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Sustainable Growth, Competitiveness and Employment: Will EU Cohesion Policy Deliver on the Lisbon Strategy?

*Nachhaltiges Wachstum, Wettbewerbsfähigkeit
und Beschäftigung:
Wird die EU-Kohäsionspolitik einen Beitrag
zur Lissabon-Strategie leisten?*

Abstract

The relaunched “growth and jobs” agenda of the EU is reflected in the Community Strategic Guidelines on Cohesion. These have influenced the content of the new Structural Funds programmes, with increased importance accorded to innovation, knowledge and entrepreneurship. There is evidence of a more strategic approach to economic development and a stronger prioritisation of support. Whether this makes a difference to the Lisbon agenda depends on how the programme objectives are implemented as well as the broader regulatory and other changes required in National Reform Programmes. Convincing Member States of the importance of Cohesion policy also depends on the impact of the Funds being identifiable.

Kurzfassung

Die Strategischen Leitlinien der Europäischen Gemeinschaft für Kohäsion 2007–2013 greifen die überarbeitete EU-Agenda “Wachstum und Beschäftigung” auf. Sie haben auch die neuen Strukturfondsprogramme inhaltlich beeinflusst und dort die Bedeutung von Innovation, Wissen und Unternehmertum gestärkt. Der stärker strategische Ansatz im Bereich wirtschaftliche Entwicklung und die stärkere Priorisierung bei den Fördermaßnahmen tritt dabei deutlich hervor. Ob dies einen Unterschied macht zur Lissabon-Agenda wird davon abhängen, wie die Programmziele und ebenso auch die weitere Ausführung und geforderten Änderungen in den nationalen Reformprogrammen umgesetzt werden. Und ob die Mitgliedstaaten von der Wichtigkeit der Kohäsionspolitik überzeugt werden können, hängt auch davon ab, welche Wirkung die Fonds erkennen lassen.

1 Introduction

In response to the lagging performance of the EU in growth and employment, the Spring 2005 European Council agreed a relaunch of the Lisbon and Gothenburg agendas with a renewed commitment to a series of economic, social and environmental objectives. The objectives of the “growth and jobs” agenda are reflected in the new regulatory framework for Cohesion policy for the 2007–2013 period and the Community Strategic Guidelines on Cohesion. These recommend that Structural and Cohesion Funds should target investments in knowledge, innovation and research capacities, as well as better education and vocational training, and economic infrastructure support to improve the attractiveness of Member States, regions and cities.

Within this new context, the Member States have drawn up “National Strategic Reference Frameworks”, constituting a reference document for programming the Funds, and they are either finalising their Operational Programmes or (following adoption by the European Commission) have already launched them. On the basis of these documents, it is now possible to make a first assessment of the way in which Structural Funds are going to be implemented in the 2007–2013 period.

The main question is whether Cohesion policy can make an effective contribution to the relaunched Lisbon strategy. Over the past five years, there has been an extensive academic and policy debate about the impact and added value of the Structural Funds. Notwithstanding the evidence for a narrowing of disparities between the poorest EU countries and regions and the rest of the EU, it is unclear to what extent Cohesion policy has contributed to the positive trends in growth and employment. Indeed, some research suggests Structural Funds interventions may have been counterproductive for certain regional economies and could have inhibited growth in the EU.

These arguments have an important political dimension. During the negotiations on the 2007–2013 financial perspective, some Member States were critical of the effectiveness of Cohesion policy outside the poorest parts of the EU. “Net payer” countries such as the Netherlands, Sweden and the United Kingdom advocated a more concentrated application of the Structural Funds and a significant shift in spending priorities to promote growth and competitiveness. Although the December 2005 European Council agreement on the EU budget retained a Cohesion policy operating throughout the Community, it is evident that the arguments will resurface in the context of the Commission’s budget review in 2008–2009 and the subsequent negotiations on the post-2013 financial perspective. In this con-

text, a critical factor for the future of Cohesion policy is whether it is judged to be contributing demonstrable added value to the “growth and jobs” agenda of the EU.

This paper examines the potential contribution of Structural Funds to the Lisbon Strategy, focusing on whether and how the Strategy is being “translated” into policy practice. The main questions are: Do the National Strategic Reference Frameworks indicate a more strategic approach to the use of Cohesion policy funding? Are there identifiable shifts in the strategic priorities and proposed expenditure allocations of the Operational Programmes to give preference to the areas of innovation, entrepreneurship, regional attractiveness and employability? How are implementation arrangements being adapted to meet the new EU requirements?

The paper begins with a review of the Lisbon and Gothenburg agendas¹ and their renewal in 2005. It discusses the critical debate about the effectiveness of Cohesion policy with respect to growth and employment and the reforms agreed in 2006. The main part of the paper involves an EU-wide assessment of the National Strategic Reference Frameworks (NSRFs) and Operational Programmes (OPs) for the 2007–2013 period with a view to identifying how Member States are responding to the Community Strategic Guidelines on Cohesion.² The paper concludes with some reflections on the potential contribution of Cohesion policy to the Lisbon Strategy.

2 Lisbon and Gothenburg: agendas for EU renewal

The Lisbon Agenda was launched in March 2000 as an ambitious agenda of reforms to make the EU the “most competitive and dynamic knowledge economy in the world”. An environmental dimension was added through the EU Sustainable Development Strategy, with objectives relating to climate change, sustainable transport, public health and resource management, at the Gothenburg Council in June 2001.

Over the next four years, successive Spring Councils indicated the slow response of the EU in meeting the Lisbon objectives and, in particular, the mixed record of achievement among Member States. Notwithstanding some successes in areas such as pensions reform, financial services and network industries³, it became clear that the original targets for growth and employment would not be met, constrained by difficult economic conditions in parts of the EU. Criticisms were also levelled at the policy coherence⁴ and governance

arrangements⁵ of the Lisbon Agenda, the insufficient attention given to reforms of agriculture and trade⁶, the need to give greater recognition to the different time horizons of different elements of the strategy (deregulation, integration, technology diffusion)⁷, the potential conflicts in targets and the limited role of the EU institutions to support the strategy.⁸ In areas such as the information society, innovation, R&D and the business environment, the US and East Asian economies were continuing to “outperform the EU by a wide margin”.⁹

With respect to the Gothenburg agenda, important progress was made towards Kyoto targets through the development of an emissions trading system and promoting the use of environmental technologies. However, critics noted that sustainable development was inadequately recognised as a central part of growth strategies, the reform of tax systems and subsidies to integrate environmental considerations was slow, and the potential for financial markets to underpin sustainable development was not being sufficiently exploited.¹⁰

