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The Achievements of Cohesion Policy: Evidence and Methodological Challenges from an EU10 Perspective

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The Achievements of Cohesion Policy: Evidence and Methodological Challenges from an EU10 Perspective[1]

Content

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1. Introduction

The basic objective of WP8 is to explore how the evolving Cohesion policy agenda influences the pursuit of new development paths in CEECs (Central and East European countries, covering EU10 Member States). This report is the principal 'deliverable' from Task 1 of the study, as described in the Description of Work: to assess the conceptual evolution of Cohesion policy and its application in CEE. This task will establish the conceptual context for analysing the aims and priorities of EU Cohesion policy: what does it set out to do and what are the implications for policy priorities and trade-offs in CEECs? Different emphases have been placed on economic, social and territorial dimensions of cohesion. Understanding the shifting, sometimes conflicting and contradictory rationale for Cohesion policy is an essential starting-point for any assessment of its role in CEECs.

This paper has two main objectives. Section 1 reviews approaches to measuring the achievements of Cohesion policy. These include a range of perspectives and methodologies: assessing Cohesion policy's input in terms of: the reduction of regional disparities; contribution to growth and competitiveness (including at an EU level); impact in specific policy-fields; and, added value. The aim is to clarify what it is expected to achieve and to review existing evidence of these achievements, particularly in the CEE context. Section 2 of the paper identifies the challenges facing any analyses of Cohesion policy impact. Up to now, no clear and unambiguous results have emerged. There are several reasons for this: the shifting objectives of Cohesion policy over time; the multi-dimensional character of concept of 'cohesion'; the tensions intrinsic to the concept and the policy; the challenge of isolating and identifying Cohesion policy impact when there is strong interaction with domestic Member State contexts and policies; and, the difficulty of obtaining complete, comparable and quality data on programme achievements. The paper argues that although these challenges are apparent across all Member States, they take a specific form in CEE in comparison to EU15 Member States. These specificities must be taken into account when developing a methodology to assess the ongoing influence of Cohesion policy on new development paths in CEEC in the subsequent tasks of WP8.

2. Existing research on the impact of cohesion policy[2]

The impact of cohesion policy has been questioned from its foundation (Armstrong, 2007; Sapir *et al*, 2003; Ederveen *et al*, 2006) and making a reliable and credible assessment of EU interventions has remained extremely challenging throughout its history (Baslé, 2006; Molle, 2007). After more than thirty years of policy intervention, empirical evidence remains mixed and contradictory: no consensus exists on the effectiveness of Cohesion policy (Bachtler and Gorzelak, 2007). Different methodologies have been applied in assessments of Cohesion policy impact, each of which has yielded valuable insights without making a completely robust case. From the outset, it is important to note that Cohesion policy is allocated according to different categories of regions. Regions that fall below the threshold (75% of EU GDP per capita, measured in PPS) come under the Convergence Objective (formerly Objective 1) and receive around 80% of total Cohesion policy funding. Richer areas are eligible for the Competitiveness and Employment Objective (formerly Objective 2). In the current period, there are provisions for regions 'phasing in' and 'phasing out' of these categories. As

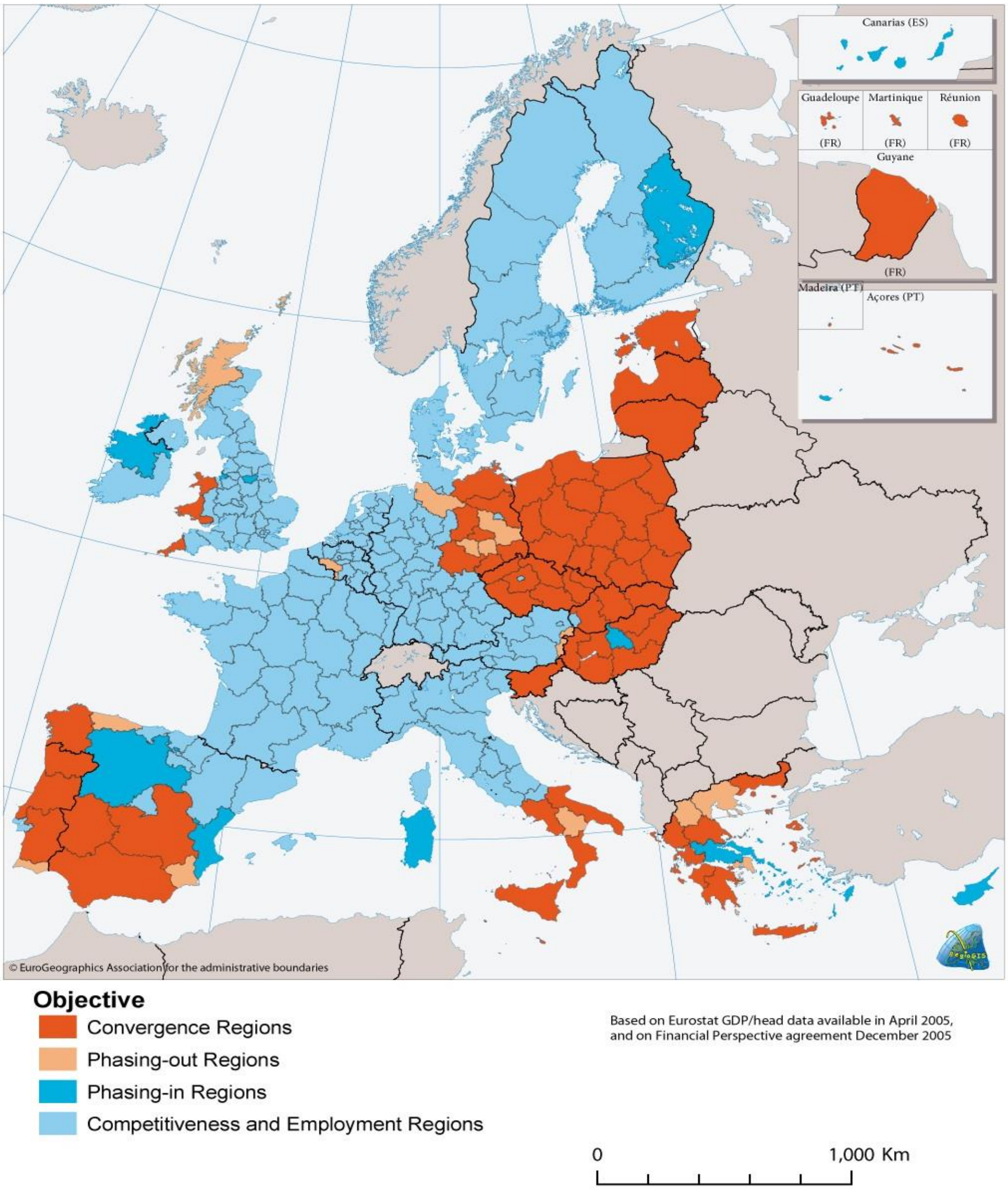
[2] This section of the report draws substantially on EPRC and LSE (ongoing) *Evaluation of the main achievements of Cohesion policy programmes and projects over the longer term in 15 selected regions (from 1989-1993 programming period to the present),* carried out on behalf of DG Regio (2011.ce.16.b.at.015).

can be seen from Map 1, the majority of Convergence regions are located in EU10 Member States. The scale of funding and the type of interventions pursued under these objectives varies and achievements must be assessed with this in mind.

2.1. Convergence - the reduction of territorial disparities

A first perspective taken in assessing the achievements of Cohesion policy considers the performance of the policy with respect to its key economic goal of *regional convergence*. In spite of the fact that Cohesion Policy aims at more than purely economic convergence, the reduction of regional disparities in the level of development has mainly been measured as the convergence of regional levels of GDP per head relative to the EU average, labour market participation/employment/unemployment trends (Begg, 2010; Ward and Wolleb, 2010).

Map 1: Structural Funds 2007-13 - Convergence and Regional Competitiveness Objectives



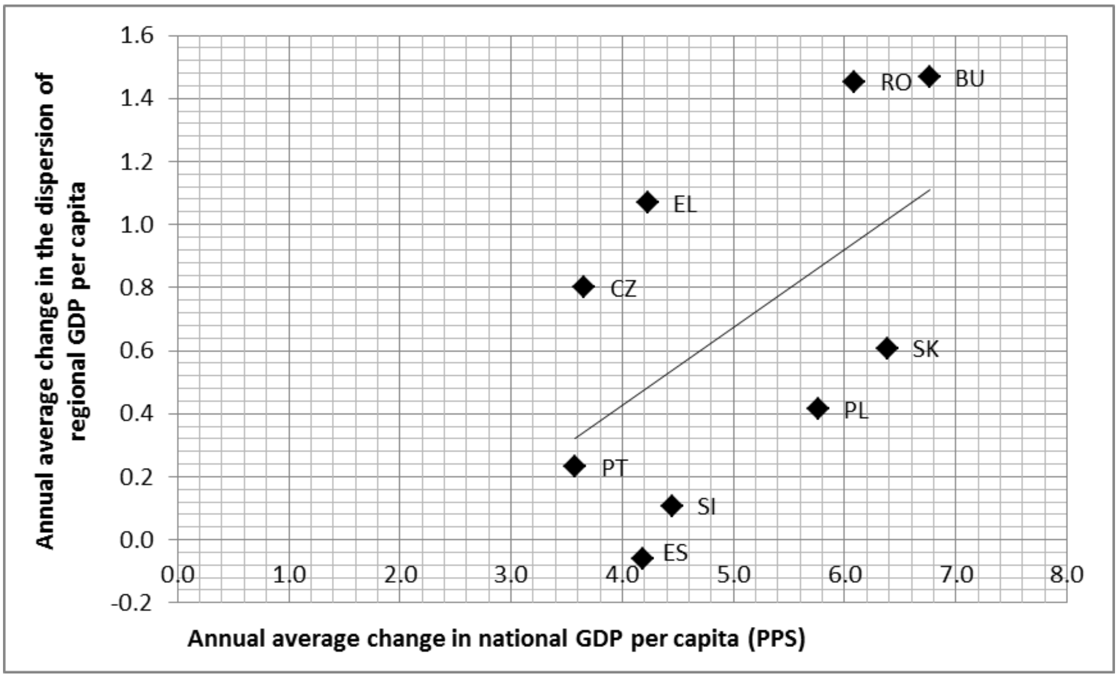
On this basis, research has been conducted into the extent of 'catching up' between different territories (so called 'beta convergence') and, more simply, the reduction of disparities among regions in time ('sigma convergence'). One insight emerging from this literature is that a limited process of convergence has taken place among European regions over the past four decades (Monfort, 2008). However, several important caveats must be taken into account. First, the speed of convergence varies across time. The process of EU15 regional convergence witnessed over the 1980s has been interrupted from the mid-1990s onwards - although it has continued at EU27 level. Second, the extent of convergence depends on the spatial categorisation applied. Within-country disparities across many Member States have actually increased, particularly in the EU12 (De Michelis and Monfort, 2008). Moreover, although convergence is sometimes higher within some groups of regions compared to others (e.g. core vs. periphery regions), it is often much lower between these groups.

Generally, the results obtained from such an approach strongly depend on the specification adopted on the observations (period and regions considered, dataset used). It is therefore difficult to draw a single general conclusion from the vast panel of existing studies (see for instance the survey by Eckey and Türk, 2006).

The issue of convergence has obvious significance for Central and East European Member States. Countries experiencing rapid structural change (catching-up) often face tensions between national and regional development as new higher value-added activities tend to concentrate initially in particular regions, so that regional disparities increase along with national growth (Williamson, 1965). Economic, social and environmental territorial disparities are among the more pronounced outcomes of the CEECs accelerated growth. The benefits of transformation in these countries have, initially at least, been unequally distributed among particular social groups and territories – with the emergence of highly educated and internationally successful professionals and entrepreneurs on the one hand, but structural unemployment, persistent poverty and social exclusion on the other hand. Furthermore, regional imbalances are strengthened by a process of metropolitanisation that is characterised by the dominance of dynamic urban centres and deepening structural problems in old industrial regions, vast rural areas and regions located on borders, especially the EU's eastern borders. As different as they are in social, cultural and geographical terms, these declining territories share general problems of economic peripherality and many negative effects of structural change, such as rural de-population, 'brain drain' and disinvestment (in some cases slow economic restructuring is occurring as a complex result of CAP, fiscal, social security policies). Often, these areas are characterised by below-average levels of socio-economic well-being. This polarised economic and territorial development within CEECs poses challenges not only for the respective CEECs, but also for European cohesion.

