Cohesion Policy Lessons From Earlier EU/EC Enlargements. Synthesis of Case Studies

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1. Introduction

The aim of WP8 is to research and analyse how different aspects of Cohesion policy influence processes of economic, social and territorial cohesion in CEECs. Cohesion policy is a vital source of funding as CEECs seek to overcome persistent structural deficiencies and embark on new development paths. This brings with it opportunities to expand the scope and impact of economic development interventions. However, it also introduces constraints, putting pressure on institutional systems to develop structures and processes to absorb the funds, to ensure that they contribute to strategic economic growth, and to maintain a clear vision for development. Should priority be given to external convergence with the EU (implying support of national drivers of economic growth)? Alternatively, should a pro-equity emphasis be placed on internal convergence amongst regions? Moreover, issues remain to be resolved concerning institutional capacity and the allocation of policy competences and resource allocation decisions, including for Cohesion policy. Against this background, the objective of WP8 is to explore how the evolving Cohesion policy agenda, and particularly EU2020 priorities, influence the pursuit of new development paths in CEECs.

Task 2 analyses the experiences of Member States who acceded to the EU under previous enlargements. The objective is to shed light on the efficiency of the Structural Funds programmes in relation to different aspects of cohesion (economic, social, territorial) and economic growth. Moreover, the task explores the existing evidence of achievements in certain core policy areas, including innovation and employment, as well as on institutional change. These insights can inform subsequent analysis of Cohesion policy achievements in terms of growth and cohesion in CEECs. In this context, this report provides a synthesis of the results obtained from five case studies of Member States who acceded to the EU under previous enlargements: Austria, Finland, Ireland, Spain and Sweden. Following the introduction, Section 2 of the report summarises the review of Cohesion policy effectiveness, indicated by the literature review in Task 1. Research questions are generated to explore the relationship between these factors and Cohesion policy effectiveness. These factors also inform the selection of Member State case studies presented in Section 3. Section 4 then explores different types of Cohesion policy achievements in the case studies (in terms of cohesion, growth, RTDI, employment and human resources and ‘added value’). Section 5 returns to the EU and domestic variables that have been highlighted in the literature as factors influencing Cohesion policy efficiency. Taking each of the factors in turn, it assesses their relationship with Cohesion policy effectiveness and revisits the research questions generated in Section 2. A concluding section draws together the key insights from the report, particularly in the context of the more detailed analyses of Cohesion policy effectiveness in CEE case studies to be undertaken in Task 3.

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policy effectiveness and different types of achievements set out in WP8 Task 1. Section 3 outlines the factors, domestic and Cohesion policy-specific, that potentially influence Cohesion policy effectiveness. Research questions are generated to explore the relationship between these factors and Cohesion policy effectiveness. These factors also inform the selection of Member State case studies presented in Section 4. Section 5 then explores different types of Cohesion policy achievements in the case studies (in terms of cohesion, growth, RTDI, employment and human resources and ‘added value’). Section 6 returns to the EU and domestic variables that have been highlighted in the literature as factors influencing Cohesion policy efficiency. Taking each of the factors in turn, it assesses their relationship with Cohesion policy effectiveness and revisits the research questions generated in Section 3. A concluding section draws together the key insights from the report, particularly in the context of the more detailed analyses of Cohesion policy effectiveness in CEE case studies to be undertaken in Task 3.

2. Defining cohesion policy effectiveness

As reviewed in WP8 Task 1, the effectiveness of Cohesion policy can be assessed from a number of perspectives. The effectiveness of cohesion policy has been questioned since its inception (Armstrong, 2007; Sapir et al, 2003) and making a reliable and credible assessment of EU interventions remains extremely challenging (Baslé, 2006). After more than thirty years of policy intervention, empirical evidence remains mixed and contradictory: no consensus exists on the effectiveness of Cohesion policy. Different methodologies have been applied in assessments of Cohesion policy effectiveness, each of which has yielded valuable insights without making a completely robust case.

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). 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’). (Monfort, 2008). 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).

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 or Quest), 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).

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.

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” (CEC, 2001b: 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 et al., 2009). The concept incorporates various dimensions: financial (referring to the leverage of extra public and private resources for economic development through ‘match funding’ requirements); ‘strategic’ (concerning the diffusion of programme design and strategy development/management processes to domestic contexts); ‘operational’ (e.g. influence on domestic project generation, appraisal and selection processes; ‘accountability’ (through monitoring, reporting, financial management and evaluation requirements); and, ‘democratic’, derived from Cohesion policy’s partnership principle). 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).

3. Assessing Variation in Cohesion Policy Effectiveness

Task 2 is based on case study research of selected EU15 Member States who acceded to the EU under previous enlargements. It involves qualitative analysis of strategic documents, evaluations and reports as well as a limited number of interviews. Five case studies are selected in order to provide insights for more detailed assessment of Cohesion policy effectiveness in CEE Member States are selected. The selection is based on criteria, indicated by the literature review in Task 1. Over the past decade, a complex relationship between EU and domestic factors has emerged from studies of the effectiveness of EU policies. A range of factors have been identified to explain variation. Some are related to the member state context: the scale of domestic spending on development policy; the
scale of spending on social cohesion; the types of territorial development challenge- policy response; and institutional and governance frameworks. Other variables are specific to Cohesion policy: the thematic content/concentration of programmes; the level of Cohesion policy funding; programme architecture; systems for allocating Cohesion policy funding and maturity and continuity in Cohesion policy administration. The following sections explore each of these factors in turn, assessing their relationship with Cohesion policy effectiveness and identifying notable examples from across member states.

3.1. Member State Context

It is important that the achievements of Cohesion policy are considered in conjunction with domestic development contexts and policy responses. Institutional and political differences between Member States influence how Cohesion policy is managed and implemented and its effect. Among the key dimensions are the scale of the public sector, the degree of decentralisation of authority, the competencies assigned to different levels of government and the mix of revenue sources. Investments in different policy fields can equally favour or hinder Cohesion policy goals depending on their strategic objectives, thematic orientation, financial scale and institutional context (Begg et al. 2003) The Impact of Member State policies on Cohesion, Final report to the European Commission at: http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/3cr/impact_member.pdf.

Scale of Spending On Economic Development

One way of assessing the domestic policy context within which Cohesion policy operates is to identify national expenditure on development policy as a share of GDP. Cohesion policy expenditures represent a part of the broader package of public economic development policies. Thus, the achievements of Cohesion policy in terms of contribution to cohesion and growth must be assessed in the context of general public spending towards these goals. An analysis of the scale of domestic expenditure on interventions to support cohesion provides an indication of the domestic status attached to it on policy agendas and the role that Cohesion policy is anticipated to play. If it can be assumed that government spending promotes growth and cohesion and that Cohesion funds are commonly allocated according to the institutional practice of the given region or country, then it is important to assess the extent to which Cohesion policy increases the amount of public spending allocated for promoting development (Wostner & Šlander 2009).

From an economic cohesion perspective, public transfers play a potentially crucial role in reducing regional income inequalities. 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 affords 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.

There is variation in the domestic financial commitment to cohesion-related issues with significant differences in national levels of spend i.e. excluding the EU contribution through Cohesion policy. Once this is deducted, the groups are:

1 No information is available for Bulgaria and Romania.
above average spending on EfD: Austria, Belgium, Cyprus, Czech Republic, France, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, and Spain; and

below average spending on EfD: Denmark, Estonia, Greece, Finland, Germany, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, Sweden, and the United Kingdom.

The key point to note here is the relative importance of the EU contribution to EfD for many less prosperous Member States; this is particularly so for the Baltic countries, Poland, Portugal and Slovakia, where the EU contribution to EfD exceeds 50 percent. In short, EfD generally appears to be higher as a percentage of GDP in poorer countries than in richer ones; on the other hand, for poorer countries this ceases to be the case when the EU contribution to EfD is removed (Wishlade et al. 2011).

Research question 1
The larger the share of Cohesion policy investment in pro-development public spending, the greater the effectiveness of Cohesion policy.

Types of Territorial Development Challenge and the Domestic Policy Response

Another variable concerns the domestic development context within which Cohesion policy programmes operate: what are the key regional development issues and the main domestic policy responses? The role assigned to Cohesion policy can be based on different interpretations of the cohesion agenda, responding to different domestic contexts and varying levels of economic competitiveness or economic, social or territorial cohesion at national or sub-national scales. For example, Germany and Italy focus on providing support to more backward regions, while smaller countries with less acute regional divisions seem to focus more on smaller area policies. Ireland, Portugal, and Sweden have few explicit territorial policies, although national state aids remain sizeable in Ireland. Both France and The Netherlands have important, centrally administered, spatial planning programmes which address regional issues on the basis of the perceived needs of the country as a whole. The effects of the economic crisis on national and sub-national development patterns in recent years should also be taken into account.

Different member state contexts can be identified from this perspective. The following categorisation is based on the long-term research conducted through EoRPA, with initial variants presented in previous EoRPA reports, developed further in a major EU study contributing to the Fifth cohesion Report, and subsequently refined (Wishlade et al. 2011). Any typology such as this is open to debate. On the one hand, it is arguable, with some justification, that it involves over-simplification, neglects important context and loses sight of necessary detail. The allocation of countries to one or other category may be contentious. However, it provides a comprehensive overview – even at a general level – of the different development contexts within which Cohesion policy operates.

- Prominent regional disparities – regional development policy. The first category comprises countries – Finland, Germany, Italy, Norway, Spain, Sweden - where there is a national legal or constitutional commitment to reducing regional disparities. They are geographically large countries where prominent regional differences are accepted as the principal focus for

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2 See: [http://www.eprc.strath.ac.uk/eorpa/Partner_reports_archive3.cfm](http://www.eprc.strath.ac.uk/eorpa/Partner_reports_archive3.cfm)
spatially differentiated policies, and where there are well-funded domestic regional policy instruments

- **Diverse territorial challenges – regional competitiveness policy.** The second category consists of countries – Belgium, France, United Kingdom - with diverse territorial challenges (old industrial undergoing restructuring, rural development, urban regeneration, peripherality). These are relative prosperous countries, but some regions are significantly below the EU average. However, there is limited prominence given to regional disparities on the scale of countries like Germany or Italy, although there are some targeted measures for problem regions. The main focus is on regional or sub-regional (local) competitiveness from the perspective of enhancing national growth (except for Belgium), and a range of relatively small-scale programmes and instruments, partly implemented by regional self-governments.

- **Limited regional disparities – national competitiveness policy.** The third category comprises small, prosperous European countries - Austria, Denmark, Luxembourg, Netherlands, Switzerland - with limited regional disparities. Priority is given to enhancing national competitiveness, there is a strong emphasis on social cohesion and the focus of much support is on the business environment. However, there is a policy focus on localised problems and balanced development is considered important.

- **Diverse geographical issues – national development policy.** The fourth category comprising Cyprus, Greece, Ireland, Malta, Portugal and Slovenia covers countries with important geographical issues in an EU context (peripherality, insularity) or internally (islands, mountain areas, isolated regions, capital city dominance). These are smaller countries, mainly just under the EU average of GDP per head. The focus of economic development policy is on national development and competitiveness, although some internal disparities may be significant and getting increased policy attention.

- **Widening regional disparities – national growth/development policy.** The final category comprises countries, all in Central and Eastern Europe (Poland, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia) where the focus for two decades has been on national growth and development. These are less prosperous countries, compared to EU averages, and have seen widening territorial disparities, especially between metropolitan areas and other regions. Domestic regional policies have, in the past, been weak, and regional development priorities and funding have been driven by EU Cohesion policy.

### Research question 2
The achievements of Cohesion policy under the headings of growth or cohesion varies according to domestic regional development needs and priorities.

### Institutional and Governance Frameworks.

The effectiveness of Cohesion policy can also be conditioned by existing institutional or administrative frameworks. Several studies have pointed to institutional and governance frameworks as being influential in mediating the effectiveness of Cohesion policy (Bachtler and Gorzelak, 2007). This has two main dimensions (Filippetti & Reggi 2012). First, the general quality and capacity of the domestic institutional environment and public administration have a bearing on
the implementation of Cohesion policy and, ultimately, its effectiveness. Academic studies and policy reports have stressed the importance of a high quality of government in processes of economic growth and social development (Holmberg et al. 2008). The European Commission maintains that the efficiency and effectiveness of Cohesion policy are influenced by the overall quality of governance in Member State public administrations (CEC 2007). Ederveen et al. (2006) attempt to assess the effectiveness of Structural Funds and whether this is conditioned by the quality of regional ‘institutions’ proxied by quantitative measures of corruption, inflation or openness to trade. Their findings suggest that support allocated to regions with high quality of institutions are effective, leading to the conclusion that EU Structural Funds are conditionally effective. It is also worth noting the argument that the relationship between Cohesion policy efficiency and quality of governance is interactive: efficient implementation of Cohesion policy relies on the quality of Member State governance but the implementation of Cohesion policy can have ‘spill over’ effects on domestic systems of governance.

In 2010, a study on quality of government and subnational variation in the EU was conducted by the Gothenburg Quality of Government Institute in Sweden for DG REGIO (Gothenburg Quality of Government Institute 2010). National level data from the World Bank (measuring government effectiveness, regulatory quality and control of corruption) was combined with regional survey data that focused on three services (education, health care and law enforcement) which are often administered or financed by regional authorities. Respondents were asked to rate these services with respect to their quality, impartiality and level of corruption.

Based on this, the study identifies three distinct groups at member state level:

- Denmark, Sweden, Finland, Netherlands, Luxembourg, Germany, Austria, U.K. and Ireland have a consistently high quality of government.
- France, Spain, Belgium, Malta, Portugal, Cyprus, Estonia and Slovenia have a moderate quality of government.
- The Czech Republic, Lithuania, Hungary, Slovakia, Poland, Latvia, Greece, Italy, and especially Bulgaria and Romania have a lower quality of government.