In its 2005 report, the Commission’s assessment of progress restated the lagging performance of the EU in growth and employment, the variable impact on productivity, the virtual cessation of efforts to achieve product market integration and continued problems in meeting commitments on social cohesion and environmental issues.¹¹ The costs of not achieving the Lisbon goals were reinforced by Commission research showing the macro-economic impact of product and labour market reforms, combined with increased knowledge investments, to be an increase in potential EU GDP growth of 0.75 percent per year (7–8 percent over a ten-year period).¹²

Although the patchy record of Member States in undertaking reforms was considered the main problem, a second factor was economic policymaking at the EU level. The Sapir report, produced by a High-Level Study Group for the European Commission President Romano Prodi, argued that economic governance in the EU was complex and confusing, with a gap between goals and means. A radical reorganisation of EU policies and budgets was recommended to focus on the promotion of growth, with more emphasis on Single Market policies and investment in knowledge.¹³

At the Spring 2005 Council, Member States agreed to refocus efforts on growth and employment and achieve greater mobilisation of national and Community resources (including Cohesion policy) on the economic, social and environmental objectives of the strategy, based on three strands: knowledge and innovation as an engine of sustainable growth; making Europe an at-

tractive place to live and work; and social cohesion.¹⁴ The Council approved the “Integrated Guidelines for Growth and Jobs” (2005–2008) as a basis for coordinating macro-economic, micro-economic and employment policies around 23 integrated actions.¹⁵

3 Lisbon and Cohesion policy

To date, assessments of the contribution of Cohesion policy to the “Growth and Jobs agenda” are mixed. While the Commission has highlighted the substantial assistance being provided by Structural Funds in areas such as RTDI, SME development, human resources and employability¹⁶ as part of the cohesion effort, some commentators are sceptical; the Sapir report, for example, questioned the effectiveness of Structural and Cohesion Funds in reducing regional disparities and suggested that that “some specific instruments chosen to preserve cohesion in the course of the process of market liberalisation and integration may have exerted too high a toll in terms of growth” (p. 72).

Part of the problem is the difficulty in demonstrating the impact of Cohesion policy. Over the past decade, the Commission’s Cohesion Reports have noted income and employment convergence between the poorest EU Member States and the EU average, especially since the mid-1990s, although with significant differences between countries and regions.¹⁷ The transfers under Cohesion policy to these countries have been significant – equivalent to between 0.9 and 2.5 percent of GDP and adding 3–9 percent to investment in the 2000–2006 period – but it has been difficult to demonstrate causality. 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).¹⁸ Other research has quantified EU-assisted employment creation in Objective 1 regions during the 1990s in the order of one million jobs.¹⁹

On the other hand, commentators have argued that the benefits of the Funds taken in isolation are modest, with any benefits attributable to the responsiveness of lagging economies to trade and investment.²⁰ Some research goes further, disputing that convergence is actually taking place,²¹ or concluding that Structural Funds are generally ineffective (except in countries with high-quality institutions).²² Other studies have found that returns on much of the investment in infrastructure and business support are not significant²³ and that some support may act counter to states’ comparative advantage.²⁴

There has also been a wider 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.²⁵ Further operational benefits are attributed to the emphasis placed on monitoring and evaluation and the strong culture of control and audit. More intangibly, the Structural Funds are said to make the EU more visible to citizens, communities, businesses and public authorities.

Set against these positive attributes, there was widespread concern in both the 1994–1999 and 2000–2006 periods that the bureaucracy associated with programming was excessively complex, demanding and costly. The eligible Objective 2 areas were often small, fragmented and lacking in coherence for effective regional development. Latterly, evaluation studies suggested that programmes may have been too risk-averse as a result of the pressure to spend. Lastly, some research has argued that the beneficial effects could also have been achieved with additional domestic resources.²⁶

The criticisms of the impact and added value of Structural Funds underpinned the approach taken by some Member States to the negotiations on Cohesion policy. The UK, for example, argued in a White Paper that Structural Funds did not add significant value in comparison with domestic policies because of factors such as the inflexibility of spending.²⁷ Likewise, a Dutch Cabinet Office paper questioned the effectiveness of Cohesion policy, advocating a focus of future policy on national rather than regional prosperity.²⁸ A similar analysis was contained in a report close to the Swedish government position, claiming that the policy logic of Cohesion policy suffered from internal inconsistencies and recommending radical reform.²⁹

Although these views were not shared by many of the other Member States, the criticisms of Cohesion policy triggered an intense debate on the future role and scope of Structural and Cohesion Funds. The influence of the debate was evident in the Commission's proposals for the 2007–2013 financial perspective and the Third Cohesion Report, both of which gave prominence to the objectives of EU growth and competitiveness, also reflected in the eventual outcome agreed by the European Council in December 2006.

Central to the reformed Cohesion policy is a new strategic approach based on the Lisbon agenda. The Cohesion policy regulations, adopted in July 2006, have created a planning framework that links Structural Funds

spending more directly to the overarching EU goals of “growth and jobs”. At the apex are Community Strategic Guidelines (CSG) which aim “to increase the strategic content of cohesion policy with a view to strengthening synergies with, and helping to deliver, the objectives of the renewed Lisbon agenda.”³⁰ The CSG prioritises three themes: making Europe and its regions a more attractive place to invest and work; promoting knowledge and innovation for growth; and creating more and better jobs. EU15 Member States are obliged to “ear-mark” at least 75 percent of expenditure on prescribed categories of “Lisbon expenditure” under Regional Competitiveness and Employment programmes, and 60 percent under Convergence programmes. The earmarking requirement is voluntary for the new Member States but they are being encouraged to achieve at least 50 percent wherever possible.

The CSG have been used by Member States to draw up National Strategic Reference Frameworks as “umbrella documents”, setting out their national objectives and priorities for the Operational Programmes, and linked to the (Lisbon) National Reform Programmes. The following sections consider the translation of the Lisbon Strategy into practice.

4 Delivering the Lisbon strategy: the 2000–2006 baseline

A starting point for assessing the new Frameworks and OPs is to consider the baseline of Structural Funds interventions in the 2000–2006 period. The previous programmes were drawn up between 1998 and 2000, generally pre-dating the Lisbon and Gothenburg agendas. Nevertheless, it is clear that the 2000–2006 programmes were already making a contribution to the objectives of both agendas. Equally, there were obvious limitations on the role of the Structural Funds, reflecting differences in objectives and institutional tensions.

