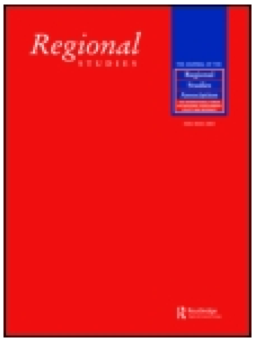

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The ‘added value’ of European Union Cohesion policy

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The 'Added Value' of European Union Cohesion Policy

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MAIRATE A. (2006) The 'added value' of European Union Cohesion policy, *Regional Studies* **40**, 167–177. As part of the wider debate on financing the European Union, the notion of Community 'added value' is being used to justify expenditure on Cohesion policy. Broadly, this is defined as the increased value resulting from Community action, and the extent to which intervention adds 'value' to the interventions of other administrations, organizations and institutions. The paper provides an assessment of the added value brought about by European Union regional policy on the basis of the past experience across Member States and regions. It discusses different aspects of added value with respect to impacts, economic integration, policy-making and programming, institutional developments, implementation, learning, and political awareness. It concludes by commenting on the proposed reform of the Structural Funds.

Added value Impact Integration Programming Reform

MAIRATE A. (2006) La 'valeur ajoutée' de la politique de cohésion de l'UE, *Regional Studies* **40**, 167–177. Comme partie intégrante du débat plus large sur le financement de l'UE, on se sert de la notion de 'valeur ajoutée' communautaire afin de justifier la dépense pour la politique de cohésion. En gros, cette notion-là se définit comme l'augmentation de la valeur qui résulte de l'action communautaire et le point jusqu'auquel l'intervention 'ajoute' de la valeur aux interventions des autres administrations, organisations et institutions. En puisant dans les expériences antérieures des pays membres et des régions, cet article cherche à faire le bilan de la valeur ajoutée qu'entraîne la politique régionale de l'UE. On discute des aspects différents de la notion de valeur ajoutée par rapport aux impacts, à l'intégration économique, à la politique et à la programmation, au développement des institutions, à la mise en oeuvre, à l'apprentissage et à la sensibilisation politique. Pour conclure, on commente la réforme des Fonds structurels proposée.

Valeur ajoutée Impact Intégration Programmation Réforme

MAIRATE A. (2006) Der 'Mehrwert' der Kohäsionspolitik der EU, *Regional Studies* **40**, 167–177. Im Rahmen der umfassenderen Debatte über die Finanzierung der Europäischen Union wird der Gedanke eines Gemeinschafts'mehrwerts' dazu benutzt, Ausgaben für Kohäsionspolitik zu rechtfertigen. Allgemein gesprochen wird dies als Mehrwert definiert, der sich aus Handeln der Gemeinschaft ergibt, und als Ausmaß, in dem Eingreifen den Eingriffen anderer Verwaltungen, Organisationen und Institutionen Wert hinzufügt. Dieser Aufsatz legt auf der Grundlage früherer Erfahrungen in Mitgliedstaaten und Regionen eine Einschätzung des Mehrwerts vor, der durch die Regionalpolitik der EU bewirkt wird. Er bespricht verschiedene Aspekte des Mehrwerts hinsichtlich Auswirkungen, wirtschaftlicher Integration, Policy-making und Programmierung, institutioneller Entwicklungen, Implementierung, Lernens und politischen Bewußtseins. Er schließt mit Kommentaren über die beabsichtigte Reform der Strukturfonds.

Mehrwert Auswirkung Integration Programmierung Reform

MAIRATE A. (2006) El 'Valor Añadido' de la Política de Cohesión de la UE, *Regional Studies* **40**, 167–177. Como parte del amplio debate sobre la financiación de la Unión Europea, se está utilizando la noción de 'valor añadido' en la Comunidad para justificar los gastos de la política de cohesión. A grandes rasgos, constituye el valor aumentado como resultado de las acciones comunitarias y en la medida en que la intervención añade 'valor' a las intervenciones de otras administraciones, organizaciones e instituciones. En este artículo se da una valoración del valor añadido aportado por la política regional de la UE en función de las experiencias previas en los Estados Miembros y regiones. Se analizan los diferentes aspectos del valor añadido con respecto a los impactos, la integración económica, las decisiones politicas y la programación, el desarrollo de instituciones, la ejecución, el interés por el aprendizaje y la sensibilización política. Termino comentando la reforma propuesta de los Fondos Estructurales.

Valor añadido Impacto Integración Programación Reforma

JEL classifications: H70, O18, R58

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INTRODUCTION

As part of the wider debate on the financing of the European Union (EU), the notion of Community 'added value' is being used to justify expenditure on Cohesion policy. While views may differ on whether this policy should be carried out at EU level, and on the scale of budgetary resources for cohesion, there is a consensus among Member States that future interventions should seek to maximize their 'added value'. This is particularly the case outside Objective 1 areas where the amount of aid will be more limited (EUROPEAN COMMISSION, 2002, 2003). The basic proposition is that a justification exists when the action of Member States does not suffice to achieve the objective of cohesion – as set out in Article 158 of the Treaty – and when the intervention generates benefits for the Union as a whole. Therefore, the 'added value' of a policy involves a discussion of the *need* for such an intervention, i.e. its rationale and relevance, and its effectiveness in attaining its stated objectives (MAIRATE and HALL, 2001).