The research included a focus on government quality at sub-national levels. On the one hand, this revealed a broad correlation with government quality at the national level: all regions in the top performing Member States with regard to the national QoG index (Denmark, Sweden and Netherlands) were in the top 15% of all 172 regions surveyed while most of the EU 15 regions were in the top 50%, with Portugal and Greece being the only exceptions (that have all of their respective regions under the mean average). On the other hand, the survey indicated that there are large differences in the quality of government between regions in some Member States: Belgium, Spain, Italy, Portugal, Romania and Bulgaria. Such sub-national variability must be borne in mind when assessing the efficient implementation of regional Cohesion policy programmes in particular Member States Charron et al. 2013).

The second domestic governance dimension to take into account is the extent of decentralisation. The multi-level model governance (MLG) model has been endorsed as the governance system in the European Union (CEC 2001a), conceptualised as a system in which the responsibility for the elaboration and implementation of policy is distributed among different levels of government (Hooghe and Marks 2001). This model advocates a strong role for sub-national governments in the
policy-making process. The Cohesion policy principles of partnership and subsidiarity emphasise the role of sub-national actors in adapting interventions to local contexts. The relevance of MLG has been stressed in the ‘place-based’ policy or ‘territorial’ policy approach that informs the 2009 Barca report on Cohesion policy reform. Barca argues that the exogenous public intervention can overcome these shortcomings, but, in order to be effective ‘it needs to be accompanied by increased local involvement. This is the condition for eliciting the information on preferences and the local knowledge needed to tailor interventions to places’ (Barca 2009). It should be noted that the link between the MLG model and efficient implementation is contested (Milio 2007). The existence of several levels can increase complexity and institutional tensions. Moreover, there it is arguable that the MLG model is more suited to polities based on federal or politically decentralised systems (Mayntz 1999). Nevertheless, due to the multi-level system of Cohesion policy governance, the domestic allocation of responsibilities between administrative tiers and to the participation of public, private and societal interests is potentially important. In recent years, many Member States have changed the institutional structures that bear on cohesion. Processes include the reform of sub-national structures and policy-making responsibilities. As part of this, traditional hierarchical relationships, where national governments monopolised policy administration, have been supplanted by more network-based arrangements involving a wider range of participants at multiple levels and relying on cooperative structures.

Responsibility for the funding, instruments and implementation of territorial policies varies with the institutional structure of the Member State:

- **Federal countries with highly regionalised approaches.** As a federal country, regional policy delivery in Austria is generally in the hands of the Länder (i.e. Land departments of economic development and Land business agencies). However, the sub-Land level also plays a role, with regional management offices (Regionalmanagements) acting as a bridge to the local level. The national contribution is limited to the (informal) coordination functions of the Federal Chancellery and ÖROK (Austrian Conference on Regional Planning). Belgium also adopts a highly-regionalised approach. Flanders and Wallonia (and Brussels) have the key delivery functions, with an extremely restricted national role (e.g. coordination of aid area designation outcomes). In Wallonia, policy delivery is in the hands of a government department (the Regional Economy Unit (DPE, Direction de la politique économique), while in Flanders, delivery is through the Enterprise Agency (VLAO, Agentschap Ondernemen). Finally, in Germany, the federal structure ensures that Land and local authorities have the main decision-making and implementation responsibilities, albeit (for narrow regional aid policies) operating within a joint Federal-Land coordination framework, the Gemeinschaftsaufgabe ‘Verbesserung der regionalen Wirtschaftsstruktur’. This was introduced originally in 1969 to control potential competitive out-bidding between the Länder for mobile investment.

- **Regionalised unitary states, with significant devolution of regional policy functions.** In Spain, the highly devolved system means that the autonomous communities have significant decision-making and implementation responsibilities with respect to economic development. The high degree of regional autonomy explains why the Inter-Territorial Compensation Fund (ICF) is implemented on a devolved basis by regional governments. The regions also have important decision-making functions under the regional investment grant (RIG), although final project approval is formally granted at the national level. The United
Kingdom approach is also highly devolved. For more than a decade, the UK government has been committed to the devolved delivery of regional policy, with the Devolved Administrations in Scotland, Wales and Northern Ireland having both design and implementation responsibilities, while policy delivery in England was with the Regional Development Agencies until their abolition in the aftermath of the May 2010 general election. Lastly, in Italy, the programme-based unitary regional policy has both regional and multi-regional elements, with policy implementation largely delegated to regional authorities (albeit subject to supervision and coordination by the national Ministry of Economic Development, Department for Development and Economic Cohesion (MISE-DPS)).

- **Decentralised unitary states, involving a high degree of regional-level implementation.** In France, despite broader decentralisation trends, the division of responsibilities is still favourable to the central State, particularly in the context of the State-Region Planning Contracts (CPER, contrats de plan Etat-région), where the regional State services (préfets) play a central role in aligning national and regional priorities. In Finland, responsibility for regional policy delivery is formally shared between the State and the municipalities (acting through the regional councils). Policy goals are set at the national level and provide the context for regional-level strategies and implementation (by both the regional councils – which have overall responsibility - and State bodies in the regions). In the Netherlands, there are broader pressures towards decentralised policy approaches (including the government slogan “centralised if necessary, decentralised if possible”). However, notwithstanding the regionalised approach to Peaks in the Delta, the national level still plays a significant role in policy implementation, having regionalised its own policy role. In Sweden, regions have increased their regional development role as county competencies have grown. There is significant regional responsibility for state regional development measures though overall responsibility for the regional growth policy coordination and supervision continues to lie with the Ministry of Enterprise, Energy and Communications. In Poland, the regional role in policy delivery is developing, with the introduction of domestic framework agreements between central government and self-governing authorities (regions). These contracts are based on the French CPER model and focus mainly on social cohesion, though they have recently been used in the context of Cohesion policy. In the Czech Republic, regions are also directly elected, but their role is less prominent than in the Polish case. Finally, in Denmark, policy is implemented at the regional level under the Business Development Act. The Act instituted a dual-key control system whereby the elected regional council and the partnership-based regional growth fora (RGF) can veto each other’s initiatives. This enhanced the status of the RGFs, as did the fact that they were subsequently given the central role in Structural Funds administration.

- **Unitary countries with limited or no regional-level implementation.** Most of the remaining 16 Member States take a national-level approach to the delivery of domestic regional policy. For some countries, including Cyprus, Malta and Luxembourg, this reflects their small size. For others – Greece, Portugal, Slovenia, Estonia, Latvia and Romania – it is attributable to the traditionally centralised delivery of policy. There are, however, a few countries where there is an element of regional-level implementation. This is perhaps most extensive in Hungary where six regional development funds involve a significant degree of regional-level implementation. In Lithuania, regional policy is planned and implemented at the regional
(county) level, with regional development councils contributing to the design of regional
development plans and to project selection. In Ireland, there has traditionally been a strong
national-level approach, with policy delivered either through national ministries or agencies;
however, some agencies have a specific regional orientation (like Údarás na Gaeltachta),
while others operate through regional offices (such as Enterprise Ireland). Finally, in
Bulgaria, there has been a growing emphasis on decentralisation, with a revived interest in
local governance in the context of economic development. Municipalities are now playing a
role in policy implementation, albeit hampered by limited financial resources.

Research question 3
The effectiveness of Cohesion policy is conditioned by the quality of public administration and the extent of
decentralisation in the implementation of regional development policy.

3.2. ‘Cohesion Policy-Specific’ Factors

Assessment of Cohesion policy achievements must also take into account factors that are specific to
the policy but vary in different Member State contexts. These include the thematic content and scale
of interventions, administrative arrangements and learning processes (Mair - 2006).

Content of Cohesion Policy Programmes

The first variable concerns the thematic content of Cohesion policy programmes. This has three
dimensions. First, according to the literature, different mixes of Cohesion policy interventions affect
outcomes and impacts. Cohesion policy instruments cover a wide range of possible interventions
and the content of programmes and the type of achievements anticipated vary across Member
States. For instance, a recent study on the Impact of the Single Market on Cohesion and the
implications for Cohesion policy, growth and competitiveness found that a shift from ‘hard’
investments (mainly physical infrastructure) to ‘softer’ investments (including in human capital and
research capacity) that are fundamental to the Europe 2020 strategy leads to improved long-run
growth. While hard investments give a short term boost to growth, the effect dissipates over time.
Of course, the policy mix between investment in ‘hard’ instruments such as infrastructure and ‘soft’
instruments such as R&D, innovation and human capital depends on specific contexts (LSE, 2011).
However, the study concluded that although public investment in less developed regions should
initially focus on hard investments to address gaps in infrastructure, over time investments should
focus on R&D, innovation and human capital, given that their growth effects are more long term.
Other research has argued that the direct benefits of physical infrastructure investments (such as
investment in transport) are quickly exhausted and lose effectiveness if not complemented by R&D
and human capital development which affect growth in the medium to long run term (Crescenzi &
Rodríguez-Pose, 2008).

Different thematic mixes also have different implementation challenges and administrative costs
associated with them that influence implementation and effectiveness. An analysis of the
administrative costs of Cohesion policy implementation for the European Commission (SWECO,
2010) found that: transport and infrastructure programmes have the lowest median workload and
median administrative costs; innovation programmes focusing on research and development and
innovation have higher administrative workloads and costs than this; and national and regional
programmes that combine different themes supporting economic and regional development have
among the highest median workload and administrative costs. Moreover, the extent to which
funding is spread across a range of policy sectors or concentrated on specific themes has an impact on efficient implementation, influencing the complexity of management structures and administrative efforts required for management, monitoring and evaluation.

Based on the 2007-13 period, Figure 1 summarises the thematic orientation and extent of thematic concentration of programmes at Member State level. The analysis uses a categorisation based on Lisbon Agenda themes:

- Attractive places to invest and work: transport; energy; broadband; environment; culture & social inclusion
- Improving knowledge and innovation for growth: innovation & RTD, entrepreneurship, ICT for citizens & business, other investments in enterprise
- More and better jobs: Human capital, labour market, social inclusion, capacity building.
- Territorial dimension: Other assistance to improve tourist services, integrated projects for urban and rural regeneration, compensation of any additional costs due to accessibility deficit and territorial fragmentation, specific action addressed to compensate additional costs due to size market factors, support to compensate additional costs due to climate conditions and relief difficulties.

**Figure 1. Thematic Orientation And Concentration Of 2007-13 Ops, Assessed At Member State Level (% Allocated).**


Covering the 2007-13 programme period, the following categories of Member States can be identified:

- A first group of Member States has a high level of concentration on the theme of ‘Attractive places to invest and work’. This heading includes infrastructure investment (in transport, energy and the environment) and the category consists entirely of EU12 Member States that
have access to resources from the Cohesion Fund and are largely covered by the Convergence objective. Member States: Bulgaria, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovenia, Slovakia.

- The second category, relating to a high concentration on knowledge and innovation contains only one country. Finland invests a large part of its allocated resources in promoting activities related to Research & Development (R&D) and innovation, dedicating funding of over €960 million to this area.
- The third group of Member States has a high level of concentration on the theme of ‘more and better jobs’. The Netherlands and Ireland place the main emphasis on promoting human capital investment, including through upskilling the workforce.
- A fourth group of countries have less thematic concentration but combine emphasis on knowledge and innovation and more and better jobs. This group includes countries with limited or no funding under the Convergence objective: Austria, Belgium, Denmark, Luxembourg, Sweden and the UK.
- Cyprus and Spain have medium concentration that combines an emphasis on the headings ‘attractive places to invest and work’ and ‘improving knowledge and innovation for growth’.
- Finally, there is a group of countries with low levels of thematic concentration: France, Germany, Italy and Portugal.

Research question 4
The effectiveness of Cohesion policy varies according to the thematic mix and concentration of programmes.

Level of Cohesion Policy Funding

Of course, it is also important to take into account the varying levels of Cohesion policy funding that are available across Member States. Any efforts to establish direct causal links between Cohesion policy and development effects must take into account the scale of funding available, not just in absolute terms but in relation to the development challenges it is intended to address. (Mairate 2006). Under this logic, the achievements of Cohesion policy programmes are likely to be greater where larger programmes are involved. This refers to their geographical coverage and the level of resources allocated. In the context of the global financial crisis, it is important to note that studies have indicated that Cohesion policy funding has the potential to become pivotal in contexts of contracting public spending and domestic financial constraints (Di Quirico, 2006).
Table 1 presents an overall picture of aggregated relative importance of Cohesion policy to Member States (main beneficiaries only) over the period 2000-2009.
As well as the scale of payments, Table 3 includes the level of payments as a percentage of GDP. From this, Member States can be grouped into two categories. Greece, Spain, Portugal and Ireland (which were collectively termed ‘the EU cohesion countries’) characterized by a GDP per capita below 75% of the EU average, relatively high dependence on agriculture and tourism and certain tradition of state intervention in the creation and maintenance of monopolistic enterprises. The Cohesion Fund was set up with the intention of assisting these countries with the transition to Economic and Monetary Union. EU10 Member States, consisting of the countries of Central and Eastern European (CEECs) who in 2004 and 2007 became members of the European Union after a difficult process of post-socialist transformation. Pre-accession support provided significant financial and technical assistance from the EU and following accession, the volume of resources available to the CEE Member States through Cohesion policy increased significantly.

Cohesion policy impact forecasts indicate that, as a result of higher funding in the Member States acceding in 2004, the expected impact there will be much higher for the 2007–2013 than for the

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2000–2006 period (Monfort 2012). Financial resources provided by the ERDF and Cohesion Fund for the period 2007-2013, represent on average around 0.3% of EU GDP a year for EU Member States (see Table 4). For the EU12 countries, however, these allocations are much bigger in relation to GDP. In each of the three Baltic States and in Hungary, the allocation for the period amounts to over 3% of GDP a year and in Poland, to just under 3%. As a share of development expenditure, these allocations are even bigger (see Table 2).