Data on CEE countries in the 1990s-2000s illustrate a negative correlation between annual average change in the regional dispersion of GDP per capita and annual average change in national GDP per capita (see Figure 2). Between 2004 and 2008, growth in new member states from CEE was faster than in the old member states: the catch-up process accelerated after accession (Halmai and Vasary, 2010). However, economic integration has favoured only a limited number of the most dynamic and innovative regions. As a result, convergence has increased at national level, driven only by a few regions, while levels of GDP per capita have diverged within countries.

Figure 2: Annual average percentage point changes in national GDP per capita, plotted against annual average percentage point change in the dispersion of (NUTS 2) regional GDP per capita (Williamson curve) in 1997-2009



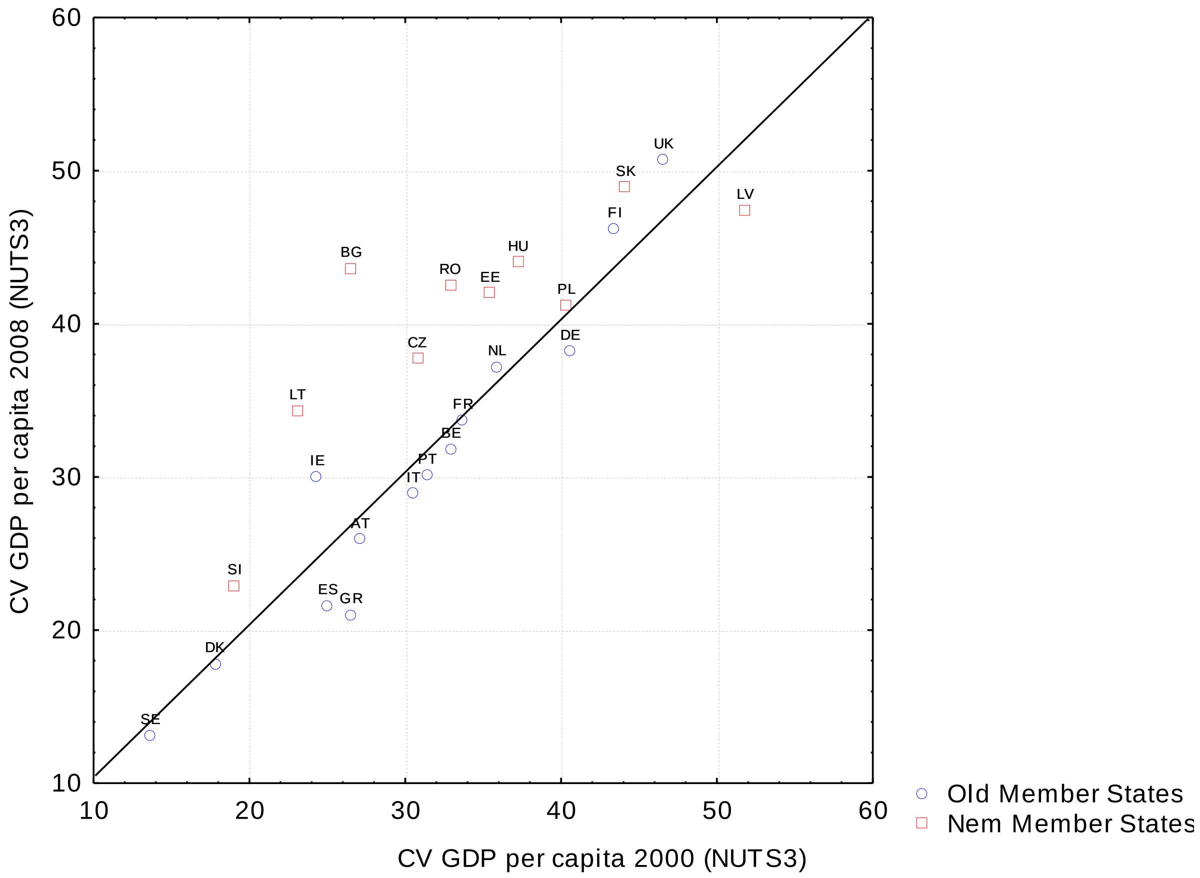
Notes: 1. For the definition of regional dispersion, see Table A11 in Annex. 2. The coefficient of determination (R-squared) shows that 29.6 percent (37.9 percent at NUTS 3 level) of the variation in regional dispersion can be explained by variation in national GDP per capita.

Source: EPRC (2012) Rethinking Regional Policy at National and European Levels: Short-Term Pressures and Long-Term Challenges Annual Review of Regional Policy in Europe EoRPA Paper 12/1, EPRC calculations based on Eurostat data.

Beyond this general assessment, patterns of territorial variation are different across EU 10 Member States. For instance, the impact of the crisis has varied across CEE regions. In several Member States, the initial impact of the crisis was heaviest in regions dependent on the manufacturing, particularly the automotive sector, iron and steel making and electrical equipment (e.g. regions in Slovakia). In Slovenia and Bulgaria, for instance, the crisis has had a greater effect on regions with concentrations of low added-value industries, such as textiles. Patterns of rural/urban differentiation also vary. In the Czech Republic and Latvia small towns in the most rural and peripheral territories experienced the largest falls in employment. However, in Lithuania there has been a larger decline in GDP in the capital city region than elsewhere, leading to a slight decrease in regional disparities. Regional disparities in Hungary have also declined somewhat, largely due to public employment programmes responding to recession in less developed eastern and southern areas.[3] Finally, it is important to note the broad tendency for these disparities to increase as the territorial scale of measurement decreases (e.g. from NUTS 2 to NUTS 3) (Fig.3).

[3] Based on country reports on achievements of Cohesion policy carried out in 2010-2012 by the Expert Evaluation Network delivering Policy Analysis on the Performance of Cohesion Policy 2007-2013.

Figure 3: Coefficients of variations of GDP per capita in EU NUTS3 regions in 2000-2008



Source: Smętkowski (2013a).

2.2. Growth

Instead of regional convergence, a second approach to assessing Cohesion policy impact focuses on growth alone. Much of this work has involved evaluation studies and econometric modelling , carried out on behalf of the European Commission and based on different methodological approaches: *ex ante*, with macro-economic or input-output models (e.g. Hermin,[4] Quest,[5] Beutel,[6] RHOMOLO[7]), and *ex post,* via econometric research. Generally, this work concludes that Cohesion policy has had a considerable impact on the output and income of the lagging regions and countries of the EU, although with considerable variation depending on the time period or countries/regions analysed (Bachtler and Gorzelak, 2007).

For instance, the QUEST model indicates that, overall, the funding provided by policy for the 2000-2006 period had a positive effect on GDP growth in the EU. GDP in the EU25 as a whole, is estimated to have been 0.7 percent higher in 2009 as a result of Cohesion policy implementation over the 2000-2006 period. Moreover, the net beneficial effect on GDP tends to increase over time as the lagged effects on raising productive potential in recipient countries come through. By 2015, GDP in the EU25 was estimated to be 2.4 percent higher as a consequence of the support provided for the 2000-2006

[4] E.g. Bradley and Morgenroth *et al* (2004a); Bradley, Gacs *et al* (2004); Bradley *et al* (1995)

[5] E.g. Varga J and in't Veld J (2011) (2010) (2009).

[6] Beutel J (2002) (1995) (1993).

[7] See Ferrara *et al* (2010).

period and in 2020, 4 percent higher (Applica *et al*., 2010). For EU10 Member States the estimated contribution to GDP is much higher: over 10 percent in the 2000-15 period and almost 16% in the 2000-2020 period (see Table 3).

Table 3: Cumulative net effect of cohesion policy on GDP according to QUEST, 2000-2006

	2000-09	2000-15	2000-2020
EU15	0.5	1.9	3.3
EU10	3.7	10.2	15.9
EU25	0.7	2.4	4.0

Source: Varga, J and in 't Veld, J (2010), A Model-based Analysis of the Impact of Cohesion Policy Expenditure 2000-06: Simulations with the QUEST III endogenous R&D model European Economy Economic Papers, no. 387.

A comparison across Member States shows GDP effects roughly proportional to the funds received, when the financing of EU contributions is also taken into account. Hence, some of the largest recipients show the largest increases in GDP. Germany, which is a net contributor to cohesion (EU budget) spending, also shows positive output effects. According to HERMIN, GDP in the 6 largest recipients of funding taken together was over 13 percent higher in 2009 as a result of the expenditure financed by the Structural Funds made available for the programming period. The largest effects were in Spain and Portugal, where Structural Fund support resulted in GDP being just under 17 percent higher than it otherwise would have been in the absence of support. According to this research, other EU15 Member States which do not receive the same levels of Cohesion policy support face negative output effects due to the distortionary effects from higher taxes that are required to pay for Cohesion policy. On the other hand, Polish evaluation studies suggest that the main net payers in EU15 receive significant income as a result of exports to EU10 markets that have expanded thanks to Cohesion policy investment (IBS 2010).

Nevertheless, the influence of Cohesion policy on processes of economic growth remains an open question. Econometric analyses are hindered by issues of causality, measurement error and accounting for potentially important variables such as spatial spillovers (Mohl and Hagen, 2010). Data availability is another challenge, particularly at the regional level where structural funds data can be uneven. As a result, empirical evidence offers inconsistent conclusions, again varying according to the methodology used, the time period considered or the unit of analysis. While some authors find evidence of a positive impact of structural funds on economic growth (e.g., Ramajo, Marquez, Hewings and Salinas, 2008), others find little (e.g. Esposti and Bussoletti, 2008) to no impact at all (e.g. Dall'erba and Le Gallo, 2008). For instance, some have argued that Cohesion policy has few consequences for growth, serving rather a re-distributional (political) purpose (Boldrin and Canova, 2001; Puga, 2002). The factors explaining the growth impact of Structural Funds are also in dispute, although several studies have pointed to institutional and governance frameworks as being influential (Bachtler and Gorzelak, 2007). According to Monfort (p18), "even if the analysis of regional disparities is conducted thoroughly, it says little about the effectiveness of EU Cohesion Policy… Analysis of disparities, whether pointing to the presence or absence of convergence, generally cannot be used to infer firm conclusions concerning the success or failure of the policy". Thus, as noted recently by the *ex post* evaluation of 2000-06 ERDF programmes (Ward and Wolleb, 2010), establishing direct causal links can prove an arduous task: "[t]he context in which cohesion policy was implemented, the often small scale of the funding in relation to the forces it was intended to counteract and the many other factors at work [means that] it is unrealistic in most cases to expect to be able to trace a direct link between policy and regional developments".

For CEE Member States, both QUEST and HERMIN models indicate the positive effect of Cohesion policy in raising GDP. These countries receive a large amount of financial aid, relative to other

Member States and their own domestic funding for development. EU10 GDP is estimated by HERMIN to have been around 4.5 percent higher up to 2009 as a result of Structural Fund support and by QUEST to have been just over 3.5 percent higher. (European Commission, 2010). Nevertheless, this research relates to the period before the onset of the global financial crisis and there are general caveats concerning causality, measurement error and accounting for potentially important variables in the impact of Cohesion policy stand in the CEE context. There is not an overall EU12 analysis of Cohesion Policy impact, but the Polish case and three independent macroeconomic studies suggest that effects are more on the demand than the supply side (indicating that positive impacts on GDP will come to an end together with the flow of Cohesion financing (MRD, 2013).

2.3. Achievements in specific policy fields

The impact of Cohesion policy has also been assessed through bottom-up analyses of specific policy sectors. These are usually based on programme and project data provided by Cohesion policy monitoring systems and primary research. General information includes data on products rather than impacts e.g. numbers of projects supported, jobs created or safeguarded and the development of basic infrastructure. However, there has been a growing focus on achievements in specific sectors, notably the fields of research, technological development and innovation highlighted in the Lisbon Agenda. Ex-post evaluations carried out by the European Commission at the end of each financial perspective include such assessments. According to the Commission, some of the major achievements of ERDF and CF interventions in the 2000-2006 programmes are: 2.2 million jobs in gross terms; nearly 46,000 research and development projects received support with the creation of over 20,000 new long term research jobs; over 8,500 km of new roads constructed with support from the ERDF plus nearly 4,000 km of motorway built or reconstructed with support from the Cohesion Fund; and, around 1,200 km of high speed railway line built or reconstructed with support from the ERDF plus Cohesion Fund.