Structural and Cohesion Funds are instruments to promote economic and social cohesion, but they do not act in isolation. They are intimately embedded in a wider, multilevel governance system that involves multiple actors and institutions (HOOGHE and MARKS, 2001). In such a context, evaluation can play a decisive role in shedding light on the added value of different programmes, and contribute meaningfully to the decision on whether it is appropriate for a given programme to be conducted at the European level. The added value of Cohesion policy is directly related to the benefits stemming from interventions on the ground. There is a legitimate concern about the extent to which Community expenditure has had direct beneficial effects on competitiveness and employment in the regions. Therefore, measuring these impacts is of utmost importance in order to meet growing demands of accountability vis-à-vis the budgetary authorities, and thereby European taxpayers, about the use of Structural and Cohesion Funds.

It is difficult to provide an uncontroversial definition of the concept of added value and set out its related evaluation criteria (EUROPEAN COMMISSION, 2001a; BACHTLER and TAYLOR, 2003). This concept cannot readily be identified with impact, and in some cases the two concepts should be separated (EPRC and FRASER ASSOCIATES, 2002) and considered in relation to costs (ECOTEC, 2003). As a first approximation, 'added value' can be defined 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, 2001a, p. 4). It involves an 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.

Assessing the added value of large, complex programmes based on a wide range of objectives and actors is a difficult task. Evaluation criteria need to take account of factors that influence the added value in particular contexts, such as the scale of the interventions, administrative capacities and learning processes (Table 1). Perceptions of added value also differ according to different levels of government, between organizations within and outside the EU regional policy system, and even between actors within the same programme, depending on their position and interests (BACHTLER and TAYLOR, 2003).[1] Likewise, it is important to assess added value as a continuing process, as its perception may vary over time.

To identify the principal elements of added value, the following questions need to be addressed:

- Has Cohesion policy produced direct economic benefits of a sufficient scale in Member States, the regions assisted and for the Union as a whole with regard to the objectives and means?
- To what extent has it supported greater integration into the Internal Market?
- To what extent is Community intervention necessary to pursue the methods initiated in 1989, notably multi-annual programming and partnership?

Table 1. Added value of the Structural Funds

Determinants	Target regions
Cohesion	Reduction in economic and social disparities
	Macro-economic impact in large beneficiary countries
	Creation/safeguard of jobs
	Large linkages/accessibility gains (TENs)
	Improved environmental performance
	Business start-ups
	Higher education levels
	Research/Information Technology capabilities
Policy	Additionality of European Union expenditure
	Private-sector leverage
	Stable medium-term framework
	Higher profile of regional policy
	Strategic coherence
	Innovation in policy
	Resource allocation process
	Horizontal themes
Implementation rules	Partnership arrangements
	Project generation, appraisal/selection
	Monitoring systems/frameworks
	Evaluation culture
	Audit/control
Learning	Exchange of experience
	Networking
	Dissemination of good practice
Visibility	Enhanced participation of local actors, businesses and civil society

Table 2. Factors influencing added value

Factors	
Scale of programmes	Highest impact and added value in Cohesion countries but need to ensure greater coherence and proportionality in smaller beneficiary areas
Administrative systems	Variety of approaches in resource allocation, i.e. driven by national priorities versus scope for innovation
Maturity (the 'learning curve')	Different stages of programming experience, i.e. from institutional setting to consolidation
Multilevel governance	Different perceptions related to proximity to the programme and at project level

- Has Cohesion policy been sufficiently visible and close to citizens?

This paper provides an assessment of the added value brought about by EU cohesion policy. On the basis of the experience across Member States and regions, it discusses the different aspects of added value, with respect to each of the following: cohesion impacts (the second section), economic integration (third section), policy-making and programming (fourth section) and institutional developments, implementation of regional programmes, regional policy learning and political awareness (fifth section). Finally, some concluding remarks are made on the European Commission's proposed reform of the Structural Funds (sixth section).

ACHIEVING COHESION OBJECTIVES

In policy and budgetary discussions the added value of Cohesion policy is often addressed in global terms. However, from an evaluation perspective, it is necessary to address this issue by considering differences in the content and scale of assistance between those interventions supporting less-developed regions and those for regions with structural problems of economic conversion and competitiveness (see Table 2).

Less-developed regions

Cohesion policy aims to promote the development and structural adjustment of less-favoured regions. It is based on a shared competence between the European Union, Member States and regions. The policy is also based on redistribution: the method of distributing funding concentrates more than two-thirds of the funds on the poorest regions, which comprise about one-quarter of the European population but less than 20% of EU Gross Domestic Product (GDP). However, it also performs a key *allocative* function, in that it contributes towards high levels of investment in physical and human capital in order to improve competitiveness and the long-run growth potential.