### Table 2. Allocation of ERDF+ Cohesion Fund to Member States, 2007-2013 (Average per Year)

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Notes: Figures for allocation refer to the total funding agreed for the period, averaged over the 7 years and expressed as % of GDP and of General Government capital expenditure, both in 2009, the latter being the sum of gross fixed investment and capital transfers. Figures for funding remaining relate to the total allocation less the amount already received by Member States up to Oct 2010, expressed as an annual amount over the period up to 2015 and again related to GDP and Government capital expenditure in 2009. Capital transfers for the EU15 countries relate to the figures for 2007 in order to allow for the distortion in the figures for 2008 and 2009 resulting from transfers to banks and other enterprises as part of rescue plans.
On the basis of these figures, three categories can be identified:

- Member States with high allocations of ERDF and Cohesion fund resources in the 2007-13 period (over 1.5% of GDP per year): Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia.
- Member States with medium allocations (0.5-1.5%): Greece, Portugal, Slovenia.
- Member States with low allocations (less than 0.5%): Belgium, Cyprus, Denmark, Germany, Ireland, France, Italy, Luxembourg, Netherlands, Austria, Finland, Spain, Sweden, UK.

**Research question 5**
The higher the scale of Cohesion policy funding, relative to GDP, the greater the effectiveness.

**Programme Architecture**

Another Cohesion policy-specific variable relates to the overall management and implementation structure. The role and function of Managing Authorities is standard across EU Member States. However, every Member State has its own configuration of programme management and implementation structures, reflecting a range of factors such as the content and level of resources of the programmes involved, domestic systems for implementing regional development and the maturity of programming experience. Across programme periods, there has been a broad tendency for the number of organisations involved in the management and implementation of programmes and the range of administrative tiers involved to increase. To varying degrees, Member States have utilised intermediate public bodies, the private sector and independent management units in the management and implementation process (Ferry et al. 2007). In terms of the structure of the operational programmes, most attention has been given to the dilemma of what the relationship should be between sectoral and regional operational programmes. In some cases, national governments have maintained a high level of control over the implementation arrangements, particularly under Convergence/Objective 1 which is often dominated by major national and sectoral programmes. However, even in countries with a tradition of centralised structures, steps were progressively taken to devolve decision-making powers and administrative autonomy to regional administrative tiers. The value of “integrated programming” through decentralised decision making is perceived to have encouraged greater flexibility in managing interventions and the emergence of more effective partnerships, increasing the likelihood of long-term impact (LSE 2011). According to Boeckhout et al, there is no uniform answer to this problem since the solution needs to reflect “the administrative structure and the policy culture in the Member States” (Boeckhout et al 2002). They point out that, as a guiding rule, sectoral programmes should deal with those issues that are priorities from a national development perspective, whilst those that are sub-national in nature (e.g. those that are a priority only for certain regions) should be dealt with in regional programmes (ROPs). The decision in this regard should pay particular attention to who has the responsibility and jurisdiction over the operations in question (national or regional level), and also where the co-financing comes from. A related question is whether or not the relative number of operational programmes has any systematic influence on Cohesion policy efficiency. According to the results of a
survey published in 2008, Cohesion policy managers believed that a smaller number of operational programmes were efficient, giving reasonable support to the notion that multiplying the number of operational programmes is detrimental to their efficiency (Wostner 2008). These issues are pertinent to Cohesion policy programme architecture in the 2014-2020 period where changing levels of funding and the emphases on thematic concentration around the EU2020 agenda, ring-fencing, and the territorial dimension have created dilemmas for those developing new programme architectures. There is likely to be significant change in some Member States (Michie & Granqvist 2012).

For the 2007-13 period, three basic types of programming architecture can be identified:

- **Centralised approach.** A national level body integrates management and implementation responsibilities. This applies to smaller Member States, such as the Baltics, Cyprus and Malta where programming has little or no regional dimension. It also applies to some newer Member States from Central and Eastern Europe which have limited capacity at regional level and are implementing large, nation-wide ERDF/CF OPs. Some Member States have taken steps to centralise their programme architectures in the current period. In Sweden, ERDF has 8 Operational Programmes but one organisation responsible for Managing Authority functions (Tillväxtverket). In Finland, previously separate Managing Authority responsibilities for ERDF and ESF have been merged in the Ministry of Employment and the Economy. In Hungary, management tasks are concentrated in a single institution (the National Development Agency - NDA) for the 2007-13 period, covering both ERDF and ESF.

- **Centrally coordinated decentralisation.** Under this approach, separate Managing Authorities operate for programmes but with strong central coordination or supervision. In Poland, the Ministry of Regional Development has created a specific unit with important coordinating and supervisory tasks concerning regional programmes that are managed at regional level. In the Czech Republic, overall responsibility for management and coordination of Cohesion policy of the NSRF lies with the National Coordination Authority (NCA) in the Ministry of Regional Development. It supervises and coordinates the actions of MAs in different ministries. A similar system has operated in the English regions in the current period. These countries often combine a nationally-managed ESF programmes and regionally managed ERDF programmes.

- **Decentralised approach.** Management responsibilities are devolved largely to programme level. Programming responsibilities are decentralised to individual MAs in national ministries and/or in regions, and the role of central government is limited to general co-ordination of the Funds, higher level Commission negotiation, inter-ministerial co-ordination and evaluation of ‘good practice’. This applies to federal cases where sub-national levels are legally responsible for regional development. In Germany, each Land programme is chaired by the relevant Managing Authority although it should be noted that federally managed ESF and ERDF programmes are in operation. Substantial devolution also applies to Austria where there is a high degree of regional autonomy over the implementation process. In the case of the Netherlands, some of the larger cities also play a leading role in management and implementation (in the West).
Research question 6
Cohesion policy effectiveness is influenced by programme architecture, decentralised decision making encourages greater flexibility in managing interventions and the emergence of more effective partnerships, increasing the likelihood of long-term impact

Resource Allocation and Match Funding Issues

Another variable concerns the systems for resource allocation, focusing in particular on the relationship between domestic and Cohesion policy in decisions on the allocation of funding. The literature differentiates resource allocation approaches according to the extent to which management functions are carried out in the framework of a pre-existing administrative/institutional setup (e.g. Taylor et al. 2000), Ferry et al. 2007). Systems where Structural Funds rules are interlinked with the general public administrative system are referred to as integrated or subsumed systems, while systems with separate implementation systems specific to Cohesion policy and thus outside of the general administrative framework are referred to as differentiated systems. These different approaches to resource allocation create have different advantages and disadvantages in terms of implementation efficiency and, thus, effectiveness. Integrated systems benefit from being based on available administrative skills and experience and are cost-effective. These systems can make good use of existing project pipelines, as appraisal and decision-making are usually done through established resource allocation mechanisms. Thus, no special procedures are (in principle) necessary. The use of differentiated systems strengthens coherence across a programme and ensures that its strategic objectives are maintained. It also ensures good visibility and transparency of Structural Funds activities. On the other hand, establishing dedicated systems involves administrative costs, and this approach provides limited strategic overview beyond programmes (Wostner, 2008).

Moreover, the interaction between domestic and Cohesion policy implementation systems can influence the scope for achievements through Community Added Value. The degree to which the allocation of resources through Cohesion policy is integrated (subsumed) into domestic resource allocation systems – or whether a differentiated (or parallel) system for administering Cohesion can explain the different degree of influence exerted by Cohesion policy. However, arguments can be made for the use of integrated or differentiated approaches in producing added value. On the one hand, it is arguable that learning or enhancement effects would be stronger where domestic and Cohesion policy implementation are closely integrated. On the other hand, differentiated approaches may strengthen the development and visibility of new or innovative approaches under Cohesion policy that can then be taken up by domestic equivalents.

Thus, two basic options can be identified:

- **Integrated systems.** In some Member States, Cohesion policy funding is used to support or supplement existing national regional policies. EU funds are closely linked to domestic support instruments and national funding allocations are made together as part of the same decision-making process (i.e. domestic match funding is identified in existing budget lines). Most Structural Funds are allocated through existing economic development administrative channels. Projects are appraised and selected through permanent calls, with decision-making often delegated to single competent agencies rather than having a separate committee structure or administrative process specifically for Structural Funds. In Germany,
most Structural Funds programmes are allocated through subsumed decision-making systems. The key decisions on the distribution EU funding take place at the start of the programming period, with tranches of programme funding allocated mainly to specific budget lines and domestic funding schemes (Förderrichtlinien). From the perspective of efficient implementation this approach can increase the overall status, political weight and finances of regional policy and it strengthens the coherence of timetables and objectives across different funds and levels. Implementation draws on existing expertise and there is limited duplication of administrative effort. There are also opportunities for ‘spillover’ and Community Added Value in integrated systems. On the other hand, efforts to unify different systems/funds can create complexity and the benefits or effectiveness of EU funding may be less visible under the integrated approach.

- **Differentiated systems.** In differentiated systems, Structural Funds, and the programming practices associated with them, are distinct from domestic regional development interventions. Cohesion policy funding provides the starting point for new policies or instruments. New match funding must be identified and support is implemented through temporary calls. Various aspects of the programming process are carried out by organisations or committees set up specifically for the purpose. This often involves organizing competitive calls to tender, tied to specific OP priorities and measures, where co-financing is brought in by a project applicant. However, it can also involve direct commissioning of activities or issuing global grants under particular OP priorities. Among the Member States employing such approaches are Belgium, the Netherlands and Sweden. In these cases, most European resources are allocated through Structural-Funds specific channels and structures. In terms of administrative efficiency, this approach benefits from promoting strategic coherence across a programme, enables an overview of progress in Cohesion policy supported interventions and greater visibility of the contribution of EU funds. On the other hand, the administrative costs involved in establishing and operating a separate system must be taken into account. There is limited strategic overview beyond Structural Funds programmes and less scope for ‘spillover’, diffusion of innovative approaches or exchange of experience.

### Research question 7
Cohesion policy effectiveness is conditioned by resource allocation approaches

### Maturity and Continuity in Cohesion Policy Administration

The last variable concerns different levels of experience in managing and implementing Cohesion policy programmes. The degree of maturity and continuity in Cohesion policy administration has some important implications when considering effectiveness. Previous studies have noted the potential for Cohesion policy achievements 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. The potential for organisational principles or themes associated with programmes to become embedded in domestic systems increases the longer programmes have been in operation (CEC & EPRC, 2009).

Member States have varying levels of experience across different financial perspectives:
A final issue worth noting under this heading is the challenge posed to efficient Cohesion policy implementation by institutional instability. This can be related to human resource issues, including high levels of staff turnover in public administration, and organisational change, including the reorganisation of ministries, departments and agencies involved in Cohesion policy management and implementation. Previous research on Structural Funds administration indicates the importance of stability for efficient implementation, emphasising the need for timely reorganisation and continuity of personnel whatever the organisational changes (Wostner 2008). Moreover, political stability affects the policy’s ability to deliver the intended goals, as it encourages the pursuit of long-term (rather than short-term, discretionary) development policies and strengthens administrative continuity and efficiency (Milio 2010). Institutional instability can be the result of human resource issues or broader organisational change. High staff turnover within public administration can result in lack of experience and institutional memory at different levels. The situation can be exacerbated by the use of shorter-term contracts for civil servants and career paths for senior civil servants that reward task rotation. This feature, which for instance applies to the French state administration across the board and, to an extent, England, is considered to be particularly problematic for Structural Funds, given the considerable level of technicality of the tasks involved in administering co-financed programmes and the time needed to build adequate expertise in this area.

In terms of organisational change, the situation varies between Member States (ref IQ-Net).

- **Stability in some EU15 MS.** In some countries, changes to Cohesion policy implementation arrangements have been relatively limited. This applies to several EU15 Member States which have administered Cohesion policy programmes over several programme periods and where existing structures and allocations of responsibilities have been largely maintained (Austria, Belgium, France, Germany, Ireland, Italy and Spain).

- **Instability in EU12 MS.** On the other hand, institutional instability has been a feature of Cohesion policy implementation in newer EU12 Member States in Central and Eastern Europe, related to broader processes of systemic change and political flux.

- **Instability in some EU15 MS.** Finally, there are some EU15 Member States where different factors (including the results of Cohesion policy evaluations, changes in levels of funding, broader changes in public administration systems or political change) have prompted flux in Cohesion policy implementation arrangements. This is the case in Sweden and Finland where preparations for the previous programme period included the reallocation of management and implementation responsibilities between national and regional levels.