Turning to assessments of the first four years of the 2007-13 period, the Commission lists the following achievements, based on aggregated information contained in Annual Implementation Reports (AIRs) from Member States:

- In gross terms, almost 189,000 (full-time equivalent) jobs
- Some 19,000 RTDI projects, 6,000 business research-cooperation projects and almost 24,000 business start-ups were supported and over 100,000 SMEs were assisted to invest and innovate.
- Almost 920,000 people were connected to broadband.
- Nearly 280 km of motorways and 285 km of railway lines were added to the trans-European Transport Network and significant savings in journeys times were made by the upgrading of roads and railway lines, especially in the EU12.
- Around 1.5 million additional people were connected to clean drinking water supply and over 3.3 million to main drainage.
- Some 800 square km of contaminated or derelict land was cleaned up mostly in the EU12 countries.

It should be noted that a basic weakness of this approach to assessing Cohesion policy impact is dependence on often incomplete or not fully reliable data-sets. Identifying achievements from the funding provided by the ERDF and Cohesion Fund is challenging as the quantitative indicators included in AIRs are in many cases not adequately explained, not sufficiently related to the end goals of policy and not consistent across programmes – which makes aggregation even of core indicators hazardous. Moreover, the qualitative information contained in the reports in most cases is not clearly linked to the quantitative data and does not enable them to be meaningfully interpreted in terms of policy objectives. It is even more challenging as all the data quoted above are products, not results. And the question remains what was the impact of these products (e.g. in the context of the global economic crisis)?

From a CEE perspective, analyses from 2007-13 indicate that achievements vary markedly between EU15 and EU10 countries, particularly in relation to specific policy categories. For instance, in terms of RDTI and enterprise support, the most frequently recorded achievements relate to the number of firms and business start-ups supported, the number of research projects carried out and the number of research centres established. In total, some 19,000 RTD projects and 6,000 business research-cooperation projects had been financed by the end of 2010, 20% and 25%, respectively of the targets set for the period. In both cases, the number of projects was much higher in the EU15 than in the EU10 – and in Competitiveness regions rather than in Convergence ones. One of the biggest differences between the EU15 and the EU12 was in the number of business start-ups supported. In the former, this amounted to almost 22,500 up to the end of 2010, with particularly large numbers in Sweden and the UK (around 7,000 or so in both cases), whereas in the EU12, it amounted to only just under 1,600, though again the target set was very much lower in the latter (in Poland, for example, it was only around 25% of that in Sweden). (Ward *et al*. 2012). All these results and differences have to be analysed in the context of structural differences of Cohesion policy objectives realized in that two different groupings of MS.

2.4. The concept of added value

Another approach to assessing Cohesion policy impact relates to the concept of 'added value'. Although there are different definitions of this concept, the Commission interprets 'added value' as the "value resulting from the Community assistance that is additional to that which would have been secured by national and regional authorities and the private sector" (European Commission, 2001:4). This involves a qualitative assessment of the extent to which Community intervention is likely to add value to interventions carried out by other administrations, organizations and institutions, i.e. in being complementary to, and coherent with, them. Therefore, it broadly concerns the administrative learning and spillover effect on domestic systems and the related innovation and efficiency improvements (Bachtler and Taylor, 2003; Mairate, 2006; Bachtler *et al.*, 2009).

The concept incorporates various dimensions. For instance, 'added value' can refer to the leverage of extra public and private resources for economic development. The EU requires that projects supported by SF programmes are additional to domestic regional development interventions. It also requires that EU grants be matched by domestic funding. This 'match funding' aims to integrate EU and domestic regional development activities, creating the potential for distinct European objectives as well as certain organisational principles to influence domestic approaches to regional development. According to European Commission's estimates in 2005, every euro spent at EU level by cohesion policy led to further expenditure in Objective 1 regions, averaging 0.9 euros. For Objective 2 regions, the average additional expenditure generated rose to 3 euros for every euro invested. Match funding implies that a proportion of domestic funds will be steered towards regional development projects that reflect EU priorities. In this way, EU funds can change the balance of priorities on a government's development agenda. The availability of EU funds can influence the level of domestic public spending on regional development. In Sweden, for instance, public expenditure on regional development increased by 14 percent during the country's first Cohesion policy programme period, resulting in a "cultural revolution" in this field (Aalbu, 1998: 16). This issue is complicated as the abovementioned data ignore the question of how this additional funding was spent (e.g. was the outcome visible on the demand or supply side)? This has important implications for CEE as, according to a Polish evaluation, the vast majority of EU financial support to Poland returns to net payers (through construction contracts, equipment bought, training services etc.) (see IBS, 2010).

Some academic analyses and evaluations have further argued that, as well as driving EU-funded programmes and measures, EU priorities might 'spill over' and be adopted into national or regional development activities that are not EU co-financed, or at least influence them in certain aspects (Conzelmann, 1998; EPRC, 2011 Ex-post evaluation assessed this in CEE). Processes of policy diffusion, policy learning and policy experimentation have been introduced to explore the relationship between domestic and EU-funded regional development activities (Benz and Eberlein, 1999). The demonstrative or learning effect of EU-funded programmes can be a factor in changing the approach of domestic institutions and actors to the regional development challenge (Leonardi and Paraskevopoulos, 2004: 319). The introduction of general principles, such as multi-annual programming, strategic planning, and monitoring and evaluation can bring about a greater or altered strategic focus in domestic regional development than would have been apparent otherwise. Evaluations of some SF programmes contend that they have introduced some new ideas and approaches in Member States' policies, including a more strategic, long-term conceptualisation of regional development (ÖIR, 2006: 136). For instance, in France, the domestic planning instruments 'Contrats de Plan Etat-Régions' have adopted the same multi-annual time-frame as SF programmes (Mairate, 2006). Available data from EU10 offer a more complex picture: initially the diffusion of new ideas is limited to departments (institutions) directly involved in CP operations (MUS 2013).

Implementing programmes may also have an effect in terms of the reorientation of domestic regional development objectives and activities. This argument has been applied to so-called 'horizontal' priorities, such as environmental sustainability, gender equality and the Information Society. For example, the Treaty of Amsterdam emphasised the important role of the European Union's financial instruments in pursuing sustainable development. A subsequent evaluation of the influence of SF on sustainable development suggests that the programmes have broadened and 'modernised' approaches to regional development, to incorporate fuller consideration of this theme (Ekins and Medhurst, 2003; see also Ferry, Mendez and Bachtler 2008). More recently, there has been emphasis in SF programmes on measures to foster competitiveness, entrepreneurship and innovation, in line with the priorities set out in the EU's Lisbon Agenda (Mendez, 2011). Programmes are increasingly associated with a new regional development paradigm, whereby interventions have moved from a redistributive to an endogenous growth approach, based on the mobilisation of local assets, particularly assets based on knowledge, research and development. There is evidence that SF programmes can push domestic regional development approaches in this direction. In Italy, for example, established domestic interventions based on redistributive state support for depressed areas, particularly in the Mezzogiorno, were replaced in the course of the 1990s by efforts to mobilise endogenous regional economic and social resources. The attachment of domestic policy instruments to Structural Funds programmes has been seen as an important factor in this changing orientation of regional development activities (Bull and Baudener, 2004: 1069). It should be noted, however, that such a learning process is not guaranteed. Indeed, the relationship between Cohesion policy and domestic development policies is interactive: the implementation of Cohesion policy is influenced by domestic policy systems and investment priorities (for instance in the context of the economic crisis).

The added value of Cohesion policy has also been identified in approaches to the implementation of regional policy. The operation of SF regional programmes may encourage the development of both institutional and technical capacities, boosting the role of a new range of actors, particularly at the regional level, and opening the field to a range of policy sectors and private and voluntary spheres. Two principles are important here. First, based on the concept of 'subsidiarity', Structural Fund management responsibilities are supposed to be carried out as close to the territory they operate on as possible. It has been argued that this can increase the involvement of regional and local authorities in the administration of EU programmes and even stimulate the creation of regional-level frameworks in domestic administrative systems (Hooghe, 1996: 'Cohesion Policy and European Integration' book is the most authoritative text, Marks's et al is not an empirical study of this hypothesis nor is Borzel's article/book). In some countries the implementation of SF programmes has stimulated creation of specific frameworks and institutions which can fill an institutional void at regional level, provide practical experience in the design and steering of regional development programmes and encourage a multi-level perspective to the coordination of regional development activities beyond those that are EU-funded. An example of this type of interaction is provided by the creation of Regional Management Committees for SF management in Finland which for the first time provided a regional arena for coordinating development initiatives in a context of traditionally strong municipalities (Kinnunen, 2004). In Austria, SF have financed *Regionalmanagements*. These organisations administer and implement SF programmes at sub-Lander level. However, they also support networking amongst regional public and entrepreneurial actors for both EU and non-EU funded activities (OIR 2006: 92).

The second principle is partnership, which generally requires programmes to be delivered with partners from different institutions and organisational cultures, with varying priorities and interests, working together in pursuit of shared objectives. This refers not just to coordination of different levels of public administration but to the participation of partners from the private and voluntary spheres (Tavistock Institute and ECOTEC, 1999). Again it has been argued that, through demonstration and learning and through the extension of networks of organisations and actors, this kind of partnership working can spill over from SF management and improve the inclusion and coordination of actors in the broader regional development process (Roberts, 2003:3).

'Accountability and learning', is another area where the added value of Cohesion policy is recognised. The monitoring, reporting, financial management and evaluation obligations of Cohesion policy (which are in some cases more rigid and comprehensive than those in use in the domestic policies of Member States) can lead to a better understanding of the operation of policy. For instance, as an aspect of Structural Funds policy development, evaluation has become more visible with each programming round. The European Commission has increasingly emphasised its value to policy-makers – not least through the MEANS handbooks and the DG REGIO Evaluation Network – while actively policing the fulfilment by Member States of their evaluation obligations under the Council Regulations. There is evidence that the growing emphasis on evaluation in Cohesion policy has been carried over into national regional policymaking, with a more widespread evaluation of domestic interventions (Bachtler and Taylor, 2003).

An intangible aspect of 'added value' concerns the contribution of Cohesion policy to the 'visibility' of the EU, including its influence on support for greater European integration (Osterloh, 2011). Citizens who perceive an improvement in their quality of life – for example in more efficient public transport or a better natural environment – acquire a more positive view of Community action. The Structural Funds have also raised awareness of the contribution of the EU through their role in supporting regions effected by natural disasters, including in CEE (e.g. floods in Eastern Germany, Poland and in the Czech Republic).[8]

Nevertheless, added value is not a simple concept. Different actors, working within or outside EU regional policy at different levels, may perceive and interpret the added value of Structural Funds in different ways. Indeed, research and policy debate have highlighted a range of aspects of 'detracted value', notably the perceived complexity and bureaucracy of Structural and Cohesion Funds administration, reflected in the ongoing pressure for 'simplification' from national and regional actors in all programming periods (Baumfeld and Hummelbrunner 2002; Court of Auditors, 2003).

It is difficult to extricate clear lines of causality: in some cases and at some times, SF programmes have driven domestic regional development approaches and 'added value'. In other cases, the situation has been reversed. In assessing this variation, some factors have particular explanatory power (Bachtler and Taylor, 2003). The content and strength of programmes must be taken into account. The influence of programmes is likely to be greater where larger programmes are involved. This refers to their geographical coverage and the level of resources allocated. At the same time, the financial weight and strategic orientation of domestic regional development activities can be crucial. Relatively poorly resourced domestic activities can be more easily bent towards SF approaches and objectives. The ability of programmes to influence well-funded, strategic regional development initiatives is more constrained. In this situation the content of SF programmes can be 'bent' to domestic objectives. The scope for SF programmes to influence domestic approaches to regional development is conditioned by existing administrative 'starting points'. This applies to the allocation of responsibilities between administrative tiers and to the participation of public, private and societal interests. Finally, maturity of programming experience is important. The potential for organisational principles or themes associated with programmes to become embedded in domestic systems increases the longer programmes have been in operation. In 'old' Objective 1 regions in 'cohesion countries', SF programmes have been seen as influential in economic development approaches. For instance, analyses of the case of southern Italy credit EU funds as reinforcing domestic change (Bull and Baudner, 2004: 1072). Similarly, in Ireland the influence of SF programmes on domestic regional policy approaches has been strong, (Adshead, 2005: 175).

