund grants in the sectors of transport, education, environment and health. Although the facility became operational at the end of 2004, it has yet to be used. The case study identifies four main reasons for this absence of a leverage effect. One was that Czech end-users did not always seek external sources for matching funds. Secondly central government declined to offer a sovereign guarantee for the EIB global loan because of concerns as to the impact of such a guarantee on the Czech Republic's fiscal deficit and the convergence criteria for the Euro. This absence of a guarantee meant generated a third obstacle in that loans under the facility were not always more attractive than other funding opportunities. A fourth factor was political differences between central and regional/local government in the Czech Republic. The study sets out several lessons which can be drawn from this experience.

Structural Funds in the UK reviews the overall impact of EU Structural Funds throughout the United Kingdom of Great Britain and Northern Ireland. Between Objective 1, 2 and 3 programmes something approaching 40% of the UK population were covered by, or eligible for, programmes in receipt of EU funding from the Structural Funds. The case study identifies two major areas where such funding had observable leverage effects. One was in the strengthening of domestic policy priorities in selected areas such as active labour market policies. The second has been in the area of capacity building where regional/local actors have been brought together, facilitated in determining objectives and assisted with their efforts to achieve those objectives. The Southwest Partnership for Cornwall and the Isles of Scilly is one of the examples the study cites under this second heading.

Zukunftswettbewerb Ruhrgebiet (Future competition Ruhrgebiet – Germany) is a competitive programme to support innovative technology-based local businesses in North Rhine-Westphalia. It brings together the state (Land) government with the Chambers of Commerce and Industry and the Chamber of Handicraft. The programme is composed of a contest-based funding award. Businesses located in Objective 2 zones of the Ruhr area, where a massive transition from the former coal and steel economy is under way, submit projects for competitive judgement. The project must be technology-based and must involve cooperation between the applicant business and a university or research institute. Three primary leverage effects can be identified. The first is a financial one as the project funding is limited to between 35% and 50% of the total cost, the balance being supplied by the applicant company. The second is the association between universities/research institutes and businesses, and the third effect comes from the significant number of projects which cross traditional sectoral boundaries and increase public authorities' capacity to handle such complex approaches.

La Excelencia y la Generalización de la Innovación en las Empresas de Castilla y León – LEGITE (Excellence and the Generalisation of Innovation in Companies in Castilla y León, Spain). LEGITE is Castilla y León's Regional Innovative Action Programme bringing together business and business organisation, the regional government, public-private networks and local innovation players to support innovation actions in Small and Medium-sized Enterprises (SMEs) in the less favoured and remote areas of the region. Its focus is on innovation in the more dynamic areas of activity and on boosting traditional sectors such as food, stone working, textiles, wood and furniture and sustainable tourism. LEGITE's leverage effects flow from the structured bringing together of the public and the private to transform regional investment in innovation, research and development.

Rio Antirio Bridge, Gulf of Corinth, Greece. This project to construct a bridge (first proposed in 1880) essential to the Greek highway network brought together the Greek government and public authorities, the EU Structural Funds, the European Investment Bank, commercial banks and a consortium of Greek and other companies. This consortium would construct the bridge and operate it on a concessionary basis for 42 years. Financing arrangements were completed at the end of 1997, and the bridge was inaugurated in August 2004. The leverage effects of the project range far beyond the direct impact of its construction – although the bridge crossing is 90% faster than the ferries it replaced. Two indirect leverage effects are identified by this case study. The first is the impact of a project-based approach on the operational approaches of Greek central government bodies. The second is the skills acquired by Greek companies through participation in an international consortium.

Regionalmanagement Steiermark (Regional Management in Styria, Austria). Seven 'Regionalmanagments' – regional development offices – have been established in the Austrian Bundesland (state) of Styria. These offices bring together local authorities, NGOs, and other players to develop regional development strategies, promote cooperation between the relevant stakeholders, project development, and information activities. The Stryian example is both bottom-up and variable in that these offices have been established to meet local needs and accordingly vary in size, composition and priorities. This contrasts with the more classic top-down approach adopted elsewhere in Austria – and beyond. The leverage effects demonstrated by the Styrian model have led to its recognition as best practice in Austria, and the possibility of similar approaches being employed in neighbouring Member States such as Hungary.

Società Regionale di Garanzia Marche – SRGM (Investment finance guarantee structure of the Italian Marche Region). The SRGM is effectively a cooperative structure offering financial guarantees to its 1 171 member businesses and 32 supporting associations across the Marche Region (around Ancona). The region is marked by small businesses which often lack adequate capitalisation. SRGM has brought together ERDF (Objective 2) funds, national Italian funds and private capital in support of its operations since its creation in 1995. SRGM has, with other financial actors, developed its cooperation with the European Investment Fund (EIF) in recent years. The leverage effects of SRGM's activities flow primarily from its transformation of business development finance in the region, using funding and its detailed knowledge of local businesses to build a new relationship between business, public agencies and the financial sector.