<table>
<thead>
<tr>
<th>Research question 8</th>
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<tbody>
<tr>
<td>Cohesion policy effectiveness is strengthened by maturity and continuity in implementing the funds</td>
</tr>
</tbody>
</table>
### Table 3. Case Study Selection Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Categories</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scale of domestic spending</strong></td>
<td>economic development policy</td>
<td>Above average</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Below average</td>
</tr>
<tr>
<td><strong>Types of territorial development challenge</strong></td>
<td>social cohesion</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td><strong>Institutional, governance frameworks</strong></td>
<td>Quality of governance</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low</td>
</tr>
<tr>
<td><strong>Extent of decentralisation</strong></td>
<td></td>
<td>Federal countries with highly regionalised approaches</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regionalised unitary states, with significant devolution of regional policy functions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decentralised unitary states, involving a high degree of</td>
</tr>
<tr>
<td>Cohesion policy specific</td>
<td>Thematic content/concentration of programmes</td>
<td>Level of Cohesion policy funding (2007-13, % GDP per year, ERDF and Cohesion fund)</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>sub-national implementation</td>
<td>Netherlands, Poland, Slovakia, Sweden</td>
</tr>
<tr>
<td>Unitary countries with limited or no sub-national implementation</td>
<td>High concentration on infrastructure investment, resources from the Cohesion Fund, largely covered by the Convergence objective.</td>
<td>Bulgaria, Czech Republic, Estonia, Greece, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia.</td>
</tr>
<tr>
<td></td>
<td>High concentration on knowledge and innovation</td>
<td>Finland</td>
</tr>
<tr>
<td></td>
<td>High concentration on human capital investment, labour market.</td>
<td>Netherlands, Ireland</td>
</tr>
<tr>
<td></td>
<td>Medium concentration, emphasis on knowledge and innovation and labour market</td>
<td>Austria, Belgium, Denmark, Luxembourg, Sweden and the UK.</td>
</tr>
<tr>
<td></td>
<td>Medium concentration that combines an emphasis on the headings 'attractive places to invest and work' and 'improving knowledge and innovation for growth'.</td>
<td>Cyprus, Spain</td>
</tr>
<tr>
<td></td>
<td>Low level of thematic concentration:</td>
<td>France, Germany, Italy and Portugal.</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia.</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>Greece, Portugal, Slovenia.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Belgium, Cyprus, Denmark, Germany, Ireland, France, Italy, Luxembourg, Netherlands, Austria, Finland, Spain, Sweden, UK.</td>
</tr>
<tr>
<td></td>
<td>Centralised approach</td>
<td>Finland, Czech Republic, Denmark, Lithuania, Estonia, Latvia, Slovakia, Hungary, Greece, Sweden, Romania, Bulgaria, Cyprus, Luxembourg, Malta</td>
</tr>
<tr>
<td></td>
<td>Centrally coordinated decentralisation</td>
<td>Poland, France, Spain, UK, Ireland</td>
</tr>
<tr>
<td></td>
<td>Decentralised approach</td>
<td>Germany, Italy, Netherlands, Austria, Belgium, Portugal</td>
</tr>
<tr>
<td></td>
<td>Resource allocation system</td>
<td>Integrated</td>
</tr>
<tr>
<td></td>
<td>Differentiated</td>
<td>Sweden, Ireland, United Kingdom, EU10</td>
</tr>
<tr>
<td></td>
<td>Maturity and continuity in Cohesion policy administration</td>
<td>Experience</td>
</tr>
<tr>
<td>Continuity</td>
<td>Since 2000 (incl. 2004-2006)</td>
<td>Estonia, Latvia, Lithuania, Poland, Slovakia, Hungary, Czech Republic, Slovenia, Cyprus, Malta</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Since 2007</td>
<td>Bulgaria, Romania</td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td>Austria, Belgium, France, Germany, Ireland, Italy, Portugal, Spain</td>
</tr>
<tr>
<td>Flux</td>
<td></td>
<td>Finland, Greece, Sweden, UK, EU10</td>
</tr>
</tbody>
</table>
Thus, a variety of factors related to Member State contexts or specific to Cohesion policy have been identified in the literature to explain variation in Cohesion policy effectiveness. Table 3 summarises these variables, including categorisations and Member State examples under each.

4. Case Study Selection

The selection of case studies from previous enlargements for Task 2 is informed by a range of criteria:

- Most weight is attached to selecting cases that allow analyses of the variables identified in Section 2 as potentially important in assessing Cohesion policy effectiveness. These are:

  **Member State context**
  - Scale of domestic spending (on economic development, social cohesion)
  - Types of territorial development challenge - policy response
  - Institutional, governance frameworks (quality of governance, extent of decentralisation)

  **Cohesion policy specific**
  - Thematic content/concentration of programmes
  - Level of Cohesion policy funding (as % GDP)
  - Programme architecture
  - Resource allocation system
  - Maturity and continuity in Cohesion policy administration

- Other criteria include geographical distribution i.e. achieving a ‘balanced’ representation of Member States from previous enlargements: e.g. Continental European, Scandinavian, Baltic etc.

- Practicality is also important for the coverage of primary sources, known accessibility of archives and anticipated access to interviewees.

Based on the above factors, the proposed list of case study regions is as follows (see also Table 4)

**Austria**

Structural Funds play an important role in Austria, in spite of the comparatively modest amount of funding. This is not least due to the fact that although there is above average domestic spending on economic development and social cohesion, Austria has no major national regional policy instruments (although there is some support for business in areas with structural problems). The limited character of traditional regional policy instruments is partly the result of the comparatively small scale of interregional economic disparities and national competitiveness policy dominates.
Domestic and Cohesion policies are implemented in an integrated way via domestic aid schemes. Structural Funds are implemented by established agencies and institutions, mostly located at the level of Länder, the federal states. In Länder with larger programmes up to half of the budgets of regional development agencies are funded from the ERDF programmes. While ERDF programmes have always been managed at the level of the nine Länder since Austria’s EU accession in 1995, the 2007-13 programme period saw the introduction of a joint national ESF programme for Regional Competitiveness and Employment Objective regions. Most Länder fall under this Objective; only Burgenland falls under the least-developed category in all three programme periods. National and sub-national levels work closely together to deliver Structural Funds. Although large parts of their implementation take place at Land level, the Austrian audit and certifying authorities and a number of intermediate bodies are located at the national level. Therefore, an important feature of Austrian regional policy concerns the coordination activities of the Austrian Conference on Spatial Planning (Österreichische Raumordnungskonferenz, ÖROK), which also acts as the main Austrian mediator with the European Commission.

Finland

Finland joined the EU in 1995. This marked a fundamental shift in the country’s regional policy as Finland adapted the Community regulations and the organising principles of Cohesion policy. Throughout the three periods up to 2007-13, balancing regional disparities has remained the main objective of the Structural Funds, with funding targeted to less developed regions. However, Finland is notable for the high level of concentration on knowledge and innovation in programmes, particularly in the 2007-13 period (where funding of over €960 million is dedicated to this area). Operating as decentralised unitary states, involving a high degree of sub-national implementation, Finland has registered consistently high scores for quality of government. There have been important changes to Cohesion policy implementation over time, including processes of centralisation prior to the 2007-13 period.

Ireland

Ireland is a relatively small Member State and has a modestly sized population (4.58 million as of the 2011 census). Divided into just two NUTS 2 regions and with diverse geographical issues, the priority is on national development policy rather than a strong regionally differentiating development policy. These characteristics have led to a traditionally centralised mode of national (and Cohesion policy) governance, which has changed relatively little over successive funding periods. As a ‘Cohesion country’ Ireland benefited from substantial levels of Cohesion policy funding, although its share has dropped in the 2007-13 period. Structural Funds have also been well integrated into national development strategy. Cohesion policy is judged by majority consensus to have been of significant benefit to the country over time. There is little doubt that its influence has been significant - not least in terms of the quantity of funds allocated (which accounted for 2.0%–2.5% of GDP at their peak) - and the priorities and objectives of Cohesion Policy have changed as Ireland’s national development trajectory has evolved. For the 2007-13 period there is a high level of concentration on human capital investment and the labour market.

Spain

For several reasons, Spain can be regarded as an interesting case study for assessments of Cohesion policy achievements in term of growth and cohesion. First, as one of the so-called ‘Cohesion
countries’ characterized by a GDP per capita below 75% of the EU average, Spain has enjoyed substantial net inflows of money from the European Union (EU) since accession in 1986. Over the three subsequent financial perspectives up to 2006, Spain was the single largest beneficiary of the structural actions budget. In the 2000-06 period, Spain accounted for almost 27 percent of total commitment appropriations, although its share of Cohesion policy funding dropped significantly following the 2006 enlargement. Second, Spain is a geographically large country where there is a national constitutional commitment to reducing regional disparities: to ‘promote conditions favourable to a more equitable distribution of income’ and ‘oversee the establishment of a fair and adequate level of economic equilibrium between the different parts of the country’. Prominent regional differences are accepted as the principal focus for spatially differentiated policies. Although there is traditionally seen to be a north-south divide in Spain’s regional development, disparities are less significant between NUTS 2 regions than between metropolitan and urban areas on the one hand, and rural, sparsely populated areas on the other. The EU’s Structural and Cohesion Funds constitute the most significant set of policy instruments in terms of financial volume, funding an array of policy initiatives and are delivered through a combination of national and regional programmes. However, there are also established domestic regional policy instruments. Third, constitutional and administrative reforms are changing the institutional framework for the management and implementation of policy responses to these trends. A highly devolved system means that the autonomous communities have significant decision-making and implementation responsibilities with respect to economic development.

**Sweden**

Structural Funds have an important role in Sweden, despite the moderate amount of funding and traditionally strong national regional policy. Given the country’s territorial asymmetries, Structural Funds offer an important financial input to support less developed and sparsely populated areas. In Sweden, the implementation of domestic regional policies and Cohesion policy are differentiated. However, in 2007-13, efforts have been made better integrate the objectives and measures of the policies. The domestic regional policy is implemented at county level whereas Cohesion policy programmes cover larger areas. There have been discussions about Swedish regional governance since 1990’s and the structural funds implementation problems have partly reflected these discussions. Balancing regional disparities has been the important objective of Structural Funds programmes, with funding favouring less developed and sparsely populated areas. The focus of Structural Funds programmes has shifted from a strong focus on human capital and the labour market towards support for innovation. Employment, knowledge and networking measures have remained at the core of the policy.
Table 4. List of Case Study Regions

<table>
<thead>
<tr>
<th>Member state context</th>
<th>Austria</th>
<th>Finland</th>
<th>Ireland</th>
<th>Spain</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic spending</td>
<td>Above average for economic development, high for social cohesion</td>
<td>Below average for economic development, medium for social cohesion</td>
<td>Above average for economic development, medium for social cohesion</td>
<td>Above average for economic development, medium for social cohesion</td>
<td>Below average for economic development, high for social cohesion</td>
</tr>
<tr>
<td>Governance</td>
<td>High quality, federal - highly regionalised approach</td>
<td>High quality, decentralised unitary, high degree of sub-national implementation</td>
<td>High quality, unitary - limited or no sub-national implementation</td>
<td>Moderate quality, federal - highly regionalised approach</td>
<td>High quality, decentralised unitary, high degree of sub-national implementation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cohesion policy specific</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thematic content (2007-13)</td>
<td>Medium concentration, combines knowledge and innovation and labour market</td>
<td>High concentration on knowledge and innovation</td>
<td>High concentration on human capital investment, labour market.</td>
<td>Medium concentration combines infrastructure investment and knowledge and innovation.</td>
<td>Medium concentration, emphasis on knowledge and innovation and labour market</td>
</tr>
<tr>
<td>Level of funding (as % GDP, 2007-13)</td>
<td>Low</td>
<td>Low</td>
<td>Historically high as ‘Cohesion country’ but share has dropped in 2007-13 period</td>
<td>Historically high as ‘Cohesion country’ but share has dropped in 2007-13 period</td>
<td>Low</td>
</tr>
<tr>
<td>Architecture</td>
<td>Decentralised approach</td>
<td>Centralised approach</td>
<td>Centrally coordinated decentralisation</td>
<td>Centrally coordinated decentralisation</td>
<td>Centralised approach</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>Integrated</td>
<td>Integrated</td>
<td>Differentiated</td>
<td>Integrated</td>
<td>Differentiated</td>
</tr>
</tbody>
</table>

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5. Synthesis of Case Studies: Cohesion Policy Effectiveness

Section 4 reviews the results of the case studies selected in Section 3, assessing evidence of the achievements of Cohesion policy in these Member States from the perspective of the variables identified in Section 2. Different types of Cohesion policy achievements can be anticipated, in terms of: regional economic convergence; economic growth; achievements in specific policy fields (such as innovation, infrastructure, business support etc.); and different types of ‘added value’ (e.g. the leverage of extra public and private resources for economic development, the ‘spill over’ of EU priorities or practices etc. (EPRC and LSE, ongoing). Before looking at the case study results under these headings, it is important to note the difficulty of assessing impact and of assessing causality. The influence of Cohesion policy on processes of economic growth and cohesion remains an open question. 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. Nevertheless, a broad review of these issues in the selected case studies from previous enlargements provides important insights that will inform more detailed research in CEE cases.

5.1. Cohesion Policy Achievements in Member State Case Studies

Territorial Economic Convergence

A first perspective taken in assessing the achievements of Cohesion policy considers its achievements in terms of regional economic convergence. The reduction of territorial 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).

Generally, evaluations have concluded that it is not possible to isolate the effects of programmes on territorial convergence for a number of reasons. In particular, studies emphasise the long time-lags involved in impacts becoming apparent and the difficulty of separating out the effects of policy from other influences, such as national and global factors as well as the interactions of various types of intervention (Applica et al. 2010). Furthermore, the objectives of programmes have been broad and sometimes unrealistic, and indicators used have not measured the achievement of goals beyond the basic generation of projects. Beyond this, it is important to note that the emphasis placed on territorial convergence objectives in Cohesion policy varies both across the case studies and within the case studies across programme periods. Variation between case studies is related to the extent of the regional development challenge facing Member States and the status attached to regional policy in domestic agendas. For instance, in Austria the scale of interregional economic disparities is limited. Thus, the effectiveness of Structural Funds support has tended to be assessed according to its contribution to national competitiveness rather than territorial convergence. Nevertheless, at the time of EU accession expectations for Cohesion policy to effectively contribute to Austrian territorial cohesion were high. The increased funding available was expected to enable regional policy to be more effective in reaching its goals, i.e. to accelerate structural change in disadvantaged areas and to reduce disparities in development levels across Austria (ÖIR 2003, p. 17). In 2000-06, Burgenland, where Objective 1 programmes had been running, showed clear evidence of a convergence of GDP per head compared to the Austrian average. Most of the Objective 2 areas also showed a rate of
GDP and employment growth above the Austrian average over the programming period, though how much of this is attributable to Objective 2 intervention remains unclear. These results from an ex-post evaluation run by the Commission were confirmed by a major review carried out on behalf of the Austrian ÖROK in 2009. It draws cautiously positive conclusions from Structural Funds support between 1995 and 2007, indicating that progress has been achieved in employment and on the labour market. The regions that received funding in the first and second Structural Funds programme periods developed significantly better than the regions without funding. Furthermore, growth disparities in employment trends have developed positively since Austria’s accession to the EU. Positive development effects have been registered in supported regions in terms of employment and labour market, compared to regions that did not receive any support (Gruber 2009, p. 37; Mayerhofer at al 2009). There was especially clear evidence of a significant catching up of the Burgenland Objective 1 region. Growth of GDP per head was above the Austrian average, as was the growth of productivity. One of the reasons for the good performance is believed to be the creation of regional intermediary facilities and decentralised structures, which reduced institutional deficits at the regional level. The ÖROK study concluded that regions receiving financial assistance improved their relative position mainly in terms of employment and labour market, thereby reducing the gap between more and less developed regions (ÖROK 2009, p. 7).