In the CEE context, these issues are particularly pertinent. As these countries prepared to join the EU in 2004 (and 2007), direct and indirect pressure to comply with EU regional policy approaches was evident. The prospect of EU accession gave the European Commission considerable leverage over aspiring members from CEE and there was considerable scope for domestic policy practices to be influenced by 'external' EU policy practices (Ferry, 2007). According to Börzel (2010), 'accession conditionality' gave the European Commission a powerful tool to pressure the CEE countries towards 'down-loading' the comprehensive acquis communautaire and introducing institutional reforms (Börzel, 2010; Schimmelfennig and Sedelmeier 2005). For instance, throughout the accession negotiations, the Commission set priorities and targets for regional policy reform, most notably in the acquis and Commission opinions. Moreover, the European Commission offered financial and technical support in key areas. Pre-accession support provided through PHARE, ISPA (Instrument for Structural Policies for Pre-Accession) or SAPARD (Special Accession Program for Agricultural and Rural Development) provided significant financial and technical assistance (Bailey and de Propris, 2004). This support for capacity building assisted the CEE governments in meeting some of the costs associated with adaptation (Börzel, 2010). Such assistance had a particularly strong influence and

[8] http://ec.europa.eu/regional_policy/archive/themes/finper/impact_national_en.pdf

impact as the CEE Member States lacked a strong tradition of regional policy and the institutions and practices associated with it (Sissenich 2007). Additionally, pressure to rapidly fulfil accession criteria and implement change gave domestic actors and organisations little time to mobilise and influence the course of change (Börzel, 2010, Zubek 2008; Raik 2004).

Following accession, the volume of resources available to the CEE Member States through Cohesion policy increased significantly. As already noted, the allocation of Cohesion policy funding is automatically skewed towards less developed Member States and regions. Table 4 sets out the allocation of Cohesion policy funding to Member States (2000-2006) as a share of total domestic spending on economic development. This illustrates stark differences in the role that Cohesion policy plays in development policy, particularly between richer, older Member States and less developed, newer Member States, including those from CEE.

Table 4: Relevance of Cohesion Policy on national expenditure for development (annual average 2000-2006 for EU15, 2004-2006 for EU112)

Country	Structural and Cohesion Funds as % of expenditure for development
Latvia	81.8
Lithuania	80.9
Slovakia	58.9
Estonia	55.3
Portugal	52.1
Poland	50.3
Greece	39.3
EU10	36.4
Hungary	29.7
Slovenia	21.7
Spain	20.5
Czech Republic	13.5
Malta	12.8
EU25	10.6
Cyprus	9.4
EU15	8.5
Ireland	7.5
Italy	7.4
Finland	6
Germany	5.2
United Kingdom	4.2
France	3.1
Sweden	2.9
Austria	2.6
Belgium	2.1
Denmark	1.9
Netherlands	1.3
Luxembourg	0.8

Note: Estimate calculated on total allocation and in relation to the period 2004-2006 for new member countries and EU25. ESF is not included in coherence with EfD calculation.

Source: Ismeri Europa and Applica Processing for DG Regio (2010), Distribution of Competences in relation to Regional Development Policies in the Member States of the European Union p187.

It should be stressed that the figures in Table 4 only cover the 2004-2006 period. In the current programming period (2007-13) CEE Member States have received considerably more Cohesion policy funding (see Table 5).

Table 5: Cohesion policy 2007-13: indicative financial allocations (million €, 2008 prices)

	COHESION POLICY FUNDS 2004-06	COHESION POLICY FUNDS 2007-13
Bulgaria	-	6.853
Czech Republic	2.404	26.692
Estonia	615	3.456
Hungary	2.837	25.307
Latvia	1.031	4.620
Lithuania	1.379	6.885
Poland	11.202	67.284
Romania	-	19.668
Slovakia	1.544	11.588
Slovenia	432	4.205

Source: DG Regio Regional Policy Inforegio, Division by Member State, available online at < http://ec.europa.eu/regional_policy/policy/fonds/pdf/annexe-recto.pdf>

This level of funding suggests that traditionally weak domestic regional policy systems could benefit substantially from Community 'added value'. On the other hand, there are arguments that specific factors in the CEE context have constrained Europeanisation. First, there has been uncertainty in the type of regional policy model supported by the EU in the CEE context. Throughout the accession process, there was vagueness and ambiguity in the conditions set by the EU in this field. This was related to the weakness of domestic regional policy systems. For instance, there are tensions between the espousal of administrative regionalisation as part of Cohesion policy governance arrangements and concerns about the capacity of nascent sub-national levels in CEE to manage Cohesion policy programmes efficiently (Grabbe 2001). The Cohesion policy objective of 'convergence' is similarly opaque in the CEE context. Many CEE national economies are still 'catching up' with older Member States while facing entrenched, internal regional economic differences. Against this background, does 'convergence' refer to the convergence of CEE national economies with the EU average or the convergence of territories within these countries? It is also important to note that in the CEE context EU pressure has been only one of several domestic and external motors driving broader systemic change as part of the post-1989 reform process. Different aspects of different international and domestic agendas have conflicted or cohered. However, in this context of comprehensive systemic change, the added value of the EU is bound to be diffused to a certain extent.

3. Methodological challenges

The main conclusion that emerges from this review is that evidence on the achievements and impacts of Cohesion policy support is equivocal. There are several reasons for this.

3.1. Cohesion as an evolving concept

The challenges faced in defining the concept of cohesion are well known (Wishlade *et. al,* 2011). Cohesion is perceived as an 'imprecise and nebulous' concept, open to multiple and sometimes competing interpretations. It is regarded as a fundamental aim of the EU but it is a 'catch all' term that covers a range of policies that cannot be reduced to a clear set of objectives. A number of rationales have been forwarded to justify EU support for 'cohesion' and these shed light on the multiple dimensions of the concept (Begg, 2010)). There are political and economic rationales for an EU commitment to 'cohesion' but each of these incorporate different interpretations. A basic political rationale concerns the necessity for the EU to act to facilitate the reduction of economic disparities (Dinan, 1994). This includes an emphasis on social justice, the redistribution of wealth from richer to poorer areas and the just allocation of the advantages and burdens accruing from integration. The principles of 'solidarity' and 'equity' were a fundamental consideration in EU integration processes from the outset. From this perspective, the concept can be understood as the "... political tolerability of the levels of economic and social disparity that exist and are expected..." (Mayes, 1994). However, another political interpretation emphasises the pragmatic use of funding under the cohesion heading to allay the concerns of the poorer Member States that greater economic integration would bring disproportionate benefits to the richer Member States or more generally as part of negotiations between Member States and the Commission on the overall EU budget (Marks, 1992).

Table 6: the Objectives of Cohesion policy 1989-1993 to 2007-2013

1989-1993	1994-1999	2000-2006	2007-2013
Objective 1 - promoting the development and structural adjustment of regions whose development is lagging behind Objective 2 - converting regions seriously affected by industrial decline Objective 3 - combating long-term unemployment Objective 4 - facilitating the occupational integration of young people Objective 5a - speeding up the adjustment of agricultural structures Objective 5b – promoting the development of rural areas.	Objective 1 - structural adjustment and development of less developed regions Objective 2 - reconversion of regions severely affected by industrial decline (areas and programmes revised in the middle of programming period – two phases, 1994-96 and 1997-99) Objective 3 - to combat long-term unemployment and to facilitate the occupational integration of young people and those excluded from the labour market Objective 4 - to assist workers in employment adapt to industrial change and new production systems through retraining Objective 5a - to speed up the adjustment of agricultural and fisheries structures Objective 5b - to facilitate the development of rural areas Objective 6 – (intr. 1995, with accession of Finland and Sweden) to promote the development of regions with exceptionally low population density.	Objective 1 – promoting the development and structural adjustment of regions whose development is lagging behind Objective 2 – supporting the economic and social conversion of areas facing structural difficulties Objective 3 - supporting the adaptation and modernisation of policies and systems of education, training and employment	Convergence - to promote growth-enhancing conditions and factors leading to real convergence for the least-developed Member States and regions Regional Competitiveness and Employment – to strengthen competitiveness and attractiveness, and increase employment European Territorial Cooperation – to strengthen cross-border co-operation through joint local and regional initiatives, trans-national co-operation aiming at integrated territorial development, and interregional co-operation and exchange of experience.

Source: *EPRC and LSE (2011) Evaluation of the main achievements of Cohesion policy programmes and projects over the longer term in 15 selected regions (from 1989-1993 programming period to the present) Tender to the European Commission (DG Regio)*

The 'economic' rationale is similarly nuanced. On the one hand, there is the conviction that that EU integration and other EU policies can concentrate wealth, increase inequalities and have a detrimental effect on overall economic progress. Thus, commitment to cohesion is a necessary corollary to the establishment of the single market and EMU; an interventionist counterweight to the prevailing market-based logic. However, over the last two decades the increasing prominence of regional policy objectives related to competitiveness has added another facet to the economic rationale. It differs from the first objective insofar as the focus is not on the reduction of disparities between regions (though this would clearly be welcome too), but on the exploitation of regional potential as a contributor to national growth. All of this emphasises the fluidity and subjectivity of 'cohesion' as a concept: the levels of economic and social disparity that are tolerable from social, economic and political perspectives vary depending on the different perceptions of persons, groups or political actors. Moreover, the parameters have evolved significantly over time. Cohesion policy's objectives and goals have changed markedly throughout its history (see Table 6), driven by a range of internal and external factors (Manzella and Mendez, 2009). Internal factors include processes of policy learning, broader processes of EU enlargement, integration and market unification as well as redistributive budget negotiation. External factors include processes of globalisation, changing economic contexts, trends of institutional decentralization and the evolution of regional policy theories and development paradigms.

3.2. Cohesion as a multi-dimensional concept[9]

Assessments of Cohesion policy must recognise three distinct dimensions or strands:

Economic cohesion

The conceptualisation of economic cohesion has evolved, responding to processes of European integration and enlargement, external conditions (including economic crises) and broader economic development conceptual trends and debates (Wishlade *et. al*, 2011). Indications of European Commission thinking on economic cohesion can be drawn from the Cohesion Reports, which have been published every three years since 1996. The First Cohesion Report provided the first and most explicit attempt by the Commission to define and operationalise the concept. At a normative level, the report begins by linking the concept of cohesion to models of society in EU countries and especially the values of 'internal solidarity' and 'mutual support' which aim to ensure equal opportunities for all citizens to services of general benefit and protection. Moving towards more operational and measurable cohesion targets, the report emphasised the geographical dimension of 'reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions, including rural areas', as stated in the EU Treaty. Thus, in economic terms, the reduction of geographical disparities was interpreted as meaning 'convergence of basic incomes through higher GDP growth, of competitiveness and employment' (European Commission, 1996: 13).

Since the late 1990s, the increasing prominence of regional policy objectives related to competitiveness has added another facet to the economic rationale. It differs from the first objective insofar as the focus is not on the reduction of disparities between regions but on the exploitation of regional potential as a contributor to national growth. More recently, there has been emphasis in Structural Funds programmes on measures to foster competitiveness, entrepreneurship and innovation, in line with the priorities set out in the EU's Lisbon Agenda. Programmes are increasingly associated with a new regional development paradigm, whereby interventions have moved from a redistributive to an endogenous growth approach, based on the mobilisation of local assets, particularly assets based on knowledge, research and development . As a result, compared to the

[9] This section of the report draws substantially on Wishlade *et. al*, 2011.

previous period, the 1994-99 Cohesion policy programmes 'involved a greater strategic emphasis on the stimulation of indigenous potential rather than outside investment' (ECOTEC, 2003: 94). The launch of the Lisbon Agenda at the Lisbon Council in March 2000 led to a further reorientation of programmes at mid-term towards the goal of competitiveness (EPRC and LSE, 2011). During 2000-06, Objective 1 strategies became more orientated towards growth and competitiveness, and much more reliant on an underlying development theory based on the stimulation of competitiveness through the full exploitation of endogenous potentials. 2000-06 Objective 1 programmes targeted three mainly macro-policy objectives: (i) economic growth, competitiveness and job creation; (ii) social and territorial cohesion; (iii) infrastructure provision and accessibility (Nordregio, 2002). A similar trend can be observed in the Objective 2 programme strategies. The transition from the 1989-93 to the 1994-99 period saw a "shift away from investments in physical regeneration and other forms of 'direct' intervention in favour of measures aimed at improving the business environment and 'intangible' regional assets such as the R&D capacities, technology transfer, and the knowledge base" (CSES, 2003: 74). Moving on to the current programme period, the re-launch of the Lisbon Strategy in 2005 and the introduction of Community Strategic Guidelines and of a new 'earmarking' requirement have led to a 'Lisbonisation' of the policy (Mendez, 2011), involving more strategic focus on the goals of growth, jobs and competitiveness and to a focus in the programmes on policy areas such as knowledge, science, technology and innovation. (Polverari *et al.*, 2006).