With respect to the Lisbon agenda, research has shown that Structural Funds programmes contributed (implicitly) to the Lisbon goals.³¹ There was clearly some congruence between the objectives of Lisbon and those of the Structural Funds with respect to economic growth, high employment and low unemployment. Most Lisbon investment themes were present in Structural Funds programmes, in particular investment related to employment, IT infrastructure, R&D, business development, human resources and social inclusion (see Table 1). Among a sample of programmes, the share of Structural Funds support allocated directly to the fields relevant for Lisbon was frequently above 50 percent in Objective 2 regions, rising to more than 80 percent in some case study regions (such as Satakunta and Aquitaine).

Table 1
Structural Funds allocations
relevant to Lisbon objectives

Country	Share of funding relevant for Lisbon objectives, in %	GDP per capita in PPS, 2001, EU15 = 100
Finland – Satakunta	85	98
France – Aquitaine	83	95
Denmark – Bornholm	80	82
Sweden – Norra Norrland	78	93
UK – Western Scotland	68	94
Germany – Sachsen Anhalt	67	66
Germany (old Länder only)	56	110
Ireland	42	129
Greece	39	74
Spain – Extremadura	32	54
Portugal – Norte	28	57
Italy – Campania	26	65
Portugal	21	77
Greece – Attica	18	71

Source: Danish Technological Institute, 2005, pp. 7–8; Eurostat Regional Database, 2005

taine). Much less was spent on Lisbon-type interventions in Objective 1 regions (such as Attica, Campania and Extremadura) where relevant expenditure ranged between 18 and 33 percent. There was an apparent partial relationship between levels of regional prosperity and levels of spending on Lisbon; for some of the more undeveloped regions, Lisbon-type interventions were considered less important than spending on basic infrastructure.

These results illustrated the tensions between the Structural Funds and Lisbon in the prioritisation of investment (see Table 2). There were also broader differences in the importance accorded to economic growth and economic and social cohesion. Whereas the Lisbon agenda is primarily concerned with achieving a higher aggregate EU rate of growth, the Structural Funds focus mainly on structurally weaker regions. While the governance of Lisbon is top-down and centralised, the approach to designing and delivering Structural Funds interventions is decentralised in many Member States.

As with Lisbon, there was some complementarity between the Gothenburg agenda and Structural Funds objectives in 2000–2006 with respect to environmentally sustainable development. The 1999 Coun-

cil Regulations required sustainable development to be mainstreamed in Structural Funds as a horizontal theme (along with equal opportunities). Interpreted mostly as relating to environmental sustainability, this significantly increased the profile of environmental issues within the programming process, with better environmental analyses and stronger strategic commitments within CSFs and SPDs. At a minimum, more programmes were prompted to take “positive action” at priority or measure level to improve environmental awareness, reduce environmental pollution, increase the use of sustainable business practices and technologies or maintain the cultural and environmental heritage. In a limited number of cases, attempts were made to integrate environmental sustainability into all aspects of programme management and delivery.³²

With respect to financial allocations, DG REGIO statistics suggest that 26.1 bn of Objective 1 and 2 expenditure (14.4 percent of total Structural Funds) was allocated to environmental infrastructure and protection, environmental technologies and the rehabilitation of industrial sites.³³ A more detailed study of 26 Nordic Structural Funds programmes (acknowledged as being among the leaders in sustainable development) found

Table 2
Differences and tensions between
Structural Funds and Lisbon

Differences	Lisbon Agenda	Structural Funds
Spatial dimensions of objectives	Insignificant	Very significant
Character of objectives	Broad and operational	Broad
Formulation of operational objectives	Centralised	Decentralised
Governance instruments	Weak	Strong
Significance of physical infrastructure	Low	High

Source: Danish Technological Institute

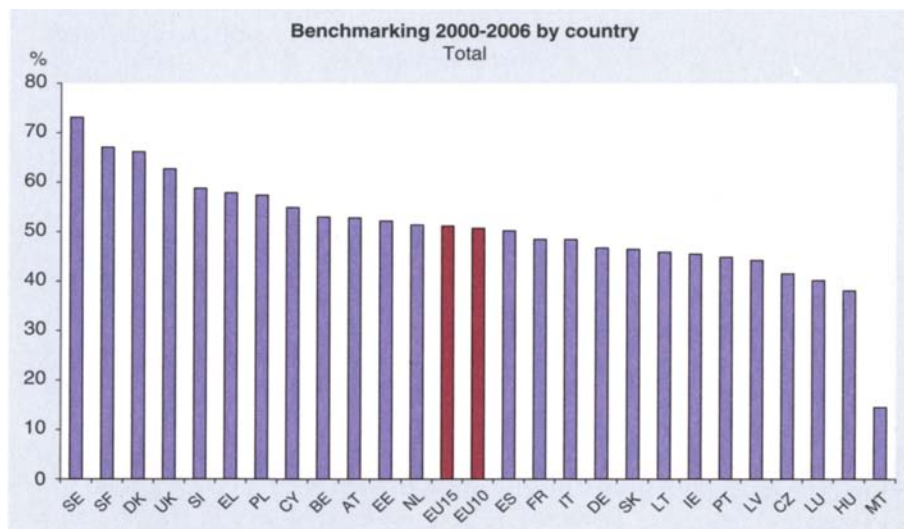


Figure 1
Level of "earmarked" expenditure
in the 2000-2006 (2004-2006) period

Source: DG REGIO

that only 11 programmes allocated more than 15 percent of their budgets to environmental purposes.³⁴ In expenditure terms, investment in environmental sustainability appeared to be of greater significance in lagging regions than in relatively more prosperous regions.³⁵

The main criticism made of the 2000-2006 programmes was that there had been few attempts to take a strategic approach to integrating economic, social and environmental factors, in particular to understand the key trade-offs between the different types of capital. For example, research suggested that, while the Structural Funds had led to improved resource efficiency (measured with respect to labour and energy), this had not been able to avoid or compensate for trade-offs with natural capital, such as the direct contributions of Structural Funds to increases in pollution (measured through greenhouse gases and SO₂).³⁶

Lastly, a more recent exercise undertaken by DG REGIO to "benchmark" levels of earmarked expenditure in the 2000-2006 (2004-2006 for the EU10) programmes suggests that across the EU10 and the EU15, Member States averaged about 50 percent of Lisbon-relevant spending (see Figure 1). Among the EU15 countries, the figures ranged from over 70 percent in the case of the Swedish programmes to c.45 percent in Portugal. In the new Member States, most countries had under 50 percent of earmarked expenditure (with Malta on about 15 percent), the exceptions being Slovenia, Cyprus and Estonia. The data indicate that most countries need to raise the levels of earmarked expenditure in 2007-13.