Any evaluation of the Structural Funds should seek to assess their contribution, along with that of national matching funds, to economic and social cohesion, as measured by the reduction in disparities of income levels among regions. Structural and Cohesion Funds have been a driving force in the process of economic growth and convergence in the largest assisted countries and regions (the so-called 'Cohesion countries'). In the three Cohesion countries (Spain, Greece and Portugal), GDP per head, expressed in purchasing power standards, has grown to 81% of the Community average in 2001. Ireland has seen its GDP per head double over the same period, from 64% in 1988 (the same level as Calabria) to 117% in 2001. Since 1994, GDP growth has been 1 percentage point above the Community average in Spain, Greece and Portugal (until 2001), and four times higher in Ireland. These are remarkable performances as they have taken place in a context of macroeconomic stability, i.e. low inflation and interest rates.

In Objective 1 regions, the gap in GDP per head compared with the Community average has been reduced by one-sixth between 1988 and 2001. GDP per inhabitant has grown from 63 to 70% of the average of the EU-15. Certain Member States and regions, particularly Ireland, the eastern German *Länder* and Lisbon have registered significant advances in productivity compared with other Objective 1 regions, with an average growth for all Objective 1 regions of 1.5% between 1994 and 2001 compared with 1% for the entire EU (European Commission, 2004a). In terms of convergence, recent research shows that Objective 1 regions have converged much faster than the rest of Europe, with the greatest catching-up taking place between 1994 and 2001 (Cambridge Econometrics, 2003; Leonardi, 2005).

Macro-economic studies based on economic models show significant impacts. Between 1989 and 1999, the increase in the level of GDP due to Structural Funds interventions was near 10% in Greece and 8.5% in Portugal above the baseline level (European Commission, 2001b). The impact is less pronounced in Ireland and Spain (3.7 and 3.1%, respectively) due to lower allocations as a percentage of GDP. For 2000–06, further gains are expected, with a projected increase in the level of GDP of about 6.0% for Greece and Portugal and 2.4% for Spain. In the German *Länder*, simulations suggest an increase in the level of GDP (compared with a no-intervention scenario) of 4.0% in 2006. In all cases, long-term improvements are expected, due to supply-side effects that would last after the end of the funding period.

Community interventions have had a significant leverage effect on the level of investment in Portugal (24%), Greece (18%) and Ireland (12%) during 1994–99. This effect has taken the form of an increase in the stock of physical capital in the order of 15% in Portugal and 6% in Greece. The stock of human capital has grown by 20% in Portugal and 12% in

Ireland. Employment effects appear to be significant but more limited, especially when externalities translate into productivity gains (BRADLEY, 2002).

Although the effectiveness of Cohesion policy tends to be judged on its contribution to growth and convergence, it is equally important to consider its effect on long-term 'competitiveness'. This is because some regions may appear to converge in terms of increasing their relative levels of GDP per capita, simply because of purely redistributive policies that boost economic activity in the short-term or due to migratory pressure on labour markets. As regards the key factors that determine competitiveness, substantial progress has been made in the area of basic infrastructure as well as in other sectors where territorial imbalances are particularly pronounced, such as research and development (R&D), access to the information society, and continuing education and training opportunities.

Most of these actions have a high Community added value, as they help to lay the foundations for competitiveness and growth. In relation to transport, substantial progress has been made in closing the gaps in terms of upgrading large infrastructure networks.[2] In Cohesion countries, the density of the motorway network has increased from 80% of the EU average in 1991 to 110% in 2001, with gains in journey times of the order of 20–30%. The modernization of the rail network has been slower, but with notable progress in terms of electrification: the proportion of electrified lines has risen from 48 to 56% in Spain and doubled in Portugal to exceed 30% in 2001. Public–private partnerships schemes have been introduced in some large projects (e.g. the Vasco de Gama bridge in Portugal and the Drogheda motorway in Ireland).

The environment is also an essential area for improving the attractiveness of regions and retaining a highly qualified workforce. Progress is notable in terms of raising standards, especially in the Cohesion countries. Between 1989 and 1999, the population connected to water supply systems increased from 65 to 95% in Portugal and reached 50% in Greece; and the population connected to waste-water treatment plants increased from 50 to 90% in Portugal and from 44 to 80% in Ireland, while in Greece it reached 53%.

Support to the productive sector is vital for providing capital investment to smaller companies in different sectors to increase productivity and promote regional development. It represents more than one-third of the volume of resources, of which nearly 20% is in the form of direct aid to industry. Several evaluations point to high 'dead weight' in state aids, which in fact represents a loss of efficiency in the use of public resources. The mechanisms of support have been diversified towards more horizontal measures and financial engineering, giving rise to an increased leverage effect on private investment. A notable example is the co-financing of the Special Investment Funds in Merseyside and South Yorkshire in the UK.