Social cohesion

The concept of *social cohesion* also incorporates different dimensions. (Jenson, 2002). First, the term describes a process rather than a condition or end state. Second, it involves a definition of who is "in" the Community and who is not, to whom members of society owe solidarity, and to whom they do not. Third, social cohesion requires shared values. Fourth, there is a tendency in the literature to devote little attention to the conflicts inherent in pluralist societies and to conflict resolution mechanisms. On the basis of these characteristics, five conceptual dimensions have been highlighted in relation to social cohesion (Jenson, 2002: 144):

- Belonging–isolation: in terms of shared values, identity and feelings of commitment;
- Inclusion–exclusion: in terms of equal opportunities of access in a market society;
- Participation–non-involvement: in terms of engagement through governance practices;
- Recognition–rejection: in terms of respect for and toleration of differences in a pluralistic society;
- Legitimacy–illegitimacy: in terms of respect for institutions.

Among international institutions, the Council of Europe has been particularly active in the promotion of social cohesion, in advancing conceptual thinking and in the development of indicators. Its 'Revised Strategy for Social Cohesion' was approved in 2004, and was followed by a detailed methodological guide on social cohesion indicators (Council of Europe, 2005: 23). In the guide, the social cohesion of a modern society is defined as:

'…society's ability to secure the long term well-being of all its members, including equitable access to available resources, respect for human dignity with due regard for diversity and personal and collective autonomy.'

The underlying assumption and policy objective of social cohesion is a social commitment to reduce disparities to a minimum and avoid polarisation. In unpacking the concept, four constituent dimensions of human well-being are emphasised that are seen as being fundamental to the functioning of societies and which recognise human rights and democracy as underpinning the way they are organised: fair and equal access; individual (and collective) dignity; the autonomy of the individual; and participation in community life.

With a more specific focus on EU Cohesion policy, the Barca Report reflected on the concept of social cohesion as informed by the EU's social inclusion agenda. The report defines social inclusion as:

> '…the extent to which, with reference to multidimensional outcomes, all individuals (and groups) can enjoy essential standards and the disparities between individuals (and groups) are socially acceptable, the process through which these results are achieved being participatory and fair'. (p29)

There are several key features to this definition. First, it captures 'threshold' and 'interpersonal' aspects of inequality, the former in terms of guaranteeing essential standards and the latter in terms of ensuring that disparities between individuals (but also groups) are socially acceptable. Second, the reference to a participatory and fair process encapsulates the idea that both the dimensions and the thresholds used in defining social inclusion must be established through democratic means. Third, the reference to multi-dimensional outcomes reflects the multi-faceted nature of people's values and choices in overcoming their circumstances.

Territorial cohesion

Although *territorial cohesion* formally became a shared competence only with the ratification of the Lisbon Treaty, academic and policy discourse has long been preoccupied with the concept. One can distinguish between two debates around territorial cohesion that took place in the late 1990s and the 2000s and that feed into each other: the spatial planning debate and Cohesion policy debate.

The spatial planning debate originated from the perception that many EU policies had unintended territorial impacts that had to be assessed and coordinated at EU level (Husson, 2002). It was not clear exactly how it would be defined but territorial cohesion developed from long-established concepts in the planning literature. In particular, it was linked to the concept of polycentric development that has been prominent in the recent literature on the development and operation of functional relationships in clusters of cities (e.g. Davoudi, 2003; Priemus *et al*, 2004). The key objectives underlying the concept of polycentrism are the balanced spatial distribution of urban centres and the dispersion and deconcentration of economic activity (Davoudi, 2003; Molle, 2007). The idea that territorial cohesion was linked to the polycentric spatial distribution of economic activity was embraced in various European policy initiatives such as the European Spatial Development Perspective (ESDP) of 1999 and much ESPON research into European spatial trends.

Another major spatial planning concept that has been linked to territorial cohesion, above all in the ESDP, is the notion of accessibility. This refers to the ambition for citizens to have equal access to facilities, services and knowledge regardless of where they live. It is usually defined in terms of traffic infrastructure, communications networks and, as a more recent concern, energy supply networks.

Building on the spatial planning debate that took place largely between the member states, the Commission – or, more precisely, the Directorate General Regional Policy – began to present territorial cohesion as a natural component of Cohesion policy in its second Cohesion Report. Successive Cohesion Reports increasingly referred to 'economic, social and territorial cohesion'.

There was still no commonly agreed definition but, in the context of the Cohesion policy debate, territorial cohesion was often linked with balancing regional disparities and exploiting regions' distinctive development potentials (Jouen, 2008).F Particular emphasis was placed on geographically-distinct territories, notably mountainous, coastal and island regions but also special types of regions such as border regions or sparsely populated areas (Monfort, 2009).

The Commission's Green Paper on Territorial Cohesion was published in autumn 2008. Based on Member State responses to a Commission questionnaire, the Green Paper identifies three main components of territorial cohesion:

- Balanced and harmonious development, to be achieved by connecting different territories, through infrastructure and by providing access to services and communications networks.
- Overcoming divisions and territorial inequalities through cooperation at all geographical scales and across borders.
- Regions with specific geographical challenges should be assisted in dealing with the disadvantages of peripherality and limited accessibility.

In general, it is worth noting that the spatial planning and cohesion policy aspects of the debate have gradually been consolidated. In particular, recent thinking on 'place-based' policy approaches is based on the realisation that regions have different natural resources, growth potentials and vulnerabilities, while balancing disparities and ensuring access for all citizens regardless of where they live is also seen as important (Barca 2009). Accordingly, the two main dimensions of territorial cohesion as defined in the Green Paper are: first, balanced development for the integration of poorer regions; and second, accessibility and integration of geographically remote regions and those facing particular challenges. The main avenues for achieving these goals include spatial planning coordination and promoting polycentric development, exploiting territorial potential, improving infrastructure links and enhancing remote regions' access to services, as well as territorial cooperation (Mirwaldt *et al,* 2009). The vision of development should also be taken into account as an important driver (Gorzelak, Kozak 2012).

3.3. Tensions and trade-offs

Assessments of Cohesion policy must also recognise potential tensions or contradictions, intrinsic to Cohesion policy that cut across its economic, social and territorial dimensions (Polverari and Michie, 2011). These tensions concern:

Strategic objectives

The strategic objectives of Cohesion policy are influenced by the so-called equity/efficiency debate. Discussions of the new regional policy paradigm suggest that the pursuit of spatial equity (adequate levels of service provision and income in all regions) and economic efficiency (growth and competitiveness) are mutually reinforcing. The popularity of national growth/competitiveness approaches in domestic regional policy, and the increasing Lisbon orientation of Cohesion policy programmes, imply widespread support for this school of thought. However, other analyses suggest that there is a trade-off between these two competing goals, and that this trade-off is becoming more pointed in the framework of rising budgetary constraints. An increase in the scale and intensity of continent-wide economic interaction could well cause relatively backward regions to lag further behind, rather than converge with the more advanced portions of the integrated economic area: "core" regions enjoy many more such new linkages than "peripheral" ones, which might experience economic decline rather than growth when their isolation is broken by dismantling of barriers to trade and factor flows. Related, there is also the argument that one of the aims of European integration and the single European market is economic change, modernisation and restructuring but that this has implications for specific territories (especially those depending on 'traditional' industries such as mining and heavy manufacturing. The optimal balance between basic infrastructure development and more sophisticated efforts to boost the business environment in regions or between environmental protection and economic development is still debated. In some countries, there is still a perceived need for more 'traditional' forms of regional development support than is allowed by a restricted Lisbon-focus. Debates on the earmarking of Lisbon Strategy objectives have shown strong differences between national and regional/local elites on the structure of financial allocation, with regions and local authorities arguing that hard infrastructure, often of local character, is what is predominantly needed for successful development.

In CEE, the priority attached to competitiveness-related themes has increased, in keeping with Cohesion policy trends over the past decade. This is despite the persistence of regional disparities within many countries. For the 2007-13 period, Structural Funds programmes were obliged by the EU to 'earmark' or dedicate a percentage of funds for investments that directly strengthen competitiveness and job creation – in research and innovation, human capital, business services, major European infrastructures and improvement of energy efficiency. In CEE, strong commitment to Lisbon goals is evident from the increased and sizeable volume of Cohesion policy earmarked expenditure (especially in Poland, Slovenia, Slovakia, Latvia, Cyprus and Czech Republic), despite not being formally bound by the rule (Mendez, 2011). On the one hand, this suggests that the CEE countries have been particularly receptive to "EU norms, incentives and discourses transmitted through EU Cohesion policy" (Scherpereel, 2010). From a more critical perspective, the 'earmarking' exercise illustrated the scope for Cohesion policy objectives to be shaped and diluted as the Cohesion policy regulations are negotiated with Member States. At different stages, extra categories were added to the Lisbon categorisation, regarded by the Commission as being inconsistent with the spirit of the Lisbon agenda (Mendez, 2011). Similar tensions are reflected in current debates on the European Commission's proposals to concentrate Cohesion policy funding in the next programming period 2014-2020 on a limited number of priorities related to the Europe 2020 (including energy efficiency and renewable energy, SMEs and innovation). The need for flexibility to adapt EU priorities to national / regional contexts has been underlined in virtually every Member State response to these proposals. The need to provide scope for other priorities that are less prominent in the Europe 2020 strategy, notably basic infrastructure support, has been emphasised in several CEE Member States (Bulgaria, Czech Republic, Latvia, Lithuania, Slovak Republic) (Council of the European Union, 2010). Thus, domestic regional policy objectives in CEE increasingly favour 'competiveness' over 'equity' aims, in line with the turn towards competiveness under EU Cohesion policy since the launch of the Lisbon Agenda. However, the meaning of these concepts and the regional policy activities that they support has been adapted in the process, responding to inherent tensions.

One should also take into account a phenomenon known in management studies as objective replacement. In short, this concerns the replacement of formal objectives for a given measure (project) by similar but much simpler objectives that are closer to the needs of beneficiaries. For instance, this could involve the 'repackaging' of projects carried out under the heading of revitalization or tourism to less abstract and more straightforward objectives such as modernization of a town hall or construction of a swimming pool. To some extent this seems to be an expression of hidden tensions over the new development paradigm that is not always accepted by beneficiaries (Kozak 2012). This again indicates that the quality aspect of Cohesion policy operation cannot be ignored.