In some case studies, reducing regional disparities has been a fundamental aim of Cohesion policy programmes. Spain is a geographically large country where there is a national constitutional commitment to reducing regional disparities: to ‘promote conditions favourable to a more equitable distribution of income’ and ‘oversee the establishment of a fair and adequate level of economic equilibrium between the different parts of the country’. Prominent regional differences are accepted as the principal focus for spatially differentiated policies, including Cohesion policy. As one of the so-called ‘Cohesion countries’ Spain has enjoyed substantial net inflows of money from the European Union and it was the largest beneficiary of the structural actions budget until the accession of Central and Eastern European states in 2004. As a result, the achievements of Cohesion policy under different headings have been substantial. Nevertheless, interpretations of the scope and characteristics of these achievements vary. For instance, empirical findings on economic convergence reflect a very different picture depending on whether the focus is at Member State or sub-national levels. Up to the onset of the global financial crisis in 2008, there was a tendency of per capita GDP in Spain to converge with the EU average. In this period, initially low income countries such as Spain grew faster, on average, than high income ones. However, assessments of convergence within Spain produce a different picture: disparities in GDP levels have tended to remain entrenched or actually have increased, particularly with the onset of the crisis. The role of Cohesion policy in these processes is still contested. The support provided by EU funding has certainly made substantial investment possible. Indeed, at present, when major fiscal consolidation is taking place through cutting public expenditure, ERDF financing has proved key to preventing sharp reductions in investment in the different policy areas. A range of studies have indicated that Cohesion policy has represented a significant source of investment funding and made an important contribution to the economic growth of Spain’s poorest regions, which have made progress in converging with EU averages. Nevertheless, there are also some studies that question the effectiveness of these interventions in terms of reducing territorial disparities within Spain. Various arguments have been made: the focus on financing infrastructure in the poorest regions stimulates large-scale importing of products manufactured in the rich areas and is therefore counterproductive.
for convergence. Others have questioned the redistributive function of Cohesion policy in the Spanish context: Cohesion policy interventions are estimated to have had marked effects in more developed Spanish regions. Thus the Cohesion policy programmes have contributed to the reduction of the development gap within Europe but not to the reduction of the development gap within Spain (Villaverde and Maza, 2009).

It is also notable that the emphasis placed on territorial convergence in Structural Funds has fluctuated over time within Member States. Ireland’s single-region status and the focus on productivity and employment in the CSF 1989-93 meant that regional cohesion was not a significant consideration in the period. However, assessing the achievements of Structural Funds under this heading is feasible for the 2000-06 period, which saw the introductions of regional Operational Programmes, and in the current period (in which the NSRF places emphasis on balanced regional development). According to evaluations, the achievements of Structural Funds in terms of territorial convergence in this period appears to have been modest, and was complementary rather than decisive; there was no apparent narrowing of the disparity between Ireland’s two regions between 2000 and 2006 as a result of Cohesion policy. However, the effect of Cohesion policy ‘may have been to prevent a further widening’ (Applica, Ismeri Europa and wiwi, 2010: 130).

In Finland, in line with general European level developments, the focus of the programmes has shifted from strictly reducing the disparities in GDP and unemployment to new policy areas such as knowledge and innovation. Yet, balancing regional disparities has remained an important objective of Cohesion policy, with funding channelled to disadvantaged regions. Measured in terms of macro-economic indicators, the Structural Funds have had only minor impact on growth and cohesion; they have made a positive contribution to some sectors but have not been capable of changing the powerful trend of population and economic activity to concentrate in the main centres nor counteracting the strong effects of global economic fluctuations on Finnish regions (Laakso and Kilpeläinen, 2010a). In Sweden, efforts to measure the achievements of Cohesion policy in terms of territorial convergence have found no significant, positive impact. Indeed, at some points “regional differences have tended to intensify rather than be levelled out (Swedish Institute for Growth Policy Studies 2004: 9) and evaluations from the 2007-13 period have indicated that the implementation of the programmes has probably led to an increase in intra-regional disparities, as growth, innovation and jobs have been prioritised rather than intra-regional fairness and equalisation” (Tillväxtverket 2012a: 14). The very limited impact of the programmes on general economic development of the regions can be explained by the scale of programmes. Indeed, the structural problems built into the area over previous periods were of such a magnitude that programmes could not really be expected to solve those deeply rooted problems (Swedish Institute for Growth Policy Studies, 2004: 11). However, it is important to emphasise that Cohesion policy effects under this heading must be judged in the long-term. In Sweden, in 2000-06, programme resources were not the size to reverse negative trend in the regions, the common conclusion was that they can contribute to more favourable long-term development in the regions (NUTEK 2004): “Programmes had a real effect on education and the development of competences, which is considered important in improving the conditions for business development, industry renewal and competitiveness. The general interpretation is that this indicates success as regards the potential for changing the economic structure of regions, i.e. from agriculture and low-tech manufacturing to knowledge-intensive services and high-tech manufacturing, which was a common goal of the programmes in both Objective 1 and Objective 2 regions.
Taken together, evidence from the case studies indicates that the achievements of Cohesion policy in terms of territorial convergence is weak. At best, research has suggested that Cohesion policy has contributed to territorial convergence at the EU level. On the other hand, these countries have experienced a degree of polarisation in which the more dynamic capital regions have seen the greater part of the economic development, and although nearly all other regions have also converged towards the EU average, most have done so to a lesser extent than the capitals. These weak results stem, in part, from the methodological challenges involved in measuring impact. Also, in some cases, the level of funding was deemed by evaluators to be too limited to address the forces driving polarisation processes. It should also be noted that where Cohesion policy has been used to change the development paradigm in less developed regions (e.g. in Finland and Sweden) impacts in terms of convergence will only be noticeable in a much longer timescale. However, other factors have also played a part in limiting impact on convergence or even contributing to territorial imbalances. Evaluations have found that the thematic focus (on infrastructure investment) or spatial coverage (including developed and less developed territories) of Cohesion policy have hindered processes of convergence at member State level (e.g. in Spain).

**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 macroeconomic or input-output models and *ex post*, via econometric research. It is important to note that only some Member States use macroeconomic models to estimate the impact of Cohesion policy on national or regional economic growth GDP. These are usually those Member States in receipt of substantial levels of Cohesion policy funding either in absolute terms or relative to domestic GDP. This includes the so-called ‘Cohesion countries’. It should also be noted that consensus on the causal impact of the Structural Funds on economic growth is difficult to achieve. This is unsurprising given the different models used, not to mention the complexity of the interventions being analysed and the methodological challenges involved in any assessment of impact on economic variables. Nevertheless, in Ireland Cohesion policy impact on economic growth has been assessed on the basis of the calculated contribution to financial productivity indicators (usually GDP) across programme periods. As GDP is an extremely broad indicator, and reflects the culmination of multiple productive activities, it is of note that Structural Funds expenditure in Ireland is generally recognised as one of many factors in Ireland’s economic success between 1987 and 2008. The Department of Finance estimated that the Structural Funds boosted Ireland’s national economic growth by 0.25%-0.5% between 1989 and 1992, and were described as having a ‘significant impact in strengthening the basic capacity of the Irish economy’ (Department of Finance, 1992: 12). 1993 GDP per capita was 77.7% of the EU average, up from 64.1% in 1988 (CSF 1994-99). Assessments of the 1989-93 period present a strong consensus – that the Structural Funds made a definite, positive impact on macroeconomic growth mostly through their contribution to the attraction of FDI. An assessment of the economic contribution of Objective 1 Structural Funds was undertaken by the Economic and Social Research Institute (ESRI) as part of the ex post evaluation for the 1994-1999 period. Based on the HERMIN model, it concluded that the CSF – the majority of which was made up of Structural Funds and the Cohesion Fund – increased Ireland’s 1994 GDP by 1.6%. The corresponding figure in 1999 was 2.8%, with a long term impact estimated at just over 1% (Fitzpatrick Associates, 2003). Given that Ireland’s economy was
undergoing a process of rapid structural adjustment in this period the role of the Structural Funds (especially ERDF) in supporting Irish industry was significant. 'Hard' interventions such as direct financial support were combined with ‘soft’ support such as consultancy to positive effect – additional manufacturing output peaked at +4.7% in 2009. However, the ex post evaluation for Objective 1 in this period notes that impacts such as this were generally short term and that demand side impacts declined after 1999 (Fitzpatrick Associates, 2003). For the 2000-2006 period, evaluation of the impact of the Structural Funds in Ireland on macroeconomic growth was complicated by the advent of the 2008 global financial crisis. Assessment was also made difficult by data lag and the setting of ineffective or unrealistic indicators for monitoring and evaluation purposes. The ex post evaluation for DG Regio was completed in 2010, and judged that effects of Objective 1 (and Objective 1 in transition) programmes in 2000-06 in Ireland would have contributed an additional 2.0% to Ireland’s GDP by 2009 (base year 2000 – Varga and in ‘t Veld, 2009). This estimate increased to 7.5% when based on HERMIN. Although such statistics were invalidated by the 2008 recession, they serve to demonstrate that the 2000-06 Structural Funds made a contribution to national growth which was verified through rigorous analysis.

In Spain, official evaluations of Cohesion policy in Spain have utilised the so-called HERMIN model across different time periods. In the 1989-1993 period it was estimated that Community grants helped to avoid a deep recession in Southern Spain at the beginning of the 1990s, contributing about 1.2 percent additional growth in Southern Spain while the contribution of Objective 2 programmes to growth was limited. According to the ex-post evaluation of the 1994-1999 Objective 1 programmes, GDP in Spain increased more than one additional percentage point thanks to CSF expenditure. Results of HERMIN modelling by GEFRA/EMDS were published in the Fourth Cohesion Report. These show Cohesion policy as having a significantly positive effect in Spain in the 2000-2006 period, with absolute GDP again being higher by around 1% above the baseline. It was estimated that the Objective 1 Community Support Framework (CSF) led to an average annual increase in the growth rate of 0.38 percent between 1989 and 2006. This represents a yearly increase in GDP of €25.7 billion, which has allowed the total level of income per capita in Objective 1 regions to rise by an additional €637.7 per annum over those years. Looking across programme periods, the results of simulations by Sosvilla-Rivero and Herce for Cohesion policy impact in Spain over the three programming periods from 1989-2006 indicate that the Structural Funds have had positive effects on a range of economic variables, generating greater achievements over time in line with the increased allocations from period to period (Sosvilla-Rivero and Herce, 2004).

Thus, macroeconomic modelling suggests that where levels of Cohesion policy spending have been significant either in absolute terms or relative to domestic GDP, macroeconomic growth effects have been important. However, 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. Finally, such analysis must be accompanied by assessments of the type of growth Cohesion policy is supporting. For instance, it is important to distinguish between ‘demand’ side effects and impacts on the ‘supply’ side. growth effects (Bradley et. al, 2007). ‘Demand side’ growth driven by Cohesion Policy spending on investment projects creates higher investment, higher consumption and higher levels of imports. However, its impact is transitory, lasting only as long as there are significant amounts of Cohesion
5.2. Achievements In RTDI, Knowledge Economy And Networking

There has been a growing focus on Cohesion policy achievements in specific sectors, notably the fields of research, technological development and innovation (RTDI) highlighted in the Lisbon Agenda. During the Structural Funds programming period 2000-06, approximately €10.2 billion were allocated to RTDI initiatives, or 5.5% of total funds in the EU25 (Technopolis 2007). The Commission’s own estimates were somewhat higher at 7.4% of total ERDF expenditure for Objective 1 regions and 11% for Objective 2 areas (CEC 2005). In the current 2007-2013 programming period, about €62 billion is committed to RTDI objectives (Nordregio 2009). Indeed, the Commission estimates that €86 billion will be allocated to innovation related measures. No matter which estimate is used, this represents at least a six-fold increase of investments in RDTI from one programming period to another.

For the 2007-2013 period, Member States are required to 'earmark' between 60% and 75% of the Cohesion policy resources available for Lisbon-related investment, notably in RTDI.

This has been accompanied by an increasing focus in studies and evaluations on Cohesion policy achievements under these specific headings. Before reviewing the results of these studies in the member state case studies, it is important to note that the evaluation of the effectiveness of this funding stream remains at best fragmented and of diverse quality. The tendency has been for evaluations of innovation to focus on programme and project implementation and evidence of achievements in terms of regional development is limited. General information includes data on products rather than impacts e.g. numbers of projects supported, jobs created or safeguarded and the development of basic research and development infrastructure. The well-known challenges of evaluating Cohesion policy impact (e.g. lack of appropriate baseline indicators and targets, partial availability of monitoring data etc.) are compounded in these specific fields. The European Commission’s own evaluation guidance (MEANS, 2000) emphasises that innovation should be seen as a ‘dynamic, interactive and non-linear process’ implying that trying to evaluate impact in a simplistic ‘cause’ (investment by the Structural Funds in R&D infrastructure, innovation projects in enterprises, etc.) and ‘effect’ (e.g. higher sales from innovative products) is likely to be insufficient. A further difficulty with assessing impact in this policy field is the terminology, which is rather complex and not always used in a consistent way. Although there is a generally-accepted distinction between basic and applied R&D, the term "innovation" is used in a variety of ways, sometimes to refer only to products and processes that are 'new to the world' and commercialised by enterprises, but sometimes to include any new technical or management process used by an enterprise, or to any product improvement, even if it is only 'new to the enterprise' and thus perhaps best regarded instead as 'diffusion' or 'imitation'. "Innovation" is also sometimes used to refer to broader processes of change, whether in policy organisations or in society as a whole, for example in terms of a "culture" or "climate" of innovation. The term "knowledge based economy and society" is also difficult to define, but generally implies broader processes of change than those simply related to RTDI, namely the diffusion and use of new information and communication technologies, as well as
the higher levels of skills required by all workers and citizens in using such technologies (Davies et al., 2004).