As regards R&D and the information society, the stronger emphasis placed on integrated innovation strategies and the interaction of universities and research centres with the business sector has strengthened the drive for competitiveness. It has also facilitated integration with the rest of the world in many areas that were previously isolated Likewise, the greater diffusion of services, and applications of the information society to small- and medium-sized enterprises will contribute to the same aim of opening-up new economic opportunities in remote and disadvantaged areas. Finally, the European Social Fund has stimulated the development of human resources and facilitated a better response to labour market needs and employment opportunities. It has contributed to the productive capacity of weaker regions, e.g. in Germany it has co-financed 20% of enterprise start-ups. It supports the adaptation of workers and the introduction of new forms of work organization to foster innovation in the business sector (e.g. in Denmark). Initiatives have also been implemented to place unemployed or socially excluded people into work (e.g. the 'Pathways to Integration' in Merseyside).

Interventions outside Objective 1 regions

Apart from the aid allocated to Objective 1 regions, the Structural Funds contribute to the support of economic development in other regions that face structural problems of competitiveness.[3] Evaluations show that Community interventions have helped alleviate the economic decline of industrial and rural regions. Between 1995 and 2001, unemployment in these regions decreased by 1% more than for the rest of the Union. The reduction was particularly evident in areas with a strong presence of traditional industries (accounting for 40% of total employment), where employment losses were offset by the creation of new jobs, particularly in services. However, growth was slightly weaker than for the entire Union (2.1 compared with 2.4%), which suggests that the decline was not arrested. The combination of weaker growth and a stronger increase in employment implies that productivity has grown less in Objective 2 areas than in other parts of the Union.

Evaluating impacts in these areas is a rather difficult endeavour. Based on 'bottom-up' data gathered at the project level, *ex-post* evaluations conclude that nearly 500 000 net jobs were created or safeguarded in the assisted areas. Most of the jobs have a long-lasting character due to the high number of small- and medium-sized enterprises supported (about 300 000), with improved production methods, access to new services and economic opportunities (CENTRE FOR STRATEGY AND EVALUATION SERVICES, 2002). As a result, the leverage effect of Structural Funds on the private sector was generally significant, with 40% of the total resources mobilized (compared with 18% in Objective 1 programmes).

FOSTERING ECONOMIC INTEGRATION

Before the existence of a well-funded EU Cohesion policy, the regional and cohesion policies of several Member States were rather limited both in scope and in the resources allocated to economic development. It was, therefore, difficult to tackle problems of competitiveness linked to the internal market, or those issues that had a genuine European character. The most common view was that Structural Funds were set up to offset the 'risks of regional imbalance in the course of market liberalisation' and that 'adequate measures are required to speed adjustment in structurally-weak regions and countries' (PADOA-SCHIOPPA, 1987, p. 5). However, this is a partial view, since it would support budget transfers between countries for the purpose of redistribution, but which may have no effect on EU added value. Indeed, a transfer of financial resources from the richest to the poorer regions would lead to a loss of output at the EU level, since the latter are less productive than the more prosperous ones and have lower returns on investment.

European economies are becoming more closely integrated, as reflected in growing trade and investment flows. This has been actively promoted by EU policies, in relation to the completion of the internal market, the introduction of a common currency and enlargement. Structural and Cohesion Funds also contribute to closer economic integration by stimulating trade flows and influencing the location of economic activity through major infrastructure networks in the least developed areas. Trade between the Cohesion countries and the rest of the EU has more than doubled over the past decade. Part of this increase reflects the gains to other countries from the Structural Funds support to less-favoured regions. Estimates from input–output tables suggest that around one-quarter of this expenditure returns to the EU through increased exports (especially machinery and equipment) as GDP and investment grow. These 'leakage' effects are particularly large for Greece (42% of Structural Funds aid) and for Portugal (35%) (BEUTEL, 2002).

A substantial share of Structural and Cohesion Funds is allocated to transport infrastructure, which both affects the location of industry, by increasing the attractiveness of the regions concerned, and boosts economic activity, by increasing earnings and real incomes. Simulations of the effects of a range of transport projects financed by the Cohesion Fund suggest that income gains can be significant. The combined effect of the Egnathia and Pathé motorway projects, for example, added an estimated 9% to income in east Macedonia (LONDON SCHOOL OF ECONOMICS, 1999). Taking account of the wider effects of structural intervention in reducing production costs in the regions concerned – not only through reducing journey times, but also through higher productivity resulting from the strengthening of the productive potential of the economy – other simulations have shown further increases in GDP, which is estimated to be 3% higher in Andalucia and around 2% higher in the Mezzogiorno in 2006 as a result of co-financed programmes (REMI, 2003).

Structural Funds also promote the location of intensive R&D activities and the development of the network economy in less-favoured regions in order to encourage a more balanced distribution of activities across European regions. It is a view challenged by some economists on the grounds that it distorts regional specialization (MIDELFART-KNARVIK and OVERMAN, 2002), but in regions where research and innovation develop, it can create a 'snowball effect' of new economic activities. In the regions hit by industrial decline, EU support has accompanied the restructuring process and management of economic change. The weak specialization of these regions makes them vulnerable to asymmetric shocks, e.g. in the Euro. By focusing on factors determining long-term competitiveness, Structural Funds can also strengthen their capacity for adapting to economic change and to innovate.