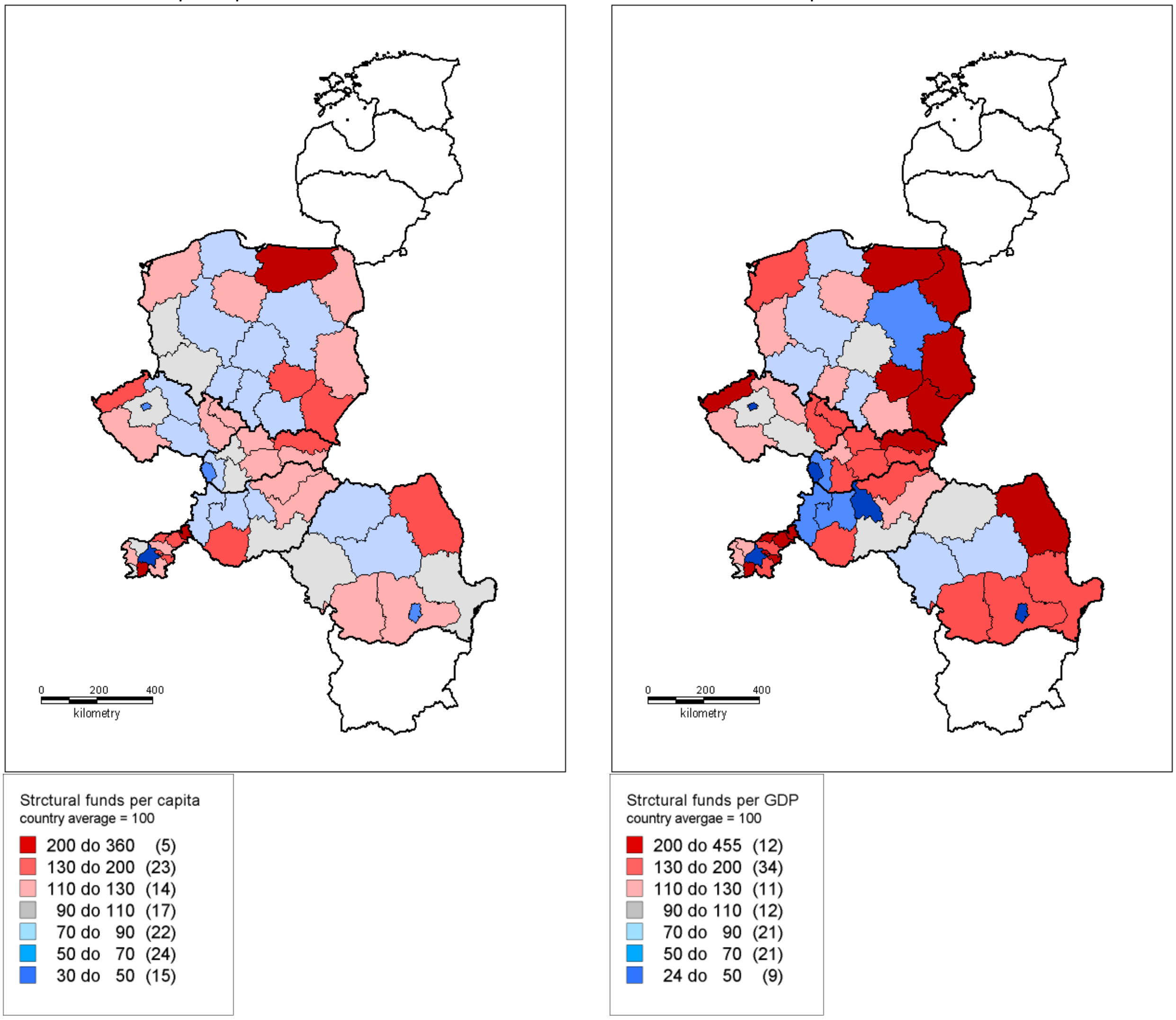
Territorial focus

A related group of possible tensions or contradictions intrinsic to Cohesion policy concerns its territorial focus. A contentious issue is whether policy should focus on national convergence with the rest of the EU, and thus predominantly on the capital regions, to the detriment of more balanced intra-state development. Theories of spillovers from capital regions to other regions are being called into question by growing internal disparities in many EU Member States (OECD, 2009). This raises questions about how Cohesion policy investments (as well as sectoral policies) should be spatially targeted to help achieve intra-state GDP convergence.

Figure. 4. Indicative EU funds allocation for 2007-2013 based on Regional Operational Programmes or indicative allocations in Integrated Regional Operational Programmes

a. EU funds per capita

b. EU funds as per cent GDP



Source: Smętkowski (2013b).

These tensions in territorial focus within Cohesion policy become particularly marked in the CEE context where national economies are still ‘catching up’ with EU averages but where internal differences between territories are entrenched and often involve some of the poorest regions in the EU. Should the territorial focus be on external convergence of CEE national economies with the EU average (implying support for national drivers of economic development, including the major cities or agglomerations as ‘growth poles’)? Alternatively, should a pro-equity emphasis be placed on internal convergence among regions (suggesting a focus on ‘lagging territories’)? In Poland, for instance, the flow of investment to important metropolitan ‘drivers’ or lagging areas has led to concerns in the current programme period about the marginalisation of poorly developed areas. This has resulted in the development of a model for allocating Cohesion policy funds that takes into account regional unemployment and levels of GDP. There is also a dedicated programme with ring-fenced funds for Poland's eastern regions (see Fig.4).

Administrative efficiency

The administrative burden involved in implementing Cohesion policy programmes has been much discussed, particularly in the context of the simplification debate. The Commission's summary of Member States' 2009 strategic reports highlights the main challenges and 'systemic obstacles' that have been identified (European Commission, 2010). Despite the programmes being delivered in very different contexts, there appears to be some agreement that the key issues are: (i) the changes in the rules on financial control, which are perceived to be the most frequent contributor to implementation delays as Member States adjust to the new control system; and (ii) the complexity of managing overlapping programme periods. These issues highlight the perception that the heavy administrative burden associated with implementing the Funds has a cost attached, and that the cost may be at the expense of the pursuit of policy goals. Research reveals widespread concern that the current focus on detailed administration and financial control leaves no space for reflection or reform, and it is, in the case of smaller programmes, disproportionate to the value of the programmes (Davies *et. al*, 2008; Mendez and Bachtler, 2011 in JEPP; Davies and Polverari, 2011 in RS). Implementation systems for EU Cohesion policy are perceived as bureaucratic and cumbersome, and this discourages participation by valuable beneficiaries, effectively excluding certain sectors or stakeholders from the programmes. Cohesion policy must find a balance between simplicity of regulations and transparency of operations and the task is complicated by the scope for Member States to translate regulations according to domestic practice.

This can also leave programmes struggling to commit resources and potentially displace activity towards domestic funding schemes, which are perceived as more flexible and user-friendly. The focus of activity under the Cohesion policy programmes then becomes detailed administration and financial control, rather than project results and impacts. The n+2 rule comes in for particular criticism, as it is perceived to encourage a focus on maximising spend, rather than developing quality; it can lead to the selection of projects that are more administratively and technically mature, at the expense of others that may be closer to programme objectives; and it has led some programmes to 'relax' project selection criteria to include less strategic (but financially viable) projects (Davies *et. al*, 2008). Public administration literature has noted that over-emphasising one type of accountability over another – in this case, financial accountability over outcome accountability - can lead to 'perverse effects' - the n+2 rule is a fitting illustration of this point. (Gregory, 2007). Nevertheless, as the rule is also commonly praised for having induced increased financial rigour in the way funds are spent, it is supported in principle, but with calls for ways to render it more flexible, for instance exempting particularly innovative, longer-term or complex and composite projects.

Further specific criticisms with respect to management and administration procedures include the fact that the error rate set by the Commission undermines the potential of audit activities to become real learning tools; that the timing of closure audits does not support programme implementation, but can result in a distorted view of a programme's achievements; and that the artificial demarcation between funds (in particular ERDF and EAFRD) and the emphasis on differentiation leaves potential beneficiaries confused and is time-consuming for programme administrators. It also potentially creates gaps in support coverage in the attempts to ensure there are no overlaps.[10]

In the CEECs, issues of administrative efficiency are prominent given that substantial amounts of EU funding are being disbursed against a background of traditionally weak policy management and implementation systems and constrained domestic public expenditure. In this context, the administrative burden associated with Cohesion policy is significant. There is a danger that the scope and direction of regional development activities may be dictated less by strategic considerations than by the need to absorb EU funds. For instance, some Polish academics, differentiate between technical absorption (ability to spent funds on time and in line with procedures) but also to structural absorption (ability to use funds in a strategic, development-oriented way) (Hausner, 2007).

An illustration of these tensions is provided by the debate on the extent to which Cohesion policy implementation should be regionalised in the CEE context. Through the accession process, the status and power of regional policy institutions at national level was enhanced in CEE countries. Until the mid to late 1990s, national-level institutional arrangements for regional policy in the CEE Member States were, in many cases, non-existent or ad hoc. One of the basic challenges faced by Candidate Countries was the establishment of national-level bodies to assume responsibility for the financial management and coordination of pre-accession regional development aid under the pre-accession Phare programme. This contributed to the establishment of Ministries, as in the Czech Republic and Slovakia, and the establishment of regional development departments within existing Ministries. However, there was vagueness and ambiguity in the European Commission's attitude to the role of sub-national levels in implementing the funds. The general pattern was for the Commission to highlight inadequacies in sub-national administrative arrangements at the start of pre-accession negotiations, through reference to Chapter 21 of the *acquis communautaire*. This provided a prompt for sub-national administrative reforms. Subsequently, however, as accession approached, the Commission increasingly stressed the need for efficient administration of the funds. Concerns about administrative capacity in newly-established sub-regional structures inevitably prompted centralist solutions (Hughes *et al*., 2004). The Commission, initially credited with promoting change was subsequently perceived to have approved centralist models. In Slovenia, for example, the Commission was initially critical of the lack of decentralisation in the country and proposed the establishment of regional development agencies. However, during the final months of negotiation over the regional policy chapter of the *acquis*, the Commission decided that it would be most efficient for Slovenia to be treated as a single region (Faro, 2004). The pattern was broadly similar, even where processes of administrative reform had led to the establishment of new units of regional self-government. National administrations and the European Commission were again reluctant to entrust sub-national authorities with management responsibilities for Structural Funds programmes. Instead, in Poland and the Czech Republic, integrated regional operational programmes were managed at the central level, with regional governments responsible for some aspects of the implementation process (Bachtler and McMaster, 2007; Kozak, 2007). Doubts persist over how relevant and enduring new regional arrangements are outside the Structural Funds context, particularly against a background of economic recession and fiscal constraint. Regional authorities could be dismissed as "window dressing" designed to cut off Commission complaints about a lack of devolution and subsidiarity", the process of Europeanisation was shallow or superficial to the extent

[10] Unpublished IQ-Net research (UK fieldwork, 2008 and 2009).

that these changes occurred within a system where traditionally centralised approaches to policy implementation were maintained or reinforced (Bache, Andreou, Atanasova, and Tomšic, 2011).

Cohesion policy and Europe 2020

Looking forward, the overarching EU socioeconomic development programme is the Europe 2020 strategy. This provides a single economic development framework on smart, sustainable and inclusive growth. The EU has set ambitious objectives to be reached by 2020 in five main areas: employment, innovation, climate change, education and poverty. All EU policies, including Cohesion policy, are required to justify their place within, and contribution to, this overarching agenda as part of the post-2013 budgetary and policy review. This has important implications for the development of Cohesion policy after 2013 (Mendez, 2013). The publication in October 2011 of legislative proposals for Cohesion policy signalled the start of intense consultations and negotiations on the post-2013 financial perspective. The proposals are intended to promote a comprehensive framework for Cohesion policy management and coordination, aligned with Europe2020 objectives, including an EU level Common Strategic Framework and Partnership Agreements between the European Commission and Member States. Debates and proposals concerning the future of Cohesion Policy have intensified and a range of issues are gaining prominence.

There are budgetary proposals from the Commission that have important implications for the allocation of Cohesion policy funding across Member States. These include the creation of a new intermediate category of Transition regions where GDP is above 75 percent, but below 90 percent of the EU27 and the establishment of an absorption cap set annually at 2.5 percent of forecast GDP for the period 2014-20. Beyond this, the proposals present options for Member States to develop more integrated programming across Funds and across priority axes. The proposals emphasise the need to coordinate Cohesion policy, rural development, maritime and fisheries funds. This is to be achieved through: developing programmes to address territorial needs or functional geographies, integrated planning and development of Cohesion policy and other EU and national instruments; and, the use of multi-fund programmes (for the ERDF and ESF) and cross-financing. The draft regulations also indicate stronger thematic concentration than in the current period, with a focus on Europe 2020 objectives: Research & Innovation, SME competitiveness, low-carbon-economy, renewable energy, ICTs, sustainable transport, employment, skills & combating social exclusion. The proposals contain some specific territorial emphases, including related initiatives and delivery modes. There is a clear focus on Community-led Local Development with scope for the implementation of bottom up local development initiatives financed from several EU instruments (based on the LEADER approach). Integrated territorial investment is a delivery mode, which entails the implementation of parts of several priority axis as a 'bundle' to promote an integrated approach. This includes a focus on urban areas. The effectiveness and efficient performance management is a prominent issue in the draft regulations. This emphasises the potential role of macro-economic, administrative or regulatory 'conditionalities', with payments linked to results. Fifth, the need for a more result oriented Cohesion policy post 2013 is evident. A new approach is proposed to develop outcome/result indicators for the future programmes to better capture the effects of the interventions (and thus improving the quality of monitoring and evaluation). Lastly, the proposals underline the need for simplification and harmonisation in programme management. This relates in particular financial management and control which are perceived to create administrative burdens for those implementing Cohesion policy as well as beneficiaries.