Cohesion policy RTDI funding has also evolved in terms of content, albeit with strong variation in terms of specific member state contexts. In member states with limited RTDI sectors, Cohesion policy funding was initially used to construct supporting infrastructure, such as public R&D centres and science parks (e.g. Spain), develop Regional Innovation Strategies or to provide an additional source of subsidies or loans for RTDI activities where private sector investment is limited (e.g. Ireland). Subsequently, there has been increased emphasis on Cohesion policy projects that support linkages or synergies between SME networks and clusters sometimes in cooperation with R&D centres, universities or other institutions (e.g. the role of Technopoles in Austria). Finally, Cohesion policy has been used to provide direct support to firms through projects aiming at product development, improving production technology, internationalisation and exports (e.g. Finland).

Evaluation evidence indicates some significant Cohesion policy achievements under the heading of RTDI although there are important caveats. For instance, the basic role of Cohesion policy as an additional source of financial support for RTDI activities has been noted, particularly where alternative resources are scarce. In Finland, Cohesion policy programmes provided a financial instrument for those regions that had fewer capabilities to make use of domestic funding (Viljamaa & Halme, 2006). Structural Funds RTDI funding was assessed to be an important additional source of funding for Objective 1&2 programme areas (Laakso et al. 2005b; Viljamaa & Halme 2006). For example, in 2000-2003 RTDI funding grew faster in Objective 2 areas than the national average (Laakso et al 2005b). There is also some evidence that Cohesion policy funding can be used as leverage to boost business investment in R&D (BERD). In Ireland, the 1994-99 period witnessed increased emphasis on boosting BERD, mainly through the Industry OP. Its BERD target of 0.82% by 1999, from a baseline of 0.79% in 1993, was exceeded by 0.06% - the eventual 1999 figure was 0.88% (Fitzpatrick Associates, 2003: 61). The mid-term evaluation for the 2000-2006 period noted that BERD in Ireland in 2000-06 exceeded the EU average.

There is also evidence that Cohesion policy investment in supporting infrastructure for RTDI can pay dividends. In Spain, the early focus of support was on RTDI infrastructure, such as technology parks and centres and the ex post evaluation of the 1989-93 Objective 2 programmes highlighted some lessons arising from the inclusion of RTDI support in these programmes (Ernst & Young, 1997). First, it concluded that one of the most successful methods for raising innovation and technology transfer levels in many Objective 2 areas was the creation of supporting infrastructure, such as technology centres. However, this worked best where it built on existing regional RTD strengths. In the period 2000-2006, the same lesson was drawn from RTDI support in Objective 1 regions: there were clear differences in achievements between regions, largely due to the pre-existing situation. In regions like Canaries and Castilla La Mancha, where previous activity of this kind was scarce, the impact was lower because the political and social awareness was smaller, and the lack of pre-existing infrastructures and networks was more important. (Del Castillo, J., Moreno, J., Arriola, J. and Barroeta, B., 2006).

The impact of Cohesion-policy initiatives that support the development of synergies, networks and clusters of SMEs, universities and other research institutions has also been evaluated. For instance, an evaluation of the ERDF-funded Technopoles in Lower Austria from 2011 drew positive conclusions and stated that Technopoles strengthened regional value added chains and networks, supported structural change in the Lower Austrian economy and supported the creation of a
knowledge intensive economy (Helmenstein 2011). In Sweden, the 2000-06 programmes prioritised knowledge transfer and technology diffusion to enterprises as well as creation of innovation clusters (Åström et al 2006). Achievements were noted in terms of general knowledge and technology communication, most easily seen through the growth of regional universities and university colleges (Åström et al 2006), and in terms of linkages between regional universities and local industry (NUTEK 2004). On the whole, participation of trade and industry increased during the programme period (NUTEK 2006). In Finland, the effectiveness of Cohesion policy support for this type of networking has been noted in areas where the achievement of critical mass is challenging. According to some studies, in 2000-06 the most effective measures to improve RTDI appeared to be those enabling enterprises and R&D institutions to cooperate and combine resources (Viljamaa & Halme 2006), to create clusters and commercialise innovations (Ponnikas et al 2005). The projects were important intermediaries between universities and businesses and enabled knowledge transfer and networking “It can be even said that in some regions knowledge transfer is too dependent on the Structural Funds projects” (Ponnikas et al 2005). Indeed, the creation of joint efforts in the regions where critical mass is difficult to attain, facilitated increases in the rate of innovation (Viljamaa & Halme 2006).

Nevertheless, as with other types of RTDI interventions, the challenge of using such initiatives to pursue cohesion-oriented goals has been highlighted. In Finland, although Cohesion policy-funded RTDI activities have aimed to balance regional disparities, most projects have been implemented in the developed regions (Kuitunen 2000). A pressing need for cooperation between SMEs and research institutes in R&D was noted because many firms, especially in disadvantaged regions, lacked the expertise and resources for their independent R&D projects (Laakso et al 2005a). Also in general, the major urban centres benefitted most from support to R&D and other innovation activities (Laakso & Kilpeläinen 2010b). Similarly, in Sweden evaluations indicate that the strongest contributions to innovation come from projects created on the basis of existing development processes, and with strong anchoring amongst regional companies (e.g. North-Mid Sweden, Stockholm). Moreover, projects that build on larger initiatives that were running before the Cohesion policy programme began can more easily mobilise regional actors and co-financiers (e.g. East Central Sweden, Stockholm). (Nilsson 2010b).

5.3. Employment and Human Resources

Evaluation studies undertaken for the Commission attribute substantial employment creation to the Structural and Cohesion Funds, not just in the least-developed regions but also through assisting restructuring under Objective 2 (an estimated 567,000 net jobs in 1994-99) (ECOTEC 2003). Other research has quantified EU-assisted employment creation during the 1990s in Objective 1 regions in the order of one million jobs” (Martin & Tyler 2006). DG Regio’s analysis of the achievements of Cohesion policy for the programming period 2000-2006 include the conclusion that the policy created some 2.2 million gross jobs in the 2000-2006 period (CEC 2011). For the 2007-13 period, the Commission Strategic Report on programme implementation published in April 2013 noted that almost 400,000 jobs had been created to date, of which 190,000 since 2010. This included more than 15,600 research jobs (9,500 since 2010) and more than 167,000 jobs in SMEs (69,100 since 2010) (CEC 2013). The largest number of new jobs reported were in the UK, Italy, Germany, Spain, Poland and Hungary. According to the report, this demonstrates that cohesion policy support has a positive and in some cases significant counter-cyclical effect on employment.
Evaluation of the Cohesion policy programmes in the case study member states include examples of significant impact in terms of job creation, including in less developed regions. In Austria, for instance, a study from 2002 concluded that industrial firms that received ERDF funding could increase their number of employees by 15 percent and tourism firms by 25 percent (ÖROK 2002). A subsequent review of the period 1995 to 2007 concluded that less developed regions improved their relative position in terms of employment and labour market thanks to Structural Funds support (ÖROK 2009). The new jobs created were to a large extent in growing and technology oriented industries, such as in chemicals, metal processing and the automotive sector (Applica, Ismeri, wiw 2008). In Spain, the results of simulations by Sosvilla and Herce (2004) for the three programming periods between 1989 and 2006 include estimations that, in terms of employment, almost 299,000 jobs were created or maintained each year as a result of the CSF. This implies that the unemployment rate would have been 0.17 percent higher in the absence of EU structural funding between 1989 and 2006.

However, assessments of this type of Cohesion policy impact are, again, challenging. As under other headings, the issue of causality has proven to be very problematic: the achievements of Cohesion policy in terms of job creation has fluctuated according to broader, positive and negative, cyclical trends. In Finland, for instance, it was estimated that in 1994-99, Objective 2 programme increased employment by creating 8,000 – 10,000 jobs and Objective 6 around 12,500 new jobs (Itkonen et al 1999; Vainio & Laurila 2002). The Objective 5b programme created 11 975 and safeguarded 38166 jobs by the end of 1998 (Vihinen & Kuusisto 2001). However, the programmes were not able to compensate the overall loss of jobs and it was noted that most of the new jobs would have been created even without Structural Funds support as the country was recovering from the 1990-93 depression (Vihinen & Kuusisto 2001).

Similarly in Ireland, there is no strong consensus regarding the impact of the Structural Funds on employment. Available evidence suggests that there were more verifiable achievements in the first two funding periods (1989-93 and 1994-99). Structural Funds were credited as a key factor in a net increase of 39,000 non-agricultural jobs in the two years to April 1991 (Department of Finance, 1992: 12). However, this is not easily quantifiable and is essentially an inferred impact, deduced through consideration of output indicators in the context of favourable economic conditions. As with other thematic assessment, it is difficult to disaggregate this effect from the growth in jobs which would have been both cause and effect of Ireland’s improved economic performance from 1987 onwards. The strong relationship between Cohesion policy job creation and broader macroeconomic currents is pertinent in the context of the recent global financial crisis.

It is also important to note that the achievements of Cohesion policy in terms of employment is often temporary. Some gains are due to short-run demand effects, in the form, for example, of a temporary boost to construction. For instance, in Spain studies of the 1994-1999 period found that the impact of Structural Funds programmes on the unemployment rate varied during those years. During the initial implementation process the effects on the unemployment rate were positive thanks to the impacts on demand generated by the CSF. Nevertheless after the implementation process the demand-side effects faded (CEET 2003.) In Finland, programmes in the 2000-2006 period were also criticised for only having a temporary employment effect (Ponnikas et al 2005). In Sweden, it was estimated that the employment effect of the Objective 6 programme in the long term was 0-15% of the official figures. The employment effect of the programme was very temporary and projects did not become self-sustainable after the programme. (Eurofutures 1997).
Nonetheless, there is evidence of longer-term impacts on employment, particularly where interventions provided support to targeted population groups or sectors. For instance, in 1994-99, employment measures and Objective 3 in particular had an important role in Sweden. Objective 3 programme focused on four target groups; long-term unemployed (50% of all participants), young people between 17 and 24 years old (40%), occupational disabilities (6%) and immigrants (4%) (Göransson 1999: 2-6). The type of interventions included for example skills development, ‘activity centre’, guidance and advisory services, aiming to start up new business. The programme achieved its targets in terms of number of projects and people participating in projects, standing at 158,331. At the end of the programme period, 34 639 people (24%) had found a work or a training place. Half a year after the end of the project, 25% of the participants were employed and a full year after the project 31%. The best results were achieved in projects aiming to support start-up of new business with 40% of participants employed after the projects.

5.4. 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; Bachtler et al., 2009). The concept incorporates various dimensions: the leverage of extra public and private resources for economic development; the emergence of new ideas and approaches in Member States’ policies, including a more strategic, long-term conceptualisation of regional development; the development of both institutional and technical capacities for policy implementation, boosting the development role of a new range of actors, particularly at sub-national levels; stronger accountability etc. (Mairate, 2006).

There has been substantial debate about the Community added value of Cohesion policy. Some research argues that the approach to implementing Structural Funds has improved the quality of economic development, associated in particular with multi-annual programming, strategic planning and partnership - principles which have been adopted in the domestic policies of some Member States.” Further operational benefits are attributed to the emphasis placed on monitoring and evaluation and the strong culture of control and audit. On the other hand, there are criticisms that the bureaucracy associated with programming is excessively complex, demanding and costly and that this represents ‘detracted value’. Moreover, the extent of processes of transfer, learning or diffusion between EU and domestic policy systems has been questioned, including in the context of CEECs (MUS 2013).

Turning to the case studies, different dimensions of ‘added value’ have been identified in member states. However, some common themes can be highlighted. First, in all cases the scope and strength of added value has evolved substantially over programming periods. During the implementation of the first round of Cohesion policy programmes after accession, ‘added value’ has most often been defined in terms of a basic, immediate increase in regional policy funding and an associated boost to its profile on the policy agenda. For instance evaluations in Austria noted that ‘added value’ in its first programme period (1995-99), concerned the strengthened status of regional policy on the
policy agenda, linked to the increased availability of funds, the political commitment of the Land
governments and cooperation between the federal and Land-level (ÖIR 2003, p. 18). This initial
period is marked by the establishment of new institutional structures and implementation processes
for Cohesion policy that can represent a significant departure from domestic approaches. In
Sweden, implementation of Structural Funds programmes and adopting Community principles has
prompted the establishment of new institutional structures and practices. EU membership and the
planning for Structural Fund programmes coincided with a major discussion about responsibilities
for implementation of regional policies. The outcome was a new set of administrative bodies,
especially established for the implementation of Structural Funds (Aalbu et al 1998: 9). In unitary
Finland, arrangements for Cohesion policy implementation contributed to a new institutional
framework as new regional structures were set up in order to deliver Structural Funds. However, the
emergence of ‘added value’ in this initial period is often limited by increased administrative
complexity, lack of experience and the pressures associated with implementing Cohesion policy
programmes for the first time. In Austria, there was little innovation in terms of approaches to
programme design and management. Integration into Cohesion policy was achieved by using
existing funding bodies. Given the complexity of the task and time pressures, fundamental changes
to the Austrian policy implementation system were postponed. Pressures for rapid financial
absorption meant that funding bodies relied largely on traditional measures. This was especially the
case in Objective 2 and 5b programmes, which were perceived as mainstream elements of regional
policy. In Finland, the adoption of new structures produced administrative difficulties in the first
period due to lack of experience and sufficient. However, the situation improved during the first
programme period and the new approach was deemed to have offered new possibilities for regional
development (Vainio & Laurila 2002).