The environment is an important factor to improve the quality of life for citizens, and it is key for promoting the attractiveness of regions and for retaining a highly qualified workforce. Structural Funds have an important leverage effect in terms of ensuring better compliance of Community legislation in this area, and encouraging the introduction of the 'polluter pays' principle through appropriate pricing systems, e.g. in the water sector. Finally, the Structural Funds have been an important factor for integration, through INTERREG programmes, in opening up the possibilities of cooperation between border regions.[4] These programmes have initiated processes of cooperation between regions based on trans-nationality. In so doing, INTERREG has contributed to greater cohesion and integration by reducing the impact of national, economic and cultural barriers (LRDP, 2004).

POLICY AND PROGRAMMING: HELPING THE REGIONS TO THINK STRATEGICALLY

Multi-annual programming is an essential element for maintaining long-term added value.[5] It has facilitated greater strategic planning, especially at the regional level, which in many countries was a neglected aspect of regional development. From a financial perspective, multi-annual programming gives rise to a greater stability in the availability of funds for economic development than does annual budgeting. This is particularly relevant to major infrastructure investments that take years to complete, but also for businesses that operate in a context of great uncertainty.

The EU provides important, additional support for promoting economic development, especially in the least-developed Member States and regions (EUROPEAN COMMISSION, 2005a). While public budgets represent between 30 and 60% of national GDP, only 2% of the available resources are directed towards investment in physical and human capital. However, the leverage effect of the Structural Funds is greater when it does not crowd out national funding, and when it is not awarded to projects that would have taken place anyway. In this regard, it is important to note that total public investment (net of the Structural Funds) has increased significantly in Ireland (66%), Greece (24%) and Portugal (18%) over the last two programme periods. In more developed countries, the availability of EU funds has influenced the level of national public expenditure. In Austria and Sweden, regional policy has a higher political profile and the public expenditure for regional policy has increased significantly – by 36 and 14%, respectively.

It is also important to note that the need to provide national co-financing has 'protected' expenditure for economic development from budgetary pressures. This leverage effect is particularly significant in areas such as R&D, where public expenditure is concentrated in the more developed regions. While EU funding is a relatively small component of most local authorities' capital budgets (less than 10%), in the UK it has provided a significant proportion of the funding available for major regeneration projects (MARTIN, 1997a). Experience to date shows there has been a progressive increase in the quality and coherence of programmes, with more systematic and in-depth socio-economic analyses, better quantified objectives, explicit links between measures and programme goals, and *ex-ante* evaluations, which provide iterative feedback to programme actors (BACHTLER and TAYLOR, 2003).

As programming experience increases, it can be associated with institutional change at the level of the Member State. In several countries there is evidence that the multi-annual programming approach has been transferred to national policies. In France, the *Contrats de Plan Etat-Régions* have adopted the same period and similar policy instruments; and in Italy, the 'territorial pacts' promoted by the Commission were generalized to all areas as policy tools for area-based initiatives. In Germany, there was a gradual adaptation of the *Gemeinschaftsaufgabe* to the Structural Funds approach. In other countries, domestic regional policies adopted a multi-sectoral, integrated approach, as in Finland and Sweden (Regional Growth Agreements) and in England (Regional Economic Strategies).

The benefits of this approach have become clearer over time as Member States' capacity to plan programmes over a number of years has developed. Research based on the experience of Objective 2 programmes (BACHTLER and TAYLOR, 1999, 2003) has shown that there are different stages in the evolution of programmes. When Structural Funds were implemented for the first time (e.g. over the 1989–93 period), programme authorities tended to give priority to setting up the basic management systems and financial absorption. In subsequent phases, the scope for generating added value was increased by introducing new ideas and developing more sophisticated systems of programme management, project selection and monitoring. However, the Objective 2 research also showed that as programmes mature, it may be more difficult to increase added value further, as the basic structures and systems become embedded, partnership working becomes routine and there is even a danger of 'stagnation'. Thus, in many Objective 2 programmes the main challenge is how to maintain the capacity to generate ideas and ensure long-term added value.

There is extensive debate about whether and how the Structural Funds have influenced domestic policy priorities. Evaluations provide mixed evidence across the Union. A case where Structural Funds were influential is Ireland, where Structural Funds were not used to support business development, particularly aid schemes to attract inward investment, while this area was considered as a priority for national development. Conversely, in Spain, there were few changes to the original national priorities, but the Funds provided additional funding for certain types of investment (e.g. large transport networks, research and information society). Even outside Objective 1 areas, where the range of priorities is less broad, the Structural Funds can still support a variety of activities in a single programme framework, ranging from business development to basic infrastructure, training and technology measures. In France, an evaluation report recommended 'to avoid too small projects and to focus on larger projects while earmarking funds for rural areas and experimentation promoted by the Commission' (COMMISSARIAT GENERAL DU PLAN, 2003).