5 Embedding Lisbon: the National Strategic Reference Frameworks

Turning to the 2007-2013 period, the NSRFs were drawn up in the course of 2006 with the first documents being submitted by the Commission at the end of the year by Austria and Latvia, followed by other Member States up to March 2007. The question is whether these documents really do represent a strategic framework for implementing the Lisbon Strategy through Cohesion policy.³⁷

Some insights can be gained from the way in which the NSRFs were drawn up. Many Member States undertook extensive analyses of strategic development needs and engaged in wide-ranging consultation across central government departments and agencies as well as with regional authorities. This applies not just to those countries expecting to receive sizeable receipts under Structural and Cohesion Funds (where detailed strategic planning would be expected) but also to some Member States whose funding is much more limited.

A further feature of the process is that several Member States (e.g. Austria, France, Italy, Sweden) took the opportunity provided by the NSRF to create or update their own national economic development strategies or plans to provide more policy coherence between EU and national policies for regional development. The most prominent example is Italy where the NSRF does not limit itself to the Structural Funds but is a single reference point also for: national regional policies implemented through the so-called Framework Programme Agreements (Accordi di Programma Quadro) and Institutional Understandings (Intese Istituzionali); rural development policies; and other policies relevant to achieving the Lisbon and Gothenburg objectives.

There is an important difference, however, in the way that this strategic coherence is being derived. On the one hand, in most of the Member States in receipt of larger amounts of funding (e.g. EU10, Greece, Italy), the strategy development process could be described as “Community driven”. The NSRFs were formulated in line with EU objectives based on an *ex novo* analysis of development potentials and needs; in some cases, the NSRF represents the first time that a long-term national strategy for economic development has been drawn up. On the other hand, where EU transfers are relatively small (e.g. Denmark, Finland, Ireland, Netherlands, Sweden, UK), the approach to strategy development has been “Member State driven”. In these cases, the NSRF objectives and priorities have been formulated on the basis of existing national or regional strategies, such as the National Spatial Strategy in the Netherlands or the Regional Development Act in Finland.

Looking at the content of the documents, the objectives of the NSRFs are universally phrased in the “language of Lisbon”: higher and sustainable growth; a competitive economy (mainly through investment in innovation, R&D and entrepreneurship); and more employment. European convergence is an overarching goal in the case of the EU12 NSRFs, while national convergence is an important aim in the strategies for Germany, Italy and Portugal. Other development objectives stated are:

- quality of life and/or territorial attractiveness (Bulgaria, Czech Republic, Hungary, Malta, and also in Austria, Finland, Germany, Sweden and the UK);
- development of human capital and more general societal modernisation (Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Latvia, Malta, Poland, Romania, Slovenia and Spain);
- social cohesion (Bulgaria, Cyprus, Czech Republic, France, Lithuania and Portugal);
- balanced territorial development/sustainable development (Austria, Belgium, Bulgaria, Czech Republic, France, Italy, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden).

In assessing the content of the NSRFs, several observations can be made.

First, the statements of strategic intent tend to be rather generic. All of the NSRFs make strong commitments to the importance place on the Lisbon Strategy, but in many cases the stated goals are unquantified and presented without a clear justification, prioritisation, linkage to resources or expected outcomes. As noted in a paper of the Austrian Presidency, this is a consequence of the intrinsic nature of the NSRF document which is required to be both a strategy (“a deliberate decision

and choice between options”) and a framework document, (“avoiding decisions and choices, acting instead as an umbrella for different needs and interests”).³⁸

Second, the degree to which some NSRFs can be deemed “national” documents is questionable. The NSRF for Germany presents multiple sets of objectives for the different regions (Länder) and Funds, while the documents for Belgium and United Kingdom are partly collations of separate strategies for the regions and devolved administrations respectively.

Third, while in theory there should be a link between the NSRFs and the National Reform Programmes which set out how countries aim to meet their Lisbon commitments, the extent to which this is done varies considerably. In general, the NSRFs contain broad references to shared goals; only countries with significant Convergence funding provide details on how the links will operate in practice.

Lastly, as noted above with respect to the 2006 period, the NSRFs contain tensions between stated objectives, in particular between the goals of efficiency (national growth) and equity (reducing regional disparities). These tensions are frequently implicit; while promoting the objectives of cohesion, the documents also advocate concentrating funding on “growth poles”, “competitiveness poles”, or “excellence poles”, implying a shift from “areas in need” to “areas of opportunity”.

6 Delivering Lisbon: the Operational Programmes

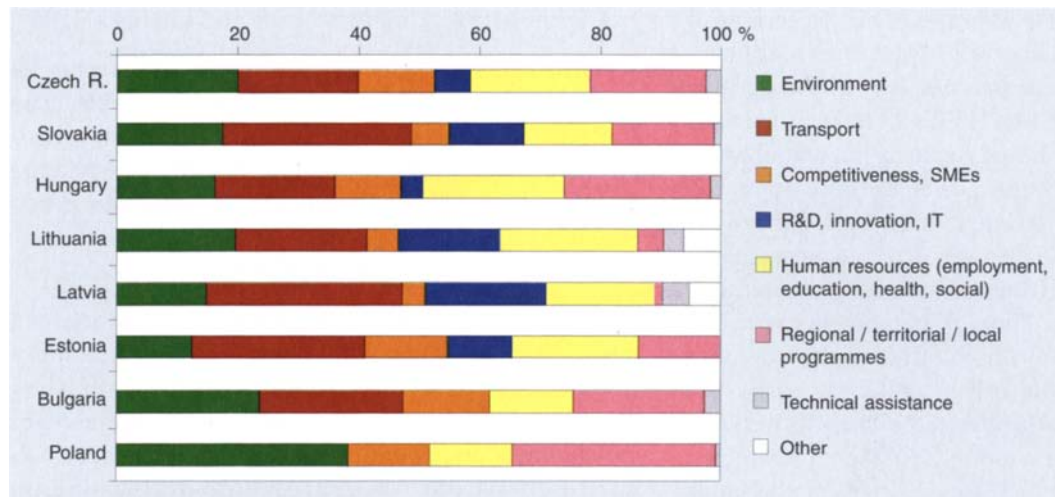
More insights into the changes in approach to the Structural Funds can be derived from the Operational Programmes which are expected to outline how funding allocations are to be used (albeit only at priority rather than measure level). Current projections by the Commission suggest that most OPs will be finalised and agreed over the January-September 2007 period.