Following this initial period, other aspects of ‘added value’ have emerged as experience of Cohesion
policy implementation has matured. These include regional capacity building (impulses for
organisational capacities in regions, addition of new actors for multi-level governance). This applies
to member states with traditionally regionalised approach to policy implementation, such as federal
Austria where the establishment of regional management offices introduced decentralised
structures for mobilising involvement in the regions. However, it also concerns countries with more
centralised approaches. For example, in unitary Finland, arrangements for Cohesion policy
implementation contributed to a new institutional framework as new regional structures were set
up in order to deliver Structural Funds. Regional level reforms began in 1993, in the preparatory
stage of EU accession, when responsibility for regional development was transferred from the state-
led provincial governments to 20 local government- based regional councils (maakuntalititto). In
addition to coordinating role in the preparation of regional development programmes, the regional
councils have responsibility of drawing up of ERDF programmes (Kettunen & Kungla 2005) In
Sweden, the influence of the Structural Funds is judged to be considerably larger than the relative
and adopting Community principles has prompted the establishment of new institutional structures
and practices. EU membership and the planning for Structural Fund programmes coincided with a
major discussion about responsibilities for implementation of regional policies at the regional level.
The outcome was a new set of administrative bodies, especially established for the implementation
of Structural Funds (Aalbu 1998: 9). According to evaluations, implementation of Cohesion policy has
also prompted new thematic impulses in Cohesion policy (especially environment, equal
opportunities, R&D, innovation) (Gruber 2009, p. 37). In Ireland, EU policies and policy emphases have influenced Irish policy directly and indirectly, often linked to co-financed investment. This includes areas such as the environment, RTDI, public transport, and gender and other equality. According to Commission evaluations of Cohesion policy programmes in Spain 2000-2006, the Structural Funds had promoted the incorporation of European priorities and objectives into local and regional policies, including increased priority on expenditure on RTD (Applica et al. 2008). Moreover, across member states, evaluations frequently note that the management model of Community policies has permeated into national and regional practices, encouraging a more effective use of public resources. Through improved management of regional development funding (standardisation, transparency, professionalisation); and, improved policy cycle (strategic long-term planning, monitoring, evaluation). For instance, in Sweden Cohesion policy multiannual programming was also adopted to domestic regional policy when Swedish government launched Regional Growth Agreements based on partnerships, growth potentials and bottom-up principle (Foss et al 2000: 11).

It should be noted however, that this accumulation of added value through policy transfer, diffusion or learning is not automatic. Even in Member States where Cohesion policy programmes have been vital in economic development, their influence in terms of implementation approaches is strongly conditioned by domestic preferences. For instance, in Ireland the influence of SF programmes on domestic regional policy approaches has been strong, but adaptation processes have been carried out in an incremental way and largely on the country’s own terms (Adshead, 2005: 175). Cohesion policy has contributed to the establishment of non-elected Regional Assemblies to manage the Regional Operational Programmes under the National Development Plan and to promote coordination in the provision of public services in the Assembly areas. Nevertheless, Ireland maintains a traditionally centralised mode of national (and Cohesion policy) governance, which has changed relatively little over successive funding periods.

Moreover, as noted above, the implementation of Cohesion policy involves complex and demanding administrative procedures that can be burdensome, particularly when combined with efforts to implement domestic regional policy instruments at the same time. This arguably represents ‘detracted value’. For example, evaluators have highlighted a tension between Austria’s traditionally flexible and informal domestic approaches to policy-making and the more rigid and formal Structural Funds implementation framework (Huber 2007). The changes introduced to Swedish regional policy by Cohesion policy implementation arrangements has also caused difficulties and uncertainty, particularly when implementation brought in new strong local partners. (Aalbu 1998: 9). Furthermore, a result of involvement of different actors was relatively wide and unfocused programmes (e.g. Lindgren & Hjalmarsson 1998). In this context, it should also be noted that the search for optimal Cohesion policy arrangement arrangements can produce fluid implementation structures and processes, with important changes introduced in preparation for new programme periods. This has been the case in Sweden and Finland. Such reforms can facilitate Structural Funds implementation. However, organisational and political changes and the turnover of personnel can also detract from policy learning and limit the accumulation of added value. Finally, it is important to note that the strength of ‘added value’ inevitably declines with experience of Cohesion policy implementation as the scope for new learning diminishes. In Austria, as Figure 2 illustrates, there have been continuously fewer new impulses for policy learning, while the administrative effort is perceived to have increased with every new programme period. This is not only due to European
implementation rules, as a large share of the regulatory density is created internally within Austria. (ÖROK 2012).

Figure 2. New Impulses for Learning and Administrative Effort over Time

![Graph showing new impulses for learning and administrative effort over time]

*Source: Adapted from Zumbusch and Pech (2009), p. 209.*

6. Conclusions, Insights for CEE

The concluding section of this report draws together the key insights from the case study research, particularly in the context of the more detailed analyses of Cohesion policy effectiveness in CEE case studies to be undertaken in Task 3.

6.1. Performance of Cohesion Policy

The report assessed the performance of Cohesion policy under different headings and found significant variation in the contribution of Cohesion policy across the member state case studies.

Contribution Of Cohesion Policy To Territorial Convergence

Taken together, evidence from the case studies indicates that the effectiveness of Cohesion policy in terms of promoting territorial convergence is weak. At best, research has suggested that Cohesion policy has contributed to territorial convergence at the EU level. On the other hand, countries have experienced a degree of polarisation in which the more dynamic capital regions have seen the greater part of the economic development, and although nearly all other regions have also converged towards the EU average, most have done so to a lesser extent than the capitals. These weak results stem, in part, from the methodological challenges involved in measuring impact. Also, in some cases, the level of funding was deemed by evaluators to be too limited to address the forces driving polarisation processes. It should also be noted that where Cohesion policy has been used to change the development paradigm in less developed regions (e.g. in Finland and Sweden) impacts in terms of convergence will only be noticeable in a much longer timescale. However, other factors have also played a part in limiting impact on convergence or even contributing to territorial imbalances. Evaluations have found that the thematic focus (on infrastructure investment) or spatial coverage (including developed and less developed territories) of Cohesion policy have hindered processes of convergence at member State level (e.g. in Spain).
An important exception to this is the case of Austria, where studies have indicated a significant ‘catching up’ process of less developed regions due to Cohesion policy support. Regions receiving financial assistance improved their relative position mainly in terms of employment and labour market, thereby reducing the gap between more and less developed regions. One of the reasons for the good performance is believed to be the creation of regional intermediary facilities and decentralised structures, which reduced institutional deficits at the regional level.

- Limited/minimal impact on regional convergence – Finland, Sweden
- National convergence but contested evidence for regional convergence – Spain, Ireland
- Positive impact on regional convergence – Austria

**Contribution Of Cohesion Policy To Growth**

Macroeconomic modelling suggests that where levels of Cohesion policy spending have been significant either in absolute terms or relative to domestic GDP, macroeconomic growth effects have been important. However, 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. Finally, such analysis must be accompanied by assessments of the type of growth Cohesion policy is supporting. For instance, it is important to distinguish between ‘demand’ side effects and impacts on the ‘supply’ side. growth effects (Bradley *et. al*, 2007). ‘Demand side’ growth driven by Cohesion Policy spending on investment projects creates higher investment, higher consumption and higher levels of imports. However, its impact is transitory, lasting only as long as there are significant amounts of Cohesion policy available. ‘Supply-side’ impacts arise through the gradual build-up of “stocks” of infrastructure, human capital and R&D, and the beneficial output and productivity spillovers that will be generated both during and after the Cohesion Policy programmes.

- Structural Funds expenditure recognised as one of factors in economic growth but measurement difficulties, differentiation between transitory ‘demand side’ effects and long-term ‘supply side’ impacts, impact of crisis post-2008 – Ireland, Spain.
- Limited level of Structural Funds available means that contribution to macroeconomic growth not anticipated – Austria, Finland, Sweden.

**Investment in RTDI**

Evaluations of Cohesion policy achievements under the RTDI heading have produced important conclusions. On the one hand, there is evidence that EU funding has provided an important source of investment in RTDI, particularly where alternative funding is limited. According to evaluations, it has also contributed to the development of supporting infrastructure and strategic planning for RTDI activities (through RIS). Moreover, Cohesion policy has played a part in the development of networks or clusters of SMEs, universities and other research institutes. In some of the case studies, this type of support is credited with contributing to structural change in regional economies, toward the
creation of knowledge intensive economies (e.g. Austria). However, there are significant caveats. First, it is difficult to be precise about Cohesion policy’s contribution to structural change in regional economies. As noted, the tendency has been for evaluations of innovation to focus on programme and project implementation and evidence of impact on regional development is limited. The impact of capacity enhancements in RTDI for regional economic development and cohesion are difficult to measure and disaggregating the role of Cohesion policy from domestic and global factors in the changing structural orientation of regional economies is likewise challenging. Moreover, the deadweight costs of projects must be taken into account (Laakso & Kilpeläinen 2010a) as the deadweight effect of these activities is potentially significant (Karjalainen et al 2011). It is also worth noting that the level of involvement of the private sector in Cohesion policy-funded RTDI projects has been criticised in evaluations. As with other Cohesion policy projects, the high administrative requirements linked to RTDI projects is seen as a disincentive for firms: where alternative sources of funding are available, for enterprise-based R&D projects, these are often favoured (ÖROK 2012: 22). Cohesion policy programmes have been criticised for focusing heavily on supporting research and development activities of universities rather than on the innovation processes and networking of companies. (Ottavino et al. 2009). Finally, the challenge of using such initiatives to pursue cohesion-oriented goals has been highlighted. Although Cohesion policy has proved to be an important source of RTDI investment in less developed areas with limited critical mass in this field, evaluations indicate that the strongest contributions to innovation come from projects in more developed areas that build on existing strengths and capacities.

- Some evidence for achievements:
  - EU funding has provided an important source of investment in RTDI, particularly where alternative funding is limited R&D spend (Spain)
  - Contributing to structural change in regional economies, toward the creation of knowledge intensive economies, regional value-added chains (Austria)
  - Strengthening university-business links (Sweden) and networking (Finland)

- But significant barriers:
  - Measurement difficulties (disaggregation, deadweight effects)
  - Limited private sector involvement
  - Strongest effects in developed regions – convergence issue.

**Community ‘Added Value’**

The review of the case studies identified several examples of ‘added value’ through administrative learning and ‘spillover’ effects on domestic systems and the related innovation and efficiency improvements. The ‘added value’ tended to evolve across programme periods with effects declining as management and implementation experience increased. Moreover, there were cases of ‘detracted value’, particularly concerning tensions in domestic/Cohesion policy implementation arrangements and the complexity of Cohesion policy administration.

- Cohesion policy boosting regional policy funding and status in the initial programming period (Austria).
• Prompting the establishment of new institutional structures for regional policy implementation, including at sub-national levels (Finland, Sweden).
• Initial period marked by administrative complexity, lack of experience and the pressures associated with implementing Cohesion policy programmes for the first time (Austria, Finland).
• Subsequent ‘added value’ identified in:
  o Sub-national capacity building (Austria, Finland, Sweden)
  o New thematic impulses (RTDI - Spain, gender equality – Ireland)
  o Improved management of regional development funding and, improved policy cycle (strategic long-term planning, monitoring, evaluation - Sweden).
• Evidence of ‘detracted value’:
  o Tension between domestic and EU development policy systems (Austria, Sweden)
• Added value effects decrease over time, while administrative effort increases (Austria)

6.2. Assessment of Variables

Scale of Domestic Spending On Economic Development

The first variable identified to explore the effectiveness of Cohesion policy concerns the level of domestic spending under development policy headings equivalent to those supported by Cohesion policy. This focuses on the relationship between domestic regional policies and Cohesion policy: their respective financial commitment to development goals and what this means for the role, status and effectiveness of Cohesion policy.

• As far as financial receipts are concerned, in non-Convergence member state case studies, Cohesion policy is an increasingly minor proportion of spend. For this reason, it is increasingly viewed as an adjunct to domestic policy and is increasingly ‘subservient’ to these initiatives. In this situation, the domestic regional policy agenda is expected (by policymakers) to dominate, both in terms of content and rules and procedures (Polverari and Michie, 2011). On the other hand, in countries with considerable portions of territory covered by the Convergence Objective, Cohesion policy has played an important role in setting the agenda for domestic regional policy for the current period. In some cases, domestic regional policy has been subsumed within the framework of the Cohesion policy programmes. Further, where there is little domestic funding available (for example, during the economic crisis), this limits scope for autonomous domestic public investment priorities and puts increasing emphasis on Cohesion policy.

• Positive influence in countries with limited domestic spend, for example in terms of achievements under RTDI (Spain). In countries such as Spain, where the share of Cohesion policy in development spending is high, the impact of Cohesion policy on shifts in development policy agendas has been fundamental. Expenditure on R&D and innovation has doubled in the context of a major cut in funding.
• Complementary role in other cases (e.g. Finland). On the other hand, in Finland, Cohesion policy has provided an additional, rather than fundamental, financial instrument to complement mainstream, domestic RTDI interventions, for example targeting those regions that had fewer capabilities to access domestic sources.

• Variable not strong in determining ‘added value’ (e.g. Finland and Sweden). For instance, in Sweden and Finland, where the share of Cohesion policy in overall spend is relatively low, implementation of Structural Funds programmes and adopting Community principles has been credited with the establishment of meant new institutional structures and practices: under this heading, the influence of Cohesion policy is considerably larger than the relative size of their financial contribution.

• Issues of ‘detracted value’ where domestic spending is relatively high (e.g. Austria). It should be also be noted that some member states where Cohesion policy represents a limited share of overall spend perceive issues of detracted value. Cohesion policy is often perceived to place undue emphasis on formal compliance, and this contrasts with efforts made domestically to increase results-orientated policy delivery. The formalistic approach adopted by DG Regio to approving the management and control systems are particularly indicative of this contradiction. Onerous control procedures associated with Cohesion policy can represent ‘detracted value’ when associated with limited levels of funding relative to domestic sources (e.g. Austria).