While reinforcing domestic policy priorities, the European Commission has had an influence, using the Structural Funds as a lever to contribute to the objectives and priorities defined at the EU level. This was the case for 'horizontal' priorities, such as environmental sustainability, gender equality and, more recently, the 'information society'. More recently, there has been an increased emphasis on measures to foster competitiveness, including entrepreneurship and innovation, in line with the priorities set out in the Lisbon Agenda. As a result, more resources were devoted to these areas, and without the Structural Funds the incentive to address these issues would, in most cases, have been far weaker. There is scope for policy innovation, by transferring practices from other programming areas (e.g. the integration of urban regeneration policies) or testing new policy instruments (e.g. the integrated territorial programmes in Italy). The stability of the policy environment has enabled these kinds of action to take place, and to be embedded into the wider programming framework.

The main substantive criticism of programming is that some programmes tend to cover a wide range of activities, resulting in a lack of coordination and coherence between the different priorities (ECOTEC, 2002). Some programmes have complex programme structures with a large number of measures, e.g. in the Netherlands, where there are as many as 53 measures. However, despite the complexity, the strategies have been largely viewed as appropriate by the European Commission, and little change was made over the period. Further, there is sufficient flexibility to introduce new activities to accommodate new demands, although programming procedures have often proved excessively onerous in administrative terms, especially in the case of smaller programmes.

QUALITY OF THE DELIVERY SYSTEM: RAISING EFFECTIVENESS

The rules and procedures governing the Structural Funds have been described as 'one size fits all', but evaluations and other studies demonstrate the great diversity of practice that exists, as well as the growing capacity of authorities to manage the funds. Broadly, different approaches are followed in the Member States according to their institutional contexts, administrative systems and economic development policies.

The main added value of the Structural Funds is seen by the representatives of some Member States as the capacity to enforce rules and transfer methods and good practice (BARCA, 2002). This is important in countries with weak administrative systems, or where the Structural Funds have contributed to a more decentralized institutional framework. Expertise in implementing programmes has grown as experience has been gained. Over time, requirements have been specified more clearly in the regulations, with the roles and responsibilities of the Commission, national governments and regional authorities being defined in more detail. Achieving the right balance between rigorous management, with the administrative costs involved, and the effectiveness of programmes is still a key challenge for future programmes (ÖSTERREICHISCHES INSTITUT FÜR RAUMPLANUNG, 2003), as the following discussion illustrates.

Improving governance through territorial partnerships

Over the last 15 years, partnership has been widened and deepened, and in certain cases it has developed beyond the Structural Funds. While partnership was conceived primarily as the vertical relationship between the Commission and national, regional or local authorities, the horizontal dimension of partnership – including a wide range of stakeholders at local, regional and national level – has grown over time. In the UK, Community interventions have enlarged partnership to new organizations previously little involved in economic development programmes. Opportunities have thus been created to guarantee resources additional to existing budgets to local authorities and other voluntary organizations to respond to particular development needs.

When it works effectively, partnership adds value. In programme design it helps to focus interventions on the needs of the region or particular target groups. It also stimulates ideas for projects through the partners communicating opportunities in relation to Structural Funds requirements. It provides inputs to the monitoring process through knowledge of the operation of the programme on the ground, so helping to identify solutions to problems of implementation. It facilitates consensual decision-making between partners and ensures that a broad range of views is brought to bear on the evaluation process. Finally, it helps disseminate information on the Funds and the impact on the area concerned more widely.

Partnerships can also have a significant impact on local governance, as long as it is seen by the partners as a way of genuinely contributing to economic development, and not as a substitute for action (ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2004). Indeed:

> [A]ccording to a recent evaluation [i.e. TAVISTOCK INSTITUTE, 1999], the introduction of the partnership approach has encouraged the priorities of all the participants as a whole to be considered and reconciled, so resulting in more coherent policies, as well as the identification of a set of objectives which is shared by all those involved.
> (EUROPEAN COMMISSION, 2001c, p. 146)

However, effectiveness is linked to a clear delineation of roles and responsibilities, as well as a mutual, trust-based relationship between the partners. The 'Territorial Employment Pacts' provide a good example of effective partnership working. These initiatives add value to local development and employment generation by resource deployment at the local level; matching supply and demand; reduced administrative overlap; and encouraging the policies to be more clearly targeted (ECOTEC, 2001).

Partnership-working methods have activated dynamic processes that can lead to the stimulation of local investment and, in the long-term, to the creation of sustainable employment. The case of the Regional Innovation Strategies is significant in this respect; the establishment of these strategies led to the mainstreaming of innovative actions into Structural Funds programmes (e.g. in Wales, Scotland, Nord-Pas de Calais and Castilla-y-León). The networking involved in these initiatives, under the aegis of the Commission, has generated high added value through the intense processes of cooperation among actors (SOCINTEC, 2003). Over time, mainstream Structural Funds programmes have also entailed the greater involvement of social partners in programming and management. In line with the new governance approach put forward by the Commission in its White Paper (EUROPEAN COMMISSION, 2001c), there is scope to strengthen partnership as a condition for greater effectiveness of the programmes by giving partnership greater legitimacy, by ensuring better coordination and by increasing transparency. The benefits are particularly evident in European Social Fund programmes where many actors at the local level have become more directly involved in EU-funded programmes.

Overall, while there is broad agreement that partnership adds value to the effectiveness and impact of the Structural Funds, it also introduces new layers of complexity into the process of designing and delivering policies, which can slow decision-making. Hence, there is a trade-off between the additional complexity from partnership and the improvements in design and implementation that it can bring.