The negotiations on the Commission's proposals are ongoing. However, initial Member State reaction has highlighted several areas of concern. These relate to strategic programming, thematic concentration, the performance framework, administration, eligibility and finance, and the territorial agenda (Mendez *et. al*, 2011a). Prominent issues for EU10 Member States include concerns that the introduction of the 'transition regions' category and the setting of an absorption cap at 2.5% of GDP would shift some assistance away from the least developed regions in EU10. Moreover, the principle of thematic concentration may be difficult to implement in the EU10 context. Finding a balance between designing interventions that capture the complex interaction of a range of socio-economic processes and policies in a given territory and supporting the principle of thematic concentration will be challenging. Europe 2020 themes are seen in many countries as fitting well with domestic policy agendas and priorities. However, a concern in some EU10 Member States is the need for sufficient flexibility to achieve an appropriate balance between thematic objectives and territorial needs that may include more basic infrastructural support. The requirement to increase the share of funding to the ESF is also problematic in the EU10 due to absorption challenges. Finally, there are questions relating to the new performance framework, including the use of conditionalities and, potentially, sanctions. Meeting new requirements will put increased pressure on administrative systems where capacity building is still a priority. Broadly, there is concern in EU10 Member States that between 2014 and 2020 there will be less money available for the least developed regions to catch up while the smaller amounts of assistance would be tied to stricter rules than before (Vida, 2012).

3.4. Accounting for the exogenous influence in the national context

The impact of Cohesion policy on the economic performance of regions is mediated by a range of factors that depend on the national context in which regions operate. First, assessments of the impact of Cohesion policy must take into account the level of national competitiveness, including institutional and monetary aspects (outwith the Euro-zone) which in many cases are unrelated to Cohesion and national regional policy. Macro-economic conditions set the overall context within which Cohesion policy programmes are designed and delivered. Across the EU, the ongoing economic crisis has changed the economic context within which many programmes are operating. There are public sector budget constraints, uncertainty about the availability of match funding and accompanying reassessments of what Cohesion policy can and should do. Generally, the impact of the crisis in CEE was delayed in comparison to EU15 Member States. Nevertheless, the effects of the crisis are increasingly felt: real GDP growth is predicted to slow down considerably and CEE governments have introduced fiscal consolidation programmes (ECFIN, 2012).

Second, the degree of international and inter-regional competition can influence the impact of Cohesion policy. For instance, the presence of a strong regional competitor, either inside or outside a Member State, can have an impact on efforts supported by Cohesion policy to attract activities in particular sectors to particular territories. CEE countries experiencing rapid structural change face such tensions. Changes in the regional distribution of economic activity are often associated with sectoral shifts, for example out of lower skilled activities into more sophisticated manufacturing and service sectors. As new higher value-added activities tend to face competition either from established centres in EU15 or from other territories in CEE as such activities concentrate initially in particular regions. Furthermore, the implicit 'development model' of the CEECs in the past two decades has been based on institutional, trade/FDI and financial integration with Western Europe. Until the global financial crisis of 2008/2009, this model was considered a success. More recent assessments (see e.g. Becker *et al*, 2010) show that this model (particularly its strong reliance on external finance) is in several cases unsustainable and requires serious adjustments in the increasingly competitive post-crisis environment. More specifically, research has revealed weak indigenous technological capabilities in less developed MS, including CEE, as demonstrated by stagnant or even falling R&D expenditures, low propensity for innovation and limited patenting activities, are poorly developed.

3.5. Interaction between Cohesion policy and domestic policies

Finally, it is crucial that the impact of Cohesion policy is considered in conjunction with domestic policies. Investments in different policy fields can equally favour or hinder Cohesion policy goals depending on their strategic objectives, spatial distribution and financial scale. There are different ways to assess this interaction, including: an analysis of the scale of domestic expenditure on interventions to support cohesion; a review of the type of domestic policy instruments used to promote cohesion; and, an assessment of the links between domestic policies and Cohesion policy in promoting Cohesion. Concentration of reporting on products rather than results (impacts) levels also contributes to difficulties.

National expenditure on cohesion

One way of assessing the domestic policy context within which cohesion policy operates is to assess national expenditure on economic and social cohesion. Any analysis of cohesion spending is complicated by the varying interpretations of 'cohesion' previously noted, the lack of comparative statistical information on spending related to cohesion; and the difficulty of separating national from EU expenditure. Notwithstanding these caveats, recent research provides some 'macro level' data that provide some interesting insights.

First, in terms of economic cohesion recent work by Ismeri and Applica (2010) provides an assessment of national 'Expenditure for Development' (EfD), a concept designed to be consistent with spending under EU Cohesion policy. This provides a standardised basis on which to compare and contrast development expenditures in the Member States. Crucially, the Ismeri and Applica work provides an estimate of the EU contribution to EfD, enabling a measure of the domestic cohesion expenditures of the Member States to be derived. Table 7 compares the share of EfD as a percentage of national GDP in the 2004-2006 period including and excluding Cohesion policy spending.

Table 7: The impact of EU Cohesion spend on Expenditure for Development (2004-6)

EfD as % of national GDP	EfD *including* EU Cohesion policy spending	EfD *excluding* EU Cohesion policy spending
4.5-6.5	CZ	CZ
3.5-4.5	AT EE ES GR HU IE IT LU LV MT	IE LU MT
2.5-3.5	BE CY FR LT NL PL PT SI	AT BE CY ES FR GR HU IT NL
1.5-2.5	DE DK FI SE SK UK	DE DK EE FI PL PT SE SI UK
Up to 1.5		LT LV SK

Source: Wishlade et. al, 2011.

Table 7 illustrates wide variations in the contribution of EU expenditure to EfD and also a significant shift in patterns of expenditure if EU Cohesion policy spending is excluded. This shows a dramatic reduction in EfD in many CEECs, most notably in Estonia, Latvia and Lithuania but also Poland and Slovakia. Thus, in the period 2004-2006 (i.e. prior to the onset of the economic crisis) the majority of CEECs had below average domestic expenditure on economic development and depended heavily on Cohesion policy funds.

Policies that support economic and social cohesion can overlap, for instance in fields such as housing and community amenities, health, tourism, recreation, culture and religion and education. However, one means of assessing the social dimension of government spending is to use social protection expenditure as an indicator. For all Member States, social protection constitutes the single largest category of government expenditure; however, the scale of spending varies widely between countries. Based on the period 2004-2006 it can be seen that in the period 2004-2006 less prosperous countries tend to spend a smaller proportion of GDP on social protection than more prosperous countries. On this measure, Austria, Belgium, Denmark, Luxembourg, Netherlands and Sweden – spend at least twice as much in real terms as the new Member States (except Slovenia). Moreover, taking the extremes, expenditure in Luxembourg is almost ten times that of Romania even expressed in PPS per head. Based on this data, five broad categories of spend emerge (Wishlade et. al, 2011):

- Countries which spend in the range 8,200 to 13,000 PPS per head: **Austria, Belgium, Denmark, Luxembourg, Netherlands** and **Sweden;**
- those which spend in the range 6,500 to 8,200 PPS per head: **Finland, France, Germany, Ireland, United Kingdom;**
- those which spend in the range 4,100 to 6,500 PPS: **Greece, Italy, Portugal, Spain, Slovenia;**
- those which spend in the range 3,400 to 4,100 PPS: Cyprus, **Czech Republic, Hungary, Malta;**

and the remainder, which spend less than 3,400 PPS per head: **Bulgaria, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia.**

There are clear risks in simply considering levels of spend across countries on an apparently comparable basis. The absence of a qualitative or contextual dimension aside, these data ignore the fact many contributions and benefits are subject to tax so that net expenditure may be significantly lower than gross figures; across the EU as a whole a pilot study by Eurostat estimates that around seven percent of benefits were clawed back through the fiscal system, but the actual rate may vary from zero (in Romania, Bulgaria, Czech Republic and Slovakia) to around 18 percent in the Netherlands (Eurostat, 2009). In addition, systems of social protection vary widely between countries, being as they are a product of history, institutional and cultural norms as well as political and economic choices. Concerning such policies in CEECs, until 1989, social provisions made no distinction according to employment history or occupational status, but thereafter, the affordability of such schemes came under considerable pressure. In consequence, these social regimes have been overhauled and the benefits under them have been described as 'meagre' (CPB/SCB, 2003).

Policy instruments to promote cohesion

The impact of Cohesion policy is also likely to be influenced by the type of domestic instruments used to purse objectives related to cohesion. These can be classified as: narrow regional policies, often targeted at designated aid areas or locations with specific characteristics; broader policies for territorial development which, while generally available across all regions, take a region-specific approach, often via regional strategies and programmes; and those sectoral policies which have an explicit or implicit economic cohesion dimension.

Regional policy instruments cover a wide range of possible interventions. A basic distinction used in the 'regional policy paradigm' debate is between 'traditional' instruments based on top-down, aid-based, investment-oriented interventions that targeted designated problem regions and new instruments implemented with multi-level government co-operation, programme-based and targeted at the entire country (OECD, 2010). Domestic regional policy instruments in CEE Member States generally fall into the former category. These traditional instruments can take a variety of forms. For instance, central governments can implement systems of grants or subsidies that provide support for local development. Funding tends to be directed at small projects, for example led by municipalities. For instance, in Bulgaria, a programme of targeted support is planned for municipalities in designated regions to design and implement small projects involving 'soft interventions' with local significance. Supports are also provided in Latvia and Lithuania for local municipality investment projects, and small grants are available in Estonia for projects aimed at boosting regional competitiveness and service provision in sparsely populated areas. In cases involving large investments in regional infrastructure, business support and human resource development, policy interventions are generally funded through EU Cohesion policy programmes.

Domestic instruments also include incentives for increased business investment in disadvantaged areas, such as state grants for Foreign Direct Investment in specific territories (e.g. in Poland and Slovakia). Tax relief for enterprises in special economic zones remains one of the most widely available incentives (e.g. in Estonia, Czech Republic, Hungary, Latvia, and Slovakia). In Bulgaria, investors are exempt from corporate tax in a number of regions, particularly in those with high unemployment. In Lithuania, two free economic zones (Klaipėda and Kaunas) offer various incentives for businesses. In Hungary, the two key forms of investment incentives are aid granted under the Investment Incentives Decree and investment/development tax incentives. 'Tax holidays' are also available to encourage job creation in lagging regions of the country. In Slovakia, the most important domestic regional policy instrument, in terms of resources, has been aid to enterprises. In 2007, 41 individual measures and 5 state aid schemes, worth €145.05 million were provided in the form of income tax relief, grants and subsidies (Obuch, 2011). Fiscal equalisation mechanisms can also be seen as a regional policy tool, redistributing tax revenues according to social or economic equity criteria. For example, in Lithuania a fiscal equalisation mechanism is applied to municipalities, based on the, based on the principle of territorially equitable service provision and focusing on social cohesion across territories. Finally, across CEE there are a series of *ad hoc* programmes targeting regions struggling with particular problems stemming from socio-economic structures, environmental issues or other specific issues. For instance, in Slovenia the law on support for the Pomurje region was introduced in late 2009 after the area had been severely hit by the economic crisis. It encompasses investment promotion, employment incentives, tax relief, and priority treatment of programmes and projects in the Pomurje region competing for funds from national programmes.

There are several explanations for the use of these types of instruments in CEE domestic regional policies. The implementation of limited, ad hoc interventions and passive instruments such as tax breaks is understandable given constrained domestic resources for regional development. The idea is again to redress regional disparities and ensure socio-economic development in poor regions by attracting inward investment and supporting job creation. The operation of such instruments is constrained by the EU in richer Member States on the grounds that it infringes the operation of the common market. However, the European Commission considers that such regional state aid is compatible with Community principles in regions with per capita GDP of less than 75 per cent of the Community average. As the majority of CEE regions are eligible for some form of regional aid under EU competition policy, regional policy legislation in these Member States can make provision for extensive use of a range of investment incentives, including tax relief, guarantees for bank loans, credit incentives etc.