Examining the content of the OPs, it is helpful to divide the Member States into three broad groups, beginning with the new Member States, then discussing Italy, Greece, Portugal and Spain, and lastly the remaining EU15 countries.³⁹

EU10 Member States (with mainly Convergence OPs)

In the EU10 (new Member States), OPs are being designed to facilitate the spending of a massive inflow of funds. Much of the funding is being allocated to national programmes for infrastructure, environmental improvement, human resources and business support (see Figure 2). The largest will be the Polish Infrastruc-

Figure 2
Overall comparison of preliminary allocations for 2007–2013 (ERDF*, ESF* and CF*)



* ERDF: European Regional Development Fund; ESF: European Social Fund; CF: Cohesion Fund

Source: Bankwatch, Allocations for 2007–2013: Preliminary breakdown of EU funds planned in Central and East European countries (www.bankwatch.org/billions/Allocations_in_CEE.pdf; 2006)

ture and Environment OP, which is being allocated some €21 billion, accounting for over one-third of the total Polish Structural Funds budget. In the Czech Republic, the OPs for Infrastructure and Environment have combined Structural Funds allocations of almost €11 billion. The scale of these resources is presenting major challenges of administrative capacity for the government ministries, state agencies and other organisations involved as intermediate bodies and implementing bodies.

Some of the EU10 will also be delivering substantial funding through regional OPs for the first time, e.g. the Czech Republic, Hungary and Poland. In the 2004–06 period, there were no region-specific programmes in the EU10; instead, regional development interventions were delivered through (mainly centrally-managed) joint or integrated regional OPs. By contrast, in the 2007–2013 period, several Member States will be implementing a proportion of Cohesion policy funding through regionalised programmes, accounting for: 30 percent of funding in Poland (one OP for each of the 16 voivodeships), supplemented by a special programme for the five eastern Polish regions; 24 percent in Hungary (eight regional OPs); and 13 percent in the Czech Republic (eight Cohesion region OPs).

These programmes often have an ambitious and complex mix of economic and institutional goals designed to promote regional transformation. In the Polish region of Slaskie, for example, the OP is intended “to serve as the Slaskie version of the Lisbon strategy”; and “to provide the basic conceptual framework for modernising the Silesian economy”. Again, the increase in funding

is significant. The Polish regional OPs have an allocation of c.16 billion for 2007–13 compared to 2.8 billion under the Integrated OP for 2004–2006. In theory, the strategic content of the regional OPs is informed by the specific development concerns of each region, but in a number of cases it has been difficult to distinguish the objectives and priorities of the regional programmes from those of the nationwide, sectoral OPs.

In the larger programmes, major projects have been identified which will be financed by the Cohesion Fund (CF) and the European Regional Development Fund (ERDF). These are generally schemes for road and rail construction and modernisation, airport development or reconstruction, river navigation, water treatment plants, sewage and water supply systems, and the construction of reservoirs and flood protection infrastructure. The selection of these projects has sometimes been contentious: in Poland, the central government has required the regions to submit a list of key projects that will be included in the regional OPs but without permitting the regions to replace any rejected projects.

The smaller EU10 Member States face a particular challenge in preparing a larger number of OPs than in the past, when only a Single Programming Document had to be adopted. For 2007–2013, the Estonian NSRF strategy and priorities are being implemented through four OPs; Latvia and Slovenia have both adopted three OPs. The particular challenge here is how to reflect the wide range of development needs in these countries in a manageable number of OPs, without the programmes becoming overly complex and incoherent. Some EU10 countries also have to prepare Regional Competitive-

ness and Employment OPs, although the Prague and Bratislava regions already have experience of Objective 2 funding for the 2004–06 period, and the Közép-Magyarország region of Hungary, centred on Budapest, has phasing-in status.

While the majority of spending in the EU10 will be directed towards infrastructure and environmental improvement, EU10 expenditure on innovation, research and development and ICT is expected to increase over the 2007–2013 programming period. Total R&D intensity in the EU10 is generally low, in particular, the share of R&D funded by business; this has become a specific target of many of the EU10 OPs. Encouraged by the Commission⁴⁰, some countries have created specific programmes for research and innovation: the Czech Republic has an entrepreneurship and innovation OP, with about 12 percent of total funding, and an R&D and Innovation OP with a further six percent of funding; and Slovenia has an innovation and knowledge economy OP. Others have increased the profile and level of spending of innovation and entrepreneurship under programmes promoting economic competitiveness and growth (as in Hungary, Latvia, Lithuania and Poland). A strong Lisbon focus is evident in many of the regional-level programmes, notably those focused on capital city regions or other major urban areas; in the region of Śląskie (Poland), for example, planned allocations to RTD, innovation, entrepreneurship and the information society account for 33 percent of the programme budget.

Italy, Greece, Portugal and Spain

Italy, Greece, Portugal and Spain all have substantial funding under both the Convergence and Regional Competitiveness and Employment objectives. In all four countries, a major challenge is that the eligibility of regions in 2007–2013 is significantly different from the 2000–2006 period (see Table 3). In Greece, 63 percent of the population are now in two different categories of transitional support, and in Portugal, Italy and Spain, the OPs will need to take account of four different categories of eligibility.

Partly as a result of the eligibility changes and also because of the Community Strategic Guidelines, the content of the OPs in these countries shows a marked shift towards Lisbon-type policy areas such as knowledge, science, technology and innovation. In Portugal, ERDF interventions to support such competitiveness factors will account for almost two-thirds of allocations under the thematic OPs (an increase of 11 percent compared to the 2000–06 period). Total spending on competitiveness has been estimated at € 5 billion divided between a national Competitiveness Factors OP and regional OPs. In Spain, the share of support for the knowledge economy under the Convergence objective will double (from 11.3 percent to 23.3 percent of ERDF spending); under the Regional Competitiveness and Employment objective, 60 percent of funding will be allocated to the “Innovation, business development and knowledge society” priority, up from 53 percent in 2000–2006.

However, reflecting the continued need to address infrastructure deficits, investment in transport and other physical infrastructure will continue to receive substantial allocations of funding. Environmental projects

Table 3
Territorial eligibility in Greece, Italy, Portugal and Spain

	Convergence	Phase-out	Phase-in	Competitiveness & Employment
Greece	Anatoliki Makedonia, Thessalia, Ipeiros, Ionia Nisia, Dittiki Ellada, Peloponnisos, Voreio Aigaio, Kriti	Kentriki Makedonia, Dytiki Makedonia, Attiki	Stereia Ellada, Notio Aigaio	
Italy	Calabria, Campania, Puglia, Sicilia	Basilicata	Sardegna	All other regions and the two autonomous provinces of Trento and Bolzano
Portugal	Notre, Centro Alentejo, Açores	Algarve	Madeira	Lisbon
Spain	Andalucia, Castilla-La Mancha, Extremadura, Galicia	Asturia, Ceuta Melilla, Murcia	Canarias, Castilla y León, Comunidad Valenciana	Aragón, Baleares Cantabria, Cataluña, La Rioja, Madrid Navarra, País Vasco

Source: DG REGIO

will also remain important to enable countries such as Greece to meet their obligations in areas such waste management and pollution control.