PEACE Programme – The EU Programme for Peace and Reconciliation (PEACE II –UK/Ireland). This programme, through a single agency (Special European Union Programmes Body – SEUPB), channels funding (EU, UK and Ireland) to a range of projects and developments in Northern Ireland and the border counties of the Republic of Ireland. The PEACE programme was established by the European Council to support the peace process in Northern Ireland following the end of the armed conflict there. The programme's leverage effects are multiple and while many of them (bringing together local stakeholders, infrastructure, training, etc.) are to be found in other Member States, its specific leverage effect flows from its providing an integrated European support matrix in an underdeveloped post-conflict region.

Zorg over de Grens – Rhine-Meuse Euroregion (Belgium, Germany, the Netherlands). The Zorg over de Grens project works on 16 specific areas to integrate, or render complementary, healthcare services, and to develop poles of healthcare excellence, in the Rhine-Meuse Euroregion which stretches from Aachen in Germany, through Maastricht in the Netherlands to Liège in Belgium. This programme represents a little over 5% of the budgetary effort of this Euroregion in a range of actions of common interest. Its primary leverage effects can be identified under three headings. The first is the provision of platforms where regional stakeholders can work together, thus offering a better range of healthcare service options to regional residents. The second is a demonstration of how careful regional cross-border cooperation can improve the quality of life of European citizens without necessarily requiring major legislative or institutional reforms at the respective national levels. The third shows how regional cooperation can address areas of interest to European citizens, even where those areas (in this instance healthcare) are not covered by the European treaties.

The comparison of the priorities, measures, implementation procedures between the programming period 2000-2006 and 2007-2013, identifies the major strategic shifts in the case of the Spanish, Finnish and Hungarian National Strategic Reference Frameworks (NSRF). In Spain, this concerns the country’s transition from Convergence objective towards Regional competitiveness and Employment objective and the increased focus on innovation. In Finland, already among the top performers of innovation, the specific focus in the coming period will shift from the diffusion of broadband to information technologies and content production. Furthermore the country’s peripheral locations, low populations density and the ageing of its population remain key challenges for the next programming period. In Hungary, the new programming period makes substantial amounts of funds available, which are primarily used for boosting national growth.

The synthesis is, naturally, developed from the findings of the different case studies and set out under four headings: Financial Pooling and Private-Public-Partnerships (PPPs); Strategic Policy Orientation; Institutional Capacity Building; and Cohesive Building of Europe (see chapter 4).

The case studies show that EU funding often produces leverage effects at different stages and in different combinations. One central element is that the availability of EU funding draws different stakeholders – public, private and associative – together to reflect on mutually agreed local/regional/national cohesion policy strategic goals. Such joint processes either do not exist in the absence of EU funding, or where they exist they are often conducted separately. This would seem to be equally valid within individual Member States as it is in projects and approaches which involve more than one Member State. In both instances this favours decentralisation, with decision-forming if not decision-making taking place much closer to the final consumer. These dynamics also impact on procedures and approaches within national and regional administrations, developing task-focussed structures and working methods, either on a permanent or on and ad-hoc basis. This project-based approach can also trigger reforms in the relevant public services. Case studies have shown a variety of examples of Structural Funds projects attracting private funds (like the Rio Antirio Bridge with EIB and other bank loans, the SGRM with bank guarantees) or other public funds from various sources, as has been the case in the Styrian Regional Management experience.

Financial pooling and public-private partnerships occur in various forms of public and private partners working together: Implementing authorities and private banks or venture capital funds for the establishment of financial instruments (Agencia IDEA), municipalities and private banks and EIB (the Czech case). Some factors have emerged as being essential for stimulating financial pooling and public-private partnerships:

- Thematic and geographic concentration in order to reach a certain critical mass is very helpful for involving different partners for financing and implementation: (e.g Zukunftswettbewerb, IDEA).
- Adding a regional, national, cross border or even European dimension to a local projects helps to attract a variety of financing partners (as in the case of the Styrian regional management, where local development is fostered by a region-wide approach).
- Financial partnerships can only be achieved if each of the parties acknowledges that it is of mutual benefit to involve the other. In monetary terms this implies that the costs of non-action (opportunity costs) are higher than the costs of cooperation. However, in order to remain calculable, the roles and responsibilities in such formal or informal partnerships need to be clearly established (e.g. Masshouse, IDEA).
- Distinct market features of projects (such as there having to be a consumer group which will make use of its results, the costs have to be exact and justified, there has to be some revenue in the project and a quantitative return on the investment made) help to attract the attention of private investors and motivate them to spend money or participate in a PPP. Programmes that incorporate some reimbursable elements can evoke private funds' interests. Private involvement can only be expected once the project is presented to the private fund in a familiar and recognisable way (e.g. the real-estate development part of the Masshouse project has large investment potential for any private investor active in this field).
- Programmes that incorporate some reimbursable elements can evoke private funds' interests: global grants, the Czech regional development facility and to a certain extent the PEACE programme are the best examples of this kind.
- A common understanding of objectives and a clear definition of roles and responsibilities is a prerequisite to establish successful partnerships. Formalised agreements (like in the cases of SGRM, IDEA) or at least clear patterns of the distributions of tasks (like in the Masshouse project) have been established.