Types of Territorial Development Challenge- Policy Response

The second variable concerns the domestic development context within which Cohesion policy programmes operate: what are the key regional development issues and the main domestic policy responses? The role and expected achievements of Cohesion policy can be based on different interpretations of the cohesion agenda, responding to different domestic contexts and varying levels of economic competitiveness or economic, social or territorial cohesion at national or sub-national scales. In those countries that do not have, at present, a strong explicit regional policy, regional development policy is largely synonymous with broader economic development policy.

• There is significant variation among the member state case studies under this heading, although this variable explains the anticipated rather than the actual impact of Cohesion policy.

• Austria has limited regional disparities and an emphasis on national competitiveness policy. Cohesion policy has been used to strengthen national competitiveness and impact on convergence has not been assessed. It should be noted that one of the factors identified by evaluations as restricting the effectiveness of Cohesion policy-funded RTDI initiatives was the absence of a domestic policy for the development of territorial clusters.

• In contrast, spatially balanced economic development is a fundamental policy objective in Spain and evaluations of Cohesion policy regularly take the issue of convergence into account. Similarly, in Finland and Sweden, reducing regional disparities has remained the main aim of the Structural Funds programmes across programme periods (particularly in the
context of sparsely populated peripheral territories). However, there is limited robust evidence on attaining this goal.

**Institutional, Governance Frameworks (Quality of Governance, Extent of Decentralisation)**


- Some evidence of quality of governance having an impact, particularly for achievements under RTDI. Among the member state case studies, Austria, Finland, Ireland and Sweden were all given a ‘high quality of government rating by the Gothenburg Quality of Government Institute in Sweden for DG REGIO (Gothenburg Quality of Government Institute 2010). Spain was rated ‘moderate’ with a survey indicating large differences in the quality of government between Spanish regions. The case study research supports this finding with some implications for the effectiveness of Cohesion policy under the heading of RTDI. According to evaluation evidence, there were clear differences in achievements between regions, largely due to the pre-existing situation. In regions like Canaries and Castilla La Mancha, where experience of RTDI activity was limited, effectiveness was lower because political and social awareness was smaller, and the lack of pre-existing infrastructures and networks was more important (Del Castillo et al. 2006).

A part of this literature explicitly explores whether the degree of decentralisation in governance has an independent impact on economic growth. One argument is that a decentralised system is able to provide public goods more efficiently as it can differentiate the provision according to the differing needs of localities and citizens. There are also arguments related to increased scope for interjurisdictional competition and innovation to strengthen the case for better economic outcomes in decentralised systems (see e.g. Oates 1999). On the other hand there are concerns that decentralized governments are more exposed to the demands of local interest groups for protectionist policies. Also, inter-jurisdictional competition may actually increase incentives to imitate and free-ride on innovations of other units, thus reducing the extent of policy innovation in decentralised systems. These issues have been explored in the context of Cohesion policy, testing the hypothesis that if actions financed through Structural Funds are sensitive to specific regional needs, then member states with a higher degree of decentralization should be able to implement more effective programs. In other words, there should be a more effective regional implementation of the programs in traditionally decentralized countries with regional authorities that have a higher administrative capacity. For instance, research by Bähr concluded that there is a positive connection between sub-national autonomy and the effectiveness of Structural Funds expenditure: “while Structural Funds expenditure cannot be said to be unambiguously growth promoting in itself, a significantly positive effect of Structural Funds on growth was found when they are interacted with a decentralized structure of a country”. (Bahr 2008).
The member state case studies include three unitary systems (Ireland, Finland and Sweden), a regionalised system (Spain) and a federal system (Austria).

- There is no strong evidence of a direct link between Cohesion policy effectiveness and the extent of decentralisation in the case studies. However, the cases include some interesting insights. In unitary Finland and Sweden, as well as in federal Austria, the implementation of Cohesion policy is credited with contributing to the establishment of stronger sub-national institutional structures and processes. In these cases, the rationale and objective of decentralisation processes was to strengthen Cohesion policy effectiveness.

**Thematic Content/Concentration of Programmes**

Factors that are specific to Cohesion policy but vary across member states must also be considered in assessments of effectiveness. These include the thematic content and extent of thematic concentration in Cohesion policy programmes, where the literature indicates that different thematic mixes of Cohesion policy interventions can affect achievements. Under this heading, the member state case studies provide some important insights.

- General shift towards Lisbon, Europe 2020. In all member state case studies there has been a shift in thematic orientation across programming periods away from improvement of transport infrastructures (internal access and connectivity), environmental infrastructure (water supplies and purification plants) and basic services (electricity and telecommunications) towards productive activities especially among small firms and there was increased expenditure on technology and innovation. This shift reflects the increased focus on the Lisbon agenda and Europe 2020 and changes in domestic development priorities and industrial profiles.

- Also reflects negative appraisals of Cohesion policy effectiveness. However, it also reflects assessments of Cohesion policy effectiveness that differentiate between transitory ‘demand side’ growth driven by Cohesion Policy projects that create higher investment, higher consumption and higher levels of imports and longer-term ‘supply-side’ impacts that arise through the gradual build-up of “stocks” of infrastructure, human capital and R&D, and the beneficial output and productivity spillovers that will be generated both during and after the Cohesion Policy programmes. For instance, in Spain evaluations have found that the impact of Structural Funds programmes on the unemployment rate varied within programme periods. During the initial implementation process the effects on the unemployment rate were positive thanks to the impacts on demand generated by the CSF. Nevertheless after the implementation process the demand-side effects evaporated (CEET 2003). Some impacts were due to short-run demand effects, in the form, for example, of a temporary boost to construction.

- Increased thematic concentration of Cohesion policy investment in the member state case studies, reflecting new Cohesion policy principles and evaluation evidence. Increased concentration can be explained by changing Cohesion policy principles (the principle of thematic concentration has been emphasised for the 2014-2020 period), and reductions in the level of funding available that have strengthened the rationale for increased thematic focus. However, the process is also the result of evaluations that concluded that the broad,
sometimes unrealistic objectives of programmes had limited their effectiveness (e.g. Finland).

**Level of Cohesion Policy Funding (As % GDP)**

The level of Cohesion policy funding available to Member States varies. It can be argued that the effectiveness of Cohesion policy is likely to be greater where programmes involve substantial levels of funding, either absolutely or as a share of GDP.

- There is no strong variation in effectiveness in terms of cohesion/convergence. Spain and Ireland each have had historically high levels of funding as ‘Cohesion countries’ (although their share has dropped in the 2007-13 period). In both cases, Cohesion policy represented a significant source of investment for less developed regions and there has been convergence between the GDP of such regions and EU averages (particularly in Spain) that is attributable to Cohesion policy effects. Nevertheless, development gaps within these countries have not been reduced. At best, Cohesion policy may have limited the rate of divergence.

- According to modelling, there has been an impact on growth in the two member state case studies with substantial levels of Cohesion policy, (Ireland and Spain). In both cases this impact is judged to have been significant. It can be concluded that Cohesion policy, by providing a substantial level of funding for investment in development can contribute to economic growth. However, such analyses are hindered by issues of causality, measurement error and data availability. Moreover, the sustainability of the growth engendered by Cohesion policy analysis depends on the balance ‘demand’ side effects and impacts on the ‘supply’ side, particularly in the context of the global economic crisis.

**Programme Architecture**

The third Cohesion policy-specific variable relates to the overall management and implementation structure. Although the role and function of Managing Authorities is standard across the EU, every member state has its own configuration of programme management and implementation structures. These can be categorised under the headings of centralised approaches, centrally coordinated decentralisation and decentralised approaches. Here, debate in the literature reflects broader discussions on the relationship between economic growth and decentralised governance arrangements: does the adoption of more decentralised approaches to Cohesion policy design and delivery increase effectiveness?

It is difficult to make an explicit connection between the extent of decentralised Cohesion policy implementation arrangements on the basis of the case studies. However, some points are worth noting.

- In Austria, one of the reasons for the good performance identified in studies is the creation of regional intermediary facilities and decentralised structures, which reduced institutional deficits at the regional level (ÖROK 2009: 7).

- In Finland, Sweden and Austria, the implementation of Cohesion policy involved the creation of sub-national implementation structures and processes. These have been assessed to have facilitated the effectiveness of the programmes by taking territorial specificities into account, most notably under the heading of RTDI. In Finland, the effectiveness of Cohesion policy support for RTDI networking has been noted in territories where the achievement of
critical mass is challenging. (Ponnikas et al 2005). The projects were important intermediaries between universities and businesses and enabled knowledge transfer and networking: “It can be even said that in some regions knowledge transfer is too dependent on the Structural Funds projects” (Ponnikas et al 2005).

- As already noted, achievements under ‘added value’ have also been apparent where decentralised arrangements for Cohesion policy implementation have contributed to a stronger sub-national dimension to the governance of broader development policy (e.g. Finland, Sweden).

**Resource Allocation System**

A key factor is the relationship between the decision-making system used for EU funding and that for national funding. Here, two basic options have been identified: integrated (where the key decisions on the distribution EU funding take place at the start of the programme period, with tranches of programme funding allocated mainly to specific budget lines and domestic funding schemes) and differentiated (where the administrative units for resource allocation under EU programmes may be located in existing organisations or acting under their jurisdiction, but decisions on resource allocation are undertaken independently of domestic funding). This means that applicants apply for or generate national co-financing separately from the EU funding.

There is little evidence available from the case studies to make a robust, direct link between a member state’s choice of resource allocation system and the effectiveness of Cohesion policy.

- However, there is a broad trend in the member state case studies towards increased integration of domestic and EU-funded interventions as a means of maximising impact.

- There is also evidence of achievements under added value under both integrated and differentiated approaches. Austria has an integrated approach and learning or enhancement effects have been identified. At the same time, Sweden has a differentiated system but here, too, the development and visibility of new or innovative approaches under Cohesion policy has been taken up by domestic equivalents, particularly at sub-national levels.

**Maturity and Continuity in Cohesion Policy Administration**

Cohesion policy effectiveness can also be influenced by limited institutional capacity and experience in the field and also by organisational instability. Issues related to human resources, including high levels of staff turnover in public administration, and organisational change, including the reorganisation of ministries, departments and agencies involved in Structural Funds.

There is evidence that maturity and continuity in Cohesion policy administration has influenced effectiveness in the member state cases.

- Under ‘added value’, the potential for organisational principles or themes associated with programmes to become embedded increases the longer programmes have been in operation. An evolutionary cycle can be detected in the generation of added value among programmes, including accommodation, innovation and consolidation phases. (e.g. Austria).
• Although organisational instability can have a negative influence on Cohesion policy effectiveness (through loss of skills, experience and continuity) this is not automatic. Organisational change can facilitate Structural Funds implementation and effectiveness when responding to implementation issues. In Finland, creation of the new Ministry of Employment and the Economy in 2008 unified activities (e.g. the Ministry became the Managing Authority for both ERDF and ESF), although at the same time it slowed down programme implementation (due to internal issues within the Ministry and delays with the IT system). In addition, the Finnish regional reform project at the beginning of 2010 slowed down programme implementation in the short term, although the problems have now largely been overcome. Indeed, the reforms have also strengthened regions and their will for cooperation.

7. Towards A Methodology for Assessing CEE Countries

Task 3 aims to explore the achievements and effectiveness Cohesion policy interventions in CEE, particularly those emphasised by the EU2020 agenda and dealt with in other WPs (business development, R&D and innovation linked to research in WP3; labour, social cohesion and welfare covered in WP4). Case studies will be drawn from territorial typologies based on the database developed in WP6. For these case studies, qualitative methods will be combined with quantitative techniques.

Task 2 research indicated that Cohesion policy operates within the constraints of national policy/institutional contexts, administrative capacities at national and regional levels and the state of knowledge at the time. Cohesion policy funding has been spent on the most urgent problems although this may not have been the best way of spending from the perspective of long-term strategic development. Initially at least, there was a tendency to favour spending money in areas where authorities were used to intervening like infrastructure and business support; they struggled with the more sophisticated interventions like promoting an entrepreneurship or innovation culture. The quality of monitoring data means that it is extremely difficult to quantify achievements in these latter areas. Data on achievements is uneven and expenditure date is time-consuming to collect. This situation is likely to be similar if not more challenging in the CEE context. Qualitatively, Task 2 identified headings where things have improved, and we can draw inferences if not conclusions on what worked well, why some things didn’t, and the pre-conditions need to be put in place in order to make progress in areas like the Lisbon/Europe 2020. Thus, it worth considering these headings and related criteria that would generate measurable results for the CEE case studies and perhaps a broader survey:

• Strategic Quality

From Task 2 research, it is clear that the quality of domestic and EU development strategies has a significant bearing on Cohesion policy effectiveness and achievements. There are some fundamental requirements for designing and implementing a good strategy – these pre-conditions need to be put in place, esp. if COM is expecting regions to make progress in areas like the Lisbon/Europe 2020. The first stage of Task 3 research will seek to assess strategic quality according to the following criteria:

 o Analytical base – analysis of regional economy, explicit model of how regional economy works, identification of drivers.
o Evaluation of effectiveness of previous policy interventions - what works what doesn’t.

o Explicit strategy – objectives justified, internally coherent with other domestic policies, externally coherence with different EU funds

o Performance focus – quality of benchmarks, indicators, targets, milestones

• Institutional Capacity

Administrative capacity is an important factor in accounting for Cohesion policy outcomes, particularly as programmes have shifted towards Lisbon/Europe 2020 policy themes that are more challenging to implement.

o Organisational structures - allocation of competencies and responsibilities, coordination/cooperation among ministries and implementing bodies, stability.

o Human resources – availability of suitably qualified staff, human resource management system

o Administrative adaptability – procedures and tools for adaptation

• Implementation Issues

Obviously, the effectiveness of Cohesion policy is conditioned by the quality of management and implementation systems. This can be assessed by breaking he management and implementation system down into its constituent parts:

o Programming – organisation of programming, negotiation and approval

o Project preparation and selection – generation, appraisal, commitment of funds

o Financial management – processing of payments, decommitment, control

o Monitoring and reporting – indicator system, monitoring procedures, availability of data

o Evaluation – reports, methods and culture
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