Strengthening management and accountability

In the current generation of programmes, the implementation of regional development strategies is based on more rigorous systems of management, monitoring, control and evaluation. These have been strengthened by incentive mechanisms, which have played an important role in relation to transparency and effectiveness, in particular by stimulating public authorities to deliver results.[6] However, in some cases, these mechanisms have produced adverse effects, e.g. by creating a risk-averse culture due to the financial rigidities – linked to payments or allocations of the Performance Reserve – instead of promoting high-quality and innovative projects, as well as financial engineering instruments.

Monitoring is a vital component of Structural Funds management, but experience suggests that the existing monitoring arrangements and practices (by 'monitoring committees') focuses overwhelmingly on issues of financial management, and in particular on trying to ensure the absorption of the Structural Funds resources, rather than on strategic management. This focus influences the decision-making process, contributing to a tendency for resources to be spent where their absorption is 'tried and tested', but which militates against more innovative approaches and strategic directions. The development of more strategic monitoring systems is one of the challenges for improving programme management. In this regard, it is important that the partnership role of the monitoring committees is recognized by managing authorities, and that they are not merely mechanisms for 'rubber stamping' the decisions taken elsewhere.

The mid-term evaluations of the current programmes have drawn attention to the poor quality of monitoring data (even if improvements are evident in a number of cases), and they have emphasized the need to have access to more meaningful information on the progress of implementation of the programmes (EUROPEAN COMMISSION, 2004b). Although monitoring arrangements have been strengthened over the current period, with an increased emphasis on the use of indicators and the setting of targets, there are still problems of a practical nature that have not been resolved. In particular, the monitoring indicators often lack a clear definition and proliferate in some cases, especially where programmes include a broad range of measures. In addition, monitoring systems are in many cases not fully operational, even 3 years after the start of the programme period.

The evaluation of Structural Funds programmes was developed and improved during the 1990s, leading to greater transparency and accountability in the management of the Funds. Whereas in 1988 the focus was mainly on auditing the operation of the Funds, it broadened to focus on the results achieved from actual expenditure. While all Member States undertake periodic evaluations on the use of the Funds at different stages of the programming cycle, and in some cases have introduced the practice in other policy areas, the way that evaluations are organized and implemented still varies across Member States, reflecting different traditions and cultures (POLVERARI and BACHTLER, 2004). A greater institutionalization of evaluation can be observed, particularly in Italy, and with the creation of specialized evaluation units in Ireland and Austria (i.e. 'Kap-Eva'). Furthermore, evaluation practice often extends to domestic policies (e.g. France).

Other benefits

EU Cohesion policy has opened a range of new opportunities for networking among local and regional authorities across Europe in order to exchange experience and generate ideas for new policy initiatives. Several Member States – Sweden, the Netherlands, Denmark, Austria, France, Spain and the UK – have established horizontal networks that bring together programme managers operating at a regional level, with a view to exchanging experience and good practice. These forms of cooperation would not have taken place in the absence of Community intervention. In Spain and Italy, thematic networks (e.g. networks of environmental authorities) have been put in place. The European Commission has also supported networks of exchange of experience at a European level (e.g. the 'IQ-Net' network that comprises 22 European programmes).

The availability of EU Cohesion policy resources has had potentially significant impacts on local institutional structures and policies (MARTIN, 1997b). There are signs of a wider appreciation of the implications of closer European integration among citizens, business and even local authorities that have not been traditionally active in EU policy-making. Citizens who perceive an improvement in their quality of life, e.g. in more efficient public transport or a better natural environment, acquire a more favourable view of Community action. The INTERREG, URBAN, EQUAL and LEADER programmes have contributed in this regard, to varying extents, in acting as a catalyst for new initiatives, which would not have occurred without community intervention. Finally, the Structural Funds have contributed to the promotion of peace and stability in regions where there have been sustained conflicts (the Peace Programme in Northern Ireland) as well as solidarity with regions affected by natural catastrophes (floods in eastern Germany and in the Czech Republic).

CONCLUSIONS

In accordance with the provisions of the draft Constitutional Treaty, the main challenges for economic and social cohesion after 2006 are to maintain European solidarity and promote balanced development across the enlarged Union in order to reduce economic and social imbalances. As such, Cohesion policy must tackle the causes of structural disparities through increased economic and social development and reinforced competitiveness in the supported regions.

The reform proposed by the Commission (EUROPEAN COMMISSION, 2004a) aims to strengthen the 'added value' of Cohesion policy through a combination of renewed policy and financial instruments, and a simplified and more effective implementation system. Added value will be enhanced by the strategic dimension of Cohesion policy, which will strengthen the link between financial instruments and the policy priorities of the Union through a more active contribution of the Structural Funds to sustainable growth, competitiveness and employment. The main thrust is to concentrate interventions in the Member States and regions on the basis of strategic guidelines established at Community level, and to bring Cohesion policy and its financial instruments in line with the implementation process of the Lisbon Strategy (EUROPEAN COMMISSION, 2005b). In this regard, the proposed annual debate at the Council based on a report prepared by the Commission should help to enhance transparency and the accountability of Cohesion policy.