Notwithstanding the continued use of national EU programmes, a feature of these four Member States is the reorganization of OPs. In Portugal, the number of sectoral OPs is being reduced from 13 in 2000–2006 to three in 2007–2013, with more funding being delivered through the seven regional OPs (one for each NUTS II region). In Greece, there will be eight thematic OPs (compared to 11 in the 2000–2006 period) and a reduction in the number of regional OPs from 13 to five. There will also be 12 OPs for Territorial Cooperation.

Another factor driving expenditure shift is domestic policy. In Italy, the design of the National OP for Competitiveness and Research is underpinned by “Industria 2015”, a new law approved in September 2006 which seeks to reorganise the system of business incentives and relaunch the competitiveness of Italian industry. This legislation places a much stronger focus on innovation and on selected large projects in strategic sectors rather than the traditional horizontal approach to business support in Italy.

Other EU15 Member States (with mainly Regional Competitiveness OPs)

In many EU15 Member States, Cohesion policy funding is being derived mainly under the Regional Competitiveness and Employment objective. The OPs (as foreshadowed by the NSRFs) are characterised by several broad trends.

First, the structure of some programmes is being rationalised. This applies at the level of OPs, where some smaller countries and regions are reducing the number of programmes (as in Denmark, Vlaanderen and Scotland). In addition, several draft programmes have been drawn up with a simplified structure; there are, for instance, just two priorities in the Niederösterreich, Steiermark, Övre Norrland, Norra Mellansverige and North East England programmes and just one in Denmark. There also appears to be less diversity than under the 2000–2006 period among the anticipated interventions under each priority heading.

Second, there is a strong and explicit focus on Lisbon objectives and interventions; indeed, in some cases the OPs have been designed around the main Lisbon priorities. Although the Lisbon orientation may sometimes be presentational – for example, in the wording of objectives and priorities – the research evidence indicates a clear shift in spending. This is apparent in the content of priorities, where non-Lisbon interventions have been downgraded or eliminated while spending

has increased in areas such as innovation and entrepreneurship and in the introduction of new programme elements.

Third, notwithstanding the overall Lisbon focus, there are clearly tensions between the growth-oriented requirements of the CSG and the traditional equity objective of some Structural Funds programmes. This is true of Nordrhein-Westfalen where EU funding has historically been concentrated on the industrial restructuring areas of the Ruhr District, and also in Niederösterreich.

Fourth, in some programmes, resources are being targeted on strategic priorities. This is evident in Finland, with the identification of cross-cutting special themes on which a quarter of funding will be concentrated. Future funding under the Länsi-Suomi programme will be on ten key clusters, which have the potential to generate new knowledge and innovation in the region. Priority sectors have also been identified for funding under the Övre Norrland programme, as have a series of key strategies/projects in the País Vasco OP. The OPs in Wales intend to focus funding on fewer, more strategic (and larger) projects, while the Scottish Lowlands & Uplands OP foresees concentrating innovation support on key growth sectors. One of the themes of the “Industria 2015” in Italy (noted above) is that there will be a stronger concentration on larger and integrated projects. This will also be reflected in the Lombardia OP, which intends to focus resources on fewer, strategic interventions that can exert more leverage in the region.

Lastly, there is a stronger alignment of Structural Funds programmes with domestic regional policy goals and strategies, which themselves have become more focused on growth and competitiveness issues over the past decade. This applies, for example, to the OPs in England which are based on the Regional Economic Strategies of the English Regional Development Agencies (RDAs), and also in Scotland (“Smart Successful Scotland”) and Wales (“A Winning Wales”). A similar influence can be seen in Sweden, derived from the domestic Regional Development Programmes.

7 Assessment of the influence of the Community Strategic Guidelines

The conclusion from the above research is that the Community Strategic Guidelines (CSG) have had a powerful influence on the format and content of some, though not all, programmes. First, this is evident in the approach to earmarking: for many of the EU15 Member States receiving funding under the Regional Competitiveness and Employment objective, the obligation

to earmark at least 75 percent of expenditure will be at least met and sometimes exceeded by a considerable margin. The achievement of this target has not always been straightforward. In some programmes, the earmarking requirement involves a significant shift in expenditure priorities from the 2000–2006 to the 2007–2013 period, and trade-offs between Funds and expenditure categories have had to be made.

A second question is how the programmes have responded to the specific priorities set out in the CSG. The most obvious impact of the CSG is the importance accorded to innovation, knowledge and entrepreneurship in virtually all programmes. Innovation is universally represented among the main themes set out for the next period and, in the case of Regional Competitiveness strategies, innovation is generally the first priority. Insofar as the OP documents are a reliable guide to planned interventions, the programmes intend to provide support across the range of interventions anticipated by the CSG – better targeted RTD investment, support for innovation and entrepreneurship, access to finance, information society, and human capital – and broadly substantiate the Commission's assessment of the NSRFs. There are clearly differences in approach to innovation, notably between Convergence and Regional Competitiveness programmes, the latter placing more emphasis on “softer” and systemic interventions.

There appears to be less consistency in the way that Member States are responding to the guideline relating to regional attractiveness. Several of the interventions under this heading were already an important feature of programmes, notably measures to strengthen the economic environment through investment in infrastructure and environmental improvement. In the NSRFs and draft OPs for 2007–2013, the key distinction is between the Convergence or Phasing-out programmes, where investment in major and strategic infrastructure is still eligible and affordable, and the Regional Competitiveness programmes where such investment is largely ineligible and too costly for programme resources. As a result, there has been a shift to transport investment in logistics hubs and platforms, travel centres, traffic management systems and transport chains. In the field of ICT, standard interventions are designed to improve broadband connectivity, improve the quality and reduce cost of connections and accessibility, as well as the use of electronic services (e-government, e-commerce, e-learning). Support is also planned to strengthen synergies between environmental protection and growth. A distinctive characteristic of some draft OPs is the greater emphasis placed on investment in environmental technologies and renewable energy sources.

8 Implementing Lisbon: management arrangements for the new OPs

The final question for this paper is how the management arrangement for OPs in the 2007–2013 period are evolving and whether there is a discernible influence of the CSG on the way in which programmes will be managed and delivered.