Strategic policy orientation results from the integration of European policies into national policies via the mechanism of co-financing. This has shaped national policy design, as regions and Member States have applied European priorities and implementation principles into their co-financed policies schemes and sometimes even into those that are not co-financed. The case studies show that Cohesion Policy is capable of reinforcing national policy priorities in designated areas, which in the absence of such policies would have not have received their current degree of attention, such as:

- active labour market policies, (e.g. in the UK Structural Funds),
- innovation policies and cluster approaches (e.g. Zukunftswettbewerb),
- cross-border service provision (Zorg over the Grens),
- improvement in legislation on public works (Rio Antirio),
- reconciliation of social groups (PEACE programme),
- equal opportunities, participatory approach and social inclusion (Masshouse).

These seem to be the most prominent features, which would either not have happened at all, or would not have happened to the same extent, in the absence of European policies.

Capacity building is both an input into and an output of project and programme implementation: It is the "condition sine qua non" of successful implementation, as qualified and trained staff, appropriate rules and specific features like

- Dealing with external tools (SRGM)
- Combination of grants and loans (CZ RDF)
- Strategic local partnerships *(Styrian Regional Management, PEACE).*

The application of Structural Funds principles has led to a diffusion of competencies and capacities to decentralised structures and to the creation of know-how pools within regional and local organisations and institutions.

- Improved cooperation between stakeholders (UK, PEACE)
- Greater autonomy at local level, strengthen bottom-up approaches, endow local level with project development capacities (UK, Styrian regional management)
- Formal agreements and cooperation of organisations, that usually operate at national or regional level, like health insurances and services (Zorg over de Grens).

Structural funds have contributed to creating an inclusive environment for citizens and economic and social actors when it comes to European policies. The active participation of various groups in policy formulation has contributed to a "Cohesive building of Europe".

- Inclusion of a variety of stakeholders – agriculture, SME, local authorities, active labour market policy and regional policy (Styrian regional management)
- Reconcile social groups, ethnic differences, solidarity (PEACE)
- Involvement of financial intermediaries and SME in Cohesion Policy (SGRM, Agencia IDEA).

The closing chapter of the report set out its conclusions which are of particular relevance for the forthcoming 2007-2013 programming period. As the report demonstrates, the measurement of leverage effects must be expanded beyond "tangible outcomes". While it is clearly beyond the scope of the report to comprehensively define other measurement criteria for leverage effect, its conclusions do set out a number of suggestions. The basis for such an approach is viewing the leverage effect as a cascading dynamic. EU funding regularly triggers initiatives and approaches with impacts which often range beyond the original project both in terms of its geographical or sectoral aspects and its lifespan. In future these leverage effects need to be further recognised, studied and disseminated. These effects have demonstrated clear financial benefits both through the provision of innovative and additional funding. While the "additional element" is more widely appreciated (EU funds providing extra resources), the innovative aspect is often overlooked. EU funding often provides seed capital for regional stakeholders (public, private and associative) to begin to work together – such "seed" funding is often not provided for in national or regional budgets.

As these effects are studied, and their achievements better understood and recorded, they must then be built in to future programme planning to stimulate broader and further leverage effects amongst projects and programmes financed under the Structural and Cohesion Funds.

The concept of "leverage effect" has the potential to connect stakeholders and a wider audience to a better understanding of the multiple and complex benefits of Structural Funds. There is a strong argument, that leverage effects help to disseminate the principles and objectives of Cohesion Policies, a fact that most probably would not – or to a much smaller degree – occur, if these interventions were performed with regional or national instruments and funds only. We can also conclude, that these effects occur in all types of regions and throughout a variety of interventions and project types and constitute one of the benefits of leverage effects that is – at least to some extent – independent of the amount of funds spent.

Conclusions go into some details on stimulating leverage effects: Financial pooling needs concentration of funds and a well composed set of instruments, well designed and prepared projects and supporting interventions to safeguard fruitful surroundings of the project. Encouraging a European policy orientation of regional and national schemes implies that innovative solutions are truly fostered by Cohesion Policy rules and regulations, that implementation mechanisms allow for "trial and error" and simplified procedures for such projects. Capacity building is one of the most important benefits – and also a pre-condition for a successful design and implementation of Cohesion Policies. Capacity building is a learning process, that implies adaptation to a changing environment, to new concepts and projects. For that reason it is a continuous exercise, and has the character of a "lifelong learning" approach rather than a "single self-contained intervention". Cohesion Policy has the potential to find multi-dimensional solutions for very complex problems related to social and territorial cohesion.

The stimulation of leverage effects needs to be built into the programming cycle, but should also be tackled at a European or at least transnational level, where good practice examples are discussed and disseminated and could be used as examples to reflect project successes and failures.