Nevertheless, over the last decade, independent, domestically funded policy instruments in CEE have been dropped or moved into Cohesion policy programmes. For instance, in the Czech Republic all but a few, small scale domestic instruments were subsumed into Cohesion policy programmes for the 2007-13 period. Currently, only small grants and financial support to municipalities to regenerate land formerly used by the army and a fund for areas affected by flooding are funded solely by domestic means. Since 2009, national funding for regional policy has been almost entirely abandoned in Latvia, and EU Cohesion policy has become almost the sole source of financing for the development goals of 'national' regional policy (Muravska, 2011). In Romania until 2010, a number of domestic measures were available to address regional disparities, with a focus on disadvantaged areas, mostly mining areas, industrial estates (from 2001) and science and technology parks (from 2002). However, these domestic policy interventions were not renewed and, from 2010, such policies were funded through EU Cohesion policy programmes (Constantin and Goschin, 2010). Thus, the bulk of regional policy in the CEE Member States is now EU co-financed, and therefore, is delivered and regulated through Cohesion policy programmes. Truly independent national regional policy instruments are very rarely pursued. It should be noted that this does not take into account financial transfers from state budget that may have a strong territorial dimension (e.g. social security transfers, fiscal policy etc.).

Given the increasing breadth of Cohesion policy activities, the wider public policy framework of Member States and the scope and content of sectoral policies can also facilitate or hinder its impact. Some of these factors - the quality of human resources and an efficient public administration and institutional structure - are considered to generate positive externalities, so that if one business (or the public sector) invests, others also benefit, thus generating permanent positive returns to investment and increasing productivity and, as a result, income (Cieślik and Kaniewska, 2004). Relevant sectoral policies include: education and skills; transport and business infrastructure and telecommunications. For instance, one of the main policy fields with cohesion implications is *infrastructure development*, particularly concerning the accessibility for households and businesses, as well as the mobility of people living in peripheral areas. Another cohesion-related field is *tourism policy* which, by its nature, is focused on specific types of area and has both economic and territorial cohesion dimensions. Rural policies which can indirectly support disadvantaged areas due to their inherent focus on rural and peripheral regions also have an impact on cohesion despite the absence of explicit cohesion objectives. Potential effects on cohesion can also be seen in the field of *R&D and innovation* policy. The promotion of sustainable economic competitiveness across countries can be facilitated through support for continuous innovation and technological development and efforts to tackle regional imbalances in this field. *Employment policies* are mainly implemented with a social cohesion dimension, although some employment initiatives, for instance for restructuring sectors, also include elements of territorial and economic cohesion.

Looking at the EU12, there are generally few sectoral policies which are not mainly funded by EU Cohesion policy. Thus, in comparison with EU15 Member States where domestic public sources for policy funding are dominant, the impact of Cohesion policy should be more straightforward to assess. However, there are cases, where domestic co-financing dominates over EU funds. This applies notably to transport policy in the Czech Republic, which has the stated objective to ensure the balanced development of transport networks to enhance interregional cohesion. The same is true of Slovakia, where transport policies also involve substantial domestic resources, while EU Cohesion policy remains strategically important.

Dealing with incomplete and variable information

A final challenge to assessments of Cohesion policy concerns the quality, availability and utility of data. Cohesion policy is characterised by a thorough approach to monitoring and evaluation. The regulatory requirements have been reinforced over time and there have been significant improvements in practice (Polverari et. al, 2007). Over time, Member States' systems for monitoring the implementation of Cohesion policy interventions have improved significantly. Positive developments include greater concentration on key and fewer indicators; better data quality; more standardisation of definitions and methods; and more systematic and reliable data collection processes and IT systems. Nevertheless, there are still weaknesses in terms of the quality, availability and utility of data, and monitoring systems are still focussed especially on financial rather than physical indicators. The conclusions of the European Commission's Fifth Cohesion Report acknowledge that more investments in monitoring and evaluation is required, particularly with regard to the "ex-ante setting of clear and measurable targets and outcome indicators" which need to be "clearly interpretable, statistically validated, truly responsive and directly linked to policy intervention" (European Commission, 2010). Even in older Member States with longer experience of implementing Cohesion policy, there are still programmes in the current financial perspective whose monitoring systems are not fully operational, and there is still wide variation across European programmes with regard to the indicators used to track physical outcomes (Mendez *et al.*, 2011b). At the planning stage, indicators and targets often play a marginal or illustrative role in the programme formulation process. The concepts of input, context, output, outcome/result, impacts indicators are often confused, while the take-up of core EU indicators in the programmes has been mixed and applied inconsistently, preventing comparison across countries and aggregation to EU level. Weaknesses are evident in the 2007-13 period (Applica and ISMERI Europa, 2010). In particular, the Annual Implementation Reports (AIRs) for Cohesion policy are considered to be "wholly inadequate to enable progress to be meaningfully assessed." Indicator deficiencies include an excessive focus on inputs instead of outputs or results, a failure to link indicators to intervention or policy objectives, inconsistent definitions which do not allow comparisons over time or across regions. Also, the AIR did not always explain why outcomes have fallen short of targets or substantially exceeded them, nor do they put outcomes into context or to relate the co-financed projects or measures to national and regional efforts. Related, programme monitoring systems have not kept up with the enterprise support shift towards competitiveness and productivity, instead continuing to measure impact in terms of jobs created (Mendez *et. al*, 2011b).

Cohesion policy monitoring systems in CEE Member States have been strengthened significantly over the past decade. Improvements have involved the reorganisation and rationalisation of institutional responsibilities, the introduction and reinforcement of reporting and financial management systems, decentralisation of responsibilities, introduction of new public management systems and IT facilities, and professional training in a number of areas. In many cases, advances in evaluation, monitoring and policy transparency are closely linked to EU Cohesion policy programmes and support measures (Polverari et. al, 2007). Nevertheless, accessing data to assess the impact of Cohesion policy in these countries remains challenging. First, the impact of many interventions can only become visible through time and data from newer EU10 Member States is bound to be constrained by the limited time span of Cohesion policy programmes in comparison with older Member States. Second, institutional capacity remains an issue for Cohesion policy monitoring in these countries. There is an extensive literature on the absorption challenges faced by EU10 countries during and after accession highlighting the role of administrative reforms and institutional instability in hindering the effectiveness of management and implementation systems. This includes monitoring systems which in the absence of domestic policy equivalents, have in most cases been developed 'from scratch' in a relatively short period of time. Although the situation continues to improve, the broader administrative challenges raised by Cohesion policy administration in these countries continue to constrain the collection and analysis of monitoring data. These include: administrative capacity weaknesses in managing authorities, a lack of funding, shortages of administrative resources, high staff turnover, lack of political steer, and administrative complexities (European Commission, 2011)

Conclusion

This review of approaches to measuring the achievements of Cohesion policy illustrates the challenges faced. A range of quantitative and qualitative methods have been applied, including in the CEECs, from different perspectives. These have assessed: the reduction of regional disparities; contribution to growth; impact in specific policy-fields; and, added value. However, up to now, no clear and unambiguous results have emerged. There are several reasons for this: the shifting objectives of Cohesion policy over time, notably the shift toward growth and competitiveness over equity and cohesion; the multi-dimensional character of cohesion, incorporating economic, social and territorial components; the tensions intrinsic to Cohesion policy's strategic objectives, territorial focus and administrative efficiency; the necessity to account for the exogenous influence (to Cohesion policy) represented by the national context; the need to consider the fundamental role played by domestic policies towards the achievement (or hindrance) of the goals of Cohesion policy; and, the difficulty of obtaining complete, comparable and quality data on programme achievements.

Another important finding from this review is that each of these challenges or constraints take a specific form in EU10 Member States. An obvious difference is the limited timescale of Cohesion policy implementation in CEECs in comparison to EU15. This has some important implications. First, the long-term evolution of the concept of 'cohesion' has not been played out in the CEEC context to the same extent as in older Member States. Nevertheless, as noted above, the increasing prominence given to the 'competitiveness' agenda is apparent in Cohesion policy programmes in EU10. Second, the potential for impacts to become apparent is constrained by the short time-scale. This applies to the impacts of interventions and also to 'added value' or the potential for organisational principles or themes associated with programmes to become embedded in domestic systems.

It is also arguable that the tensions and trade-offs intrinsic to Cohesion policy are particularly acute in the CEE context. The EU10 Member States continue to face the dual challenge of economic catch-up with EU development averages and tackling entrenched internal regional economic disparities. In this context, should the strategic emphasis of Cohesion policy be on national convergence with EU and the territorial focus on capital regions or other centres of growth or on regional convergence with a territorial focus on less developed areas? The question of administrative efficiency is also pertinent in the CEE context. There is evidence that the transfer of EU administrative principles has contributed to the creation of a new, more integrated system for the design, delivery and monitoring of regional development interventions. However, there are strong challenges associated with the rapid assimilation of SF principles as the template for a previously constrained regional policy system. In the CEECs, substantial amounts of EU funding are being spent against a background of traditionally weak policy management and implementation systems and constrained domestic public expenditure. In this context, the administrative burden associated with Cohesion policy is significant. There is a danger that the scope and direction of regional development activities may be dictated less by strategic considerations than by the need to administer programmes quickly in order to absorb EU funds. The implementation process involves the incorporation of some inherent ambiguities. As noted above, EU regulations on the delivery of regional development interventions are vague. While the principles of subsidiarity and partnership imply a decentralising process, the Commission's approach towards accession countries with relatively weak regional administrative capacities has included preference for a more centralised model of management, at least in the short-term.

Moreover, the impact of CP in CEECs, as in all Member States, is mediated by the domestic institutional and monetary environment. Economic development in these countries is increasingly drawn into international and global networks. The implicit 'development model' of the CEECs in the past two decades has been based on institutional, trade/FDI and financial integration with Europe and with global production networks. Changes in the sectoral profile of CEE economies, for example out of lower skilled activities into more sophisticated manufacturing and service sectors, changes the regional distribution of economic activity and draws regions into new competitive arenas at national, European and global levels. This obviously alters the environment in which Cohesion policy interventions operate. The connection between EU Cohesion policy and domestic regional policy is especially apparent in the evolution of policy instruments in EU10. Before their accession, all CEECs conducted their own stronger or weaker regional policies. Beginning in the 2000s, EU Cohesion policy started to influence these in a substantive way – national strategies of regional development were structured according to the principles of EU Cohesion policy, and the financial instruments – as weak as they were at that time – were designed broadly in line with EU assumptions. The situation changed dramatically after accession, and especially during the current financial perspective. Polices have been almost totally subordinated to those agreed with the Commission, and domestic financial recourses have been used only to fulfil the additionality principle. Almost all of these countries are being relatively heavily financed by the Convergence objective, which implies that the funds arriving from the EU have to be spent on projects related to the operation of Cohesion policy. It is also important to note the constraints to assessments of Cohesion policy achievements and impact in EU10 Member States resulting from incomplete data. The difficulty of obtaining quality data on programme achievements is noted across Member States but the EU10 context is different. Over the past decade, there have been significant efforts to boost the capacity of systems for monitoring and evaluating the implementation and impact of Cohesion policy in CEECs. Nevertheless, these systems have in most cases been developed in a very short period of time and in the absence of domestic equivalents.

One of the most important methodological challenges facing CEECs (and EU 27) relates to the quality of overall CP implementation, monitoring and evaluation processes, where particular stress will be on coordination, and achieving planned results and impacts. For many countries and managing authorities this will involve a new set of requirements. For instance, up to now, data on the achievements of the CP are hardly comparable not only for countries but individual programmes, due to various reasons already discussed.

A final point to note is that although this review has included a basic comparison between CEECs and older member States, the extent and nature of the challenges faced across the EU10 and the policy responses to these are increasingly diverse. This is linked to levels of economic development, the size of the country, economic structure, political landscape, administrative traditions and, most recently, the impact of the economic crisis. There is an ongoing process of divergence in the trajectories of different regional policy components in CEECs as domestic contexts reassert themselves following the immediate post-accession period. This emphasises the need to develop more 'fine grained' analyses of policy change and expand comparative policy studies within CEECs (Ferry and McMaster, forthcoming).

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