It is clear that there will be extensive reforms to the management arrangements for the 2007–2013 period in many Member States. The reforms are being primarily driven by changes to the level of EU funding or adaptation to domestic policy requirements, with processes of rationalisation and/or expansion of administrative capacity, sometimes operating in parallel at different levels of governments. These processes are associated with a mix of opportunities and challenges with respect to programme management, project selection, co-financing and the accessibility of funding to beneficiaries (see Table 4). Using the categorisation adopted above for discussing the OPs, it is possible to identify three sets of changes.

In the new Member States, the increased funding and number of OPs is associated with a larger number of implementing authorities and intermediate bodies, as well as a wider range of beneficiary organisations. Some of the EU10 are shifting programme management or administrative responsibilities from central to regional levels, through the introduction of regional OPs (in Poland, Hungary and the Czech Republic) or the increased involvement of sub-national organisations in resource allocation decisions (e.g. responsibility for, or participation in, project selection).

In Greece, Italy, Portugal and Spain, rationalisation is taking place at central level, with fewer sectoral OPs and national managing authorities. Responding to the more complex maps of eligibility and the mix of Convergence and Regional Competitiveness funding noted above, a larger share of funding is being regionalised through increased numbers of OPs and a greater role for sub-national authorities in managing funding.

Lastly, among those Member States receiving most or all of their funding under the Regional Competitiveness and Employment objective, funding cutbacks mean that administrative systems at both national and regional levels are being rationalised in several countries (notably the Netherlands, Sweden and the UK). In some cases, this involves fewer regional OPs, the downgrading or abolition of regional programme management bodies, and a narrower range of beneficiaries. An important factor is the attempt to achieve greater alignment of EU and domestic resource allocation sys-

Table 4
Management of OPS in 2007–13: opportunities and challenges

	Rationalisation	Regionalisation
Programme management	Centralisation of managing tasks	Decentralisation of managing tasks
Opportunities	Administrative efficiency, particularly in the context of reduced funds	More regionally adapted and targeted interventions
Challenges	Coordination between ministries and clear division of responsibilities	Coordination between levels of government
	Pooling of tasks and resources requiring adapted capacities	Depends on capacity building at sub-national level
Project generation/selection	Developing larger, strategic projects	Expanding range and types of project
Opportunities	Alignment of domestic and Cohesion policies	Incorporating a comprehensive range of programme activities
	Eases administrative pressure on some beneficiaries	
Challenges	Possible conflicts in decision making between levels and sectors	Maintaining strategic focus
	Implementing bodies must have capacity to play more pro-active role	Implementing bodies must have capacity to deal with complexity
Co-financing	Increased use of domestic resource allocation system	Extending range of co-financing sources
Opportunities	Benefits from pre-existing channels	Can improve absorption (new sources of finance can also be vital in the context of reduced funding)
	Greater alignment of domestic and Cohesion policies	
Challenges	Challenge for programmes to maintain overview	Depends on willingness and capacity of potential co-financers
	Visibility issues	
Partnership arrangements	Narrowing partnership	Widening partnership
Opportunities	Efficient administration and greater focus on specific themes or areas	Ensures relevance to sub-regional needs and boosts experience of sub-regional bodies
Challenges	Risks of losing expertise at sub-national level	Efficient management of larger partnerships
Range of beneficiaries	Decreasing	Expanding
Opportunities	Eases administrative burden	Stronger sense of regional participation and 'ownership'
Challenges	May limit the participation of some territories or sectors	Must ensure beneficiaries have the capacity to fulfil responsibilities

Source: Bachtler et al (2006), op. cit.

terms through the use of co-financing and commissioning procedures for project selection.

Although these developments are being driven by issues such as funding and domestic policy objectives, the influence of the Lisbon Strategy is also evident in the approaches being taken to engineer a more strategic approach to project selection. One example is the thematic prioritisation of certain “growth-oriented” sectors or types of project, as noted above with respect to programmes in Finland, Italy, Sweden and the UK. Another approach involves a territorial concentration of funding on growth poles or competitiveness poles, with greater opportunities for promoting innovation or entrepreneurship. In Hungary, for example, seven regional growth poles – with concentrations of higher education establishments, research capacity and human resources – have been identified as the foci for a range of competitiveness/Lisbon-oriented interventions. Similarly, in Slovakia, the regional capitals have been designated as “innovation clusters” with priority for certain types of funding. Finally, some OPs are proposing to give preferential weighting within project appraisal and selection systems to promote the development of larger key projects or integrated groups of smaller projects that could strengthen strategic impact. In Poland, the Slaskie region is encouraging the development of integrated packages of projects based on sub-regional territories.

9 Conclusions

The main question for this paper is whether Cohesion policy will contribute to the Lisbon Strategy in the 2007–2013 period based on an assessment of how the Strategy is being translated into policy practice. The paper has assessed the degree to which Lisbon has been incorporated into the National Strategic Reference Frameworks (NSRF), the delivery of Lisbon through the Operational Programmes and the planned management arrangements. Key issues are whether Structural and Cohesion Funds can improve on their contribution to Lisbon in the 2000–06 period and also generate visible “added value” to the growth and jobs agenda of the EU.

The first conclusion is that the Community Strategic Guidelines, and requirement for Member States to produce NSRFs, have had important influences on their strategic approach to economic development. There is evidence of increased coherence and coordination: across Structural Funds programmes (e.g. Germany); across policy sectors relevant for Cohesion policy, such as regional, RTDI, transport and environmental policies (e.g. new Member States); between EU and domestic

regional development policies (e.g. France, Italy); and between national and regional levels (e.g. Greece, Portugal). For some Member States, the NSRF represents the first time that a national economic development strategy has been formulated.

Second, it appears that there has been a significant shift towards Lisbon Strategy priorities in the NSRFs and OPs. Innovation, knowledge and entrepreneurship are given high importance in virtually all programmes, and are the primary fields of intervention among the Regional Competitiveness and Employment programmes. More emphasis is being placed on ICT (information and communications technology) interventions to improve broadband connectivity, quality and use of e-services, and there are strengthened synergies between environmental protection and growth, especially through investment in renewables, green technologies and products.

Third, it appears that programmes will largely comply with – and in some cases exceed – the earmarking requirements, including on a voluntary basis in the new Member States. Compared to spending in the 2000–2006 period, this would imply an increase in Lisbon-oriented spending by 10–25 percentage points across the EU25 Member States.⁴¹

Last, many of the OPs anticipate a stronger prioritisation of support, with the potential for more efficient and effective management of spending. This is evident in the focus on particular sectors or themes in the OPs, the concentration of some spending on growth poles, clusters and competitiveness poles (notably under innovation and entrepreneurship priorities), and the use of project generation, appraisal and selection systems to encourage larger projects and integrated packages of projects.