Priority must be given to the least-developed Member States and regions of the European Union where the added value of Community interventions is generally acknowledged to be most evident, given the significant advances achieved during the last 15 years. Investment should be more concentrated on well-defined priorities that will ensure maximum impact in terms of growth and the well-being of the regions concerned. The first *ex-ante* evaluations undertaken on the impact of the 2007–13 financial package – based on the Commission's budgetary proposals – suggest an increase in the level of GDP by the end of the period of about 10% in most Member States. Part of these gains will be sustained beyond the end of the programme period, declining steadily thereafter, with the structural element transforming into additional growth. This represents a gain of between 40 and 60% of GDP in most of the least-developed countries, demonstrating the supply-side effects, which result in large part from an increase in factor productivity (BRADLEY and MORGENROTH, 2004). To the extent that they determine the effectiveness of interventions, strong emphasis will need to be placed on good governance and a strengthened administrative capacity.

Maintaining the Community character of intervention in regions outside of the least-developed regions and countries involves a different type of added value. To a growing extent, these regions are facing problems arising from economic and social restructuring, globalization and demographic changes, which often result in losses of competitiveness, employment and social cohesion. It is important to help these regions, which, although they are generally well-endowed with physical infrastructure and an urban environment, need support to exploit their potential for growth. In these regions, Community support – even if it is financially limited – provides a real added value to national and regional policies and financing due to a greater concentration on the promotion of new approaches and the reorientation of public and private investment towards priorities of Community interest (particularly innovation and the knowledge economy). Moreover, Community financing has a leverage effect that is unique in the Union in that it favours mutual learning and the diffusion of good practices across a diversity of national and regional contexts.

Finally, building on past experience, the future objective of territorial cooperation will be to support joint initiatives to improve networks on a trans-border and trans-national basis. The Commission has proposed the creation of legal entities, European Groups for Trans-border Co-operation (EGTC), that will oversee the implementation of trans-border programmes based on an agreement between national, regional and local administrations.

Experience has shown that the added value of the Structural Funds could be further improved by a more flexible and effective implementation system. Simplification of the management and delivery of the Funds will be introduced through a more transparent sharing of responsibilities between the Commission and the Member States. The principles of 'subsidiarity' and 'proportionality' in the implementation of Cohesion policy will be applied more strictly than in the past. This simplification will be facilitated by a reduction in the number of Funds and the stages of programming, the abandoning of 'micro-zoning' in regions outside Objective 1, clarification of financial management rules, and the introduction of proportionality in the areas of control and evaluation of interventions. A new Community 'Performance Reserve' has also been proposed by the Commission that will make funding partly dependent on performance, and provide a further incentive to contribute to the achievement of the Union's priorities.

In conclusion, the experience of Cohesion policy throughout the last 15 years has demonstrated its capacity to enrich national and regional policies, and its effectiveness in supporting economic and social development throughout the Union. The strengthened coherence between the intervention of the Funds and the objectives established at the European level in the framework of the Lisbon Strategy gives it a further strategic dimension and it will support and guide actions on the ground and help facilitate the sharing of experience.

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NOTES

1. Several organizations or departments have developed a concept of 'added value' as a basis for setting policy goals. For example, in 2003, the European Investment Bank set out three criteria (called 'pillars') for assessing its own added value: conformity of the bank's operations with EU objectives; quality and robustness of the investment project; and financial added value through long-term funding and financial engineering.
2. In Spain, about 2400 km of motorways and 3400 km of primary roads were constructed between 1994 and 1999, and 2500 and 700 km between 2000 and 2006. The high-speed rail network was extended from 623 to 1140 km notably with the Madrid–Barcelona–French Border link. In Portugal, several road links to the trans-European network were built and the rail network upgraded (Lisbon–Porto). In Greece, the completion of the two major motorways (Pathé and Egnathia) is foreseen before 2010. Several projects were completed to reduce congestion in metropolitan areas with the construction of metros in Lisbon, Porto and Athens. A number of ports and airports were also developed (e.g. Athens–Spata).
3. For 1994–99, for which *ex-post* evaluations are available, the Structural Funds amounted to €2.8 billion per year (compared with €3.2 billion for 2000–06), with an aid intensity of €44 per person (currently €41). Eighty-two regions, covering a population of 62 million inhabitants, i.e. 17% of the total EU-15 population, benefited from support under Objective 2. The aid was concentrated on business support (approximately one-quarter of the total); economic infrastructure, particularly the development of industrial sites (approximately 27%); vocational training (around 20%); and research and new technologies (nearly 10%).
4. Examples are the Spanish–Portuguese border with the bridge over the Guadiana River and the Huelva–Lagos motorway, and the Øresund bridge between Copenhagen in Denmark and Malmö in Sweden.
5. On this issue, see a detailed analysis by BACHTLER and TAYLOR (1999).
6. For example, the incentive mechanisms include the '$n + 2$ rule' and 'Performance Reserve' (see Batterbury in this volume).

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