Notwithstanding these initial positive conclusions, there are some important caveats. Although the Commission services have been insisting on compliance with the CSG priorities and earmarking requirements, it is clear that some Member States at least (notably those with Regional Competitiveness and Employment programmes) were moving in the direction of stronger support for growth and jobs in any case by virtue of the objectives of their national regional policies.

Further, compliance with the earmarking obligations was eased significantly by the greater flexibility introduced into the Lisbon earmarking categories at a late stage in the negotiation of the regulations (for example, the inclusion of general aid for business). This had the effect of diluting the narrower focus on Lisbon originally proposed by the Commission. The scale of policy shifts may also be exaggerated by the “presentational

language” being used in some OPs to mask continued support for traditional regional policy goals under headings such as “innovation”, “economic competitiveness” and “knowledge economy”. It will therefore be necessary to examine spending in more depth once measures are being implemented.

In addition, the effectiveness of Structural Funds in promoting the Lisbon objectives depends on whether Member States undertake the (often much more important) regulatory reforms to capital and labour markets, strengthening national research and innovation policies and improvements to the business environment for entrepreneurship and SMEs. While the latest Commission implementation report⁴² indicates that some progress is being made with respect to the wider growth and jobs agenda, the loose linkage between many National Reform Programmes and NSRFs does not suggest that all Member States have a clear strategic approach regarding the contribution of Structural Funds to Lisbon.

Finally, from the perspective of those arguing for a continuation of Cohesion policy across the EU as part of the forthcoming budgetary review, it will be critical for Cohesion policy to be able to demonstrate that it is adding value to the Lisbon Strategy.⁴³ This is particularly important in those Member States likely to be arguing again for a rebalancing of the EU budget from Heading 1b (Cohesion policy) to Heading 1a (Competitiveness), such as the Netherlands, Sweden and UK. However, it is precisely in these Member States where the added value of Structural Funds may be less visible. As noted above, these countries are rationalising their management arrangements and subsuming the delivery of EU funding through domestic resource allocation channels (for national regional strategies and programmes). Unless Structural Funds are used for distinctive purposes, such as pilot initiatives or experimental projects, it may be difficult to determine where and how EU funding has made a difference.⁴⁴ Given that the regulatory obligations for Regional Competitiveness & Employment programmes to be evaluated have also become less strict in the new regulations, it may simply not be possible to identify the contribution of the Funds to the Lisbon Strategy in some countries and regions.

Notes

(1)

The paper refers to the Lisbon and Gothenburg agendas in relation to the strategic objectives agreed by the EU in 2000 and 2001 respectively. The paper refers to the Lisbon Strategy in relation to the relaunched “integrated growth and jobs” agenda agreed in 2005.

(2)

The research for the paper is based on a combination of sources. Desk research has involved a critical review of the NSRFs of all EU-27 Member States and a selection of 20 Operational Programmes (under both the Convergence and Regional Competitiveness and Employment objectives) in 13 countries. It has also involved semi-structured interview surveys with national and regional officials in 14 Member States responsible for Structural Funds programming, as well as Commission services, carried out in Autumn 2005, Spring 2006 and Autumn 2006 at key stages in the development of the new programming documents.

Research in 2005 was originally carried out for a background paper for the UK Presidency: Bachtler, J.; Gross, T.; McMaster, I.: *Delivering the Lisbon and Gothenburg Agendas. Paper for the UK Presidency Conference “Regional and Rural Development Programmes (2007–2013)”*. Newcastle-Gateshead, 7–8 November 2005. The 2006 research was carried out under the auspices of the IQ-Net programme and reported in: Polverari, L.; McMaster, I.; Gross, F.; Bachtler, J.; Ferry, M.; Yuill, D: *Strategic Planning for Structural Funds in 2007–2013: A Review of Strategies and Programmes*. IQ-Net Thematic Paper 18 (2006) 2; and Bachtler, J.; Ferry, M.; Méndez, C.; McMaster, I.: *The 2007–13 Operational Programmes: A Preliminary Assessment*. IQ-Net Thematic Paper 19 (2007) 2, EPRC Glasgow

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- (14) Presidency Conclusions of the Brussels European Council, 22–23 March 2005. Council of the European Union, Brussels, CONCL 1
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- (16) Growing Regions, Growing Europe, Fourth Report on Economic and Social Cohesion. Commission of the European Communities, May 2007
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(36)

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(37)

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(38)

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(39)

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(40)

The Commission's aide memoire for desk officers negotiating NSRFs and OPs highlights the importance of Member States complying with the earmarking requirement and raising the share of expenditure devoted to innovation, entrepreneurship and the knowledge economy. This is also evident in the critical comments made by the Commission services on early drafts of programming documents. Estonia was encouraged to be "openly more ambitious in the objective share of Lisbon oriented activities". In the case of Slovenia, the Commission noted that a more structured description of activities and objectives relating to R&D and the knowledge economy should be included. Similarly, the OP for Innovative Economy in Poland was required to more clearly demonstrate how 'R&D intensity' can be achieved.

Comments on an early draft of Poland's NSRF stated that in order to operationalise Poland's commitment to the Lisbon Agenda, targets and indicators should be made more coherent with Lisbon targets, using the Lisbon structural indicators. In relation to the Hungarian draft OP for economic competitiveness, it was noted that the approach to R&D needed to provide a more strategic blueprint for effective Structural Fund spending. Sources for the above are: European Commission: National Strategic Reference Framework, Hungary 2007–2013. Position Paper Commission Services, based on draft version of June 2006, 1.10.06, Brussels 2006; European Commission: National Strategic Reference Framework, Poland 2007–2013. 2nd Position Paper Commission Services, based on draft version of August 2006, 1.10.06, Brussels 2006; European Commission: National Strategic Reference Framework, Estonia 2007–2013. Working Draft Position Paper Commission Services, 13.10.06, Brussels 2006; European Commission: National Strategic Reference Framework, Slovenia 2007–2013. First draft assessment by DG REGIO and DG EMPL, 18.7.06, Brussels 2006

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(42)

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(43)

Growth, jobs and cohesion – ambitions for EU Cohesion policy. Keynote Speech by Mr Graham Meadows, Director-General for Regional Policy, European Commission, to the IQ-Net Tenth Anniversary Conference 'Strategic Planning for Structural Funds Programmes in 2007–2013' 27–28 June 2006, Glasgow

(44)

Apart from the general difficulties of determining the impact and added value of Structural Funds, there is the added complication that the budgetary review is already taking place in 2008–09 which does not provide time for EU funding to have made much of a difference.

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