



Assessing the Evidence: The Evaluation of Regional Policy in Europe

EoRPA Paper 04/5

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This paper has been prepared for the twenty-fifth meeting of the EPRC Regional Policy Research Consortium to be held at Ross Priory, Loch Lomondside on 3 - 5 October 2004.

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A revised version of this paper will be prepared
after the meeting.**

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September 2004

Preface

This paper examines the evaluation of national regional policies in Europe. It has been prepared by the European Policies Research Centre (EPRC) under the aegis of EoRPA (European Regional Policy Research Consortium), which is a grouping of national government authorities from countries across Europe. The Consortium provides sponsorship for the EPRC to undertake regular monitoring and comparative analysis of the regional policies of European countries and the inter-relationships with EU regional and competition policies.

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United Kingdom

- Department of Trade and Industry, London
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- Northern Ireland Department of Enterprise Trade & Investment, Belfast

The research for this paper was undertaken by EPRC in consultation with EoRPA partners. It involved a programme of desk research and fieldwork visits among national and regional authorities in Member States (notably in member countries of the EoRPA consortium) during Spring/Summer 2004.

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EPRC wishes to thank everyone who participated in the research. The European Policies Research Centre also gratefully acknowledges the financial support provided by the Sponsors of the EoRPA Consortium.

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Assessing the Evidence: The Evaluation of Regional Policy in Europe

Executive Summary

1. INTRODUCTION

Over the past two decades, there has been a revolution in the evaluation of regional policy. More so than ever before, regional policymakers in European countries are using evaluation to assess the effectiveness and efficiency of policy, to guide the design of new policies and to support the implementation of policy programmes and instruments. The aim of this paper is to explore the growing importance of evaluation within national regional policies in Europe. Focusing on the experience of selected countries, it discusses: the challenges of evaluating 'new' regional policies; the range of evaluation cultures, legal requirements and institutional arrangements for regional policy evaluation; the different aims, scope and timing of evaluation; and the relationship between policymaking and evidence in regional policy.

2. NEW REGIONAL POLICY AND EVALUATION CHALLENGES

Regional policy has undergone profound changes over the past decade, to the extent that it is possible to identify a new 'paradigm' or model of regional policy. The shift is evident at both European level and in the policies of individual countries. One aspect of new forms of regional policy is the greater importance accorded to evaluation. This reflects greater pressure for accountability in public spending as well as the desire of governments to improve policy design and management. However, the evaluation of new regional policies based on social capital, knowledge networks and institutional capacity is extremely complex. Challenges include: the increasingly intangible objectives of regional policy; the complexity of cause-effect relationships; the systemic nature of policy; the embeddedness of policy in the broader socio-economic context; the dynamism and flexibility of policy; and the increasingly active role of the regions in regional policy.

3. EVALUATION CULTURES, LEGAL REQUIREMENTS AND INSTITUTIONAL ARRANGEMENTS

The wide variety of attitudes across Europe to the evaluation of regional policy is conditioned by national differences in the 'culture' of evaluation, related to systems of law and administration. An important influence in some countries has been the EU (eg. in Austria, Finland, Ireland, Italy) where Structural Fund regulations have acted as a catalyst for a broader use of evaluation in domestic policies. In most countries, the evaluation of regional policy (and often of public policies more broadly) is embedded in the policy-making process through explicit legislative provisions. With respect to institutional arrangements, the responsibility for evaluating national regional policy is

generally exercised by the competent ministry or department that has the overall oversight and coordination functions for programming and implementation. In a number of countries, specific evaluation units have been set up to coordinate evaluation work and to provide technical support to those in charge of commissioning and undertaking evaluations.

4. EVALUATION APPROACHES

The aims of evaluation include: accountability; decision-making support, particularly with respect to resource allocation; instrument or policy targeting; identification of policy needs; impact assessment (at project, programme and policy level); the effectiveness and value for money of policy; and learning and lesson drawing (especially on procedures). The scope of regional policy evaluations covers studies of projects, specific instruments, programmes and policy as a whole. Methodological approaches encompass: qualitative research on processes; case studies of best practice; quantitative investigations of effectiveness (impacts), efficiency (cost per job), additionality, deadweight and displacement; and macroeconomic modelling. The timing of evaluations also varies. Some countries apply the *ex ante*, interim, *ex post* cycle characteristic of the Structural Funds, while others focus primarily on evaluations at the end of a phase or cycle of policy.

5. INFLUENCE ON POLICY- MAKING AND FUTURE CHALLENGES

The key trend in this paper is the fundamental change in attitudes to evaluation within regional policy. The community of policy-makers and administrators increasingly recognise evaluation to be part of the policy-making process. A higher volume of evaluation activity is underway in almost every country. There has been significant development in the 'capacity' to undertake evaluations and greater professionalism in the ways that the evaluation process is managed by government authorities. The questions arising from these trends are whether and how evaluation has an influence on policy. Two broad sets of conclusions emerge. First, evaluation generally does not play a major role in determining the overall direction of policy. Rather, evaluation is used to justify political objectives and policy choices. Second, evaluation can play a major role in decisions on policy processes or instruments – ranging from the rationale accorded to a policy, programme or scheme, or the policy mix chosen to achieve certain policy goals, to the operationalisation of specific instruments.

6. ISSUES FOR DISCUSSION

The review of evaluation practice conducted across Member States has identified several challenges associated with evaluation. Three questions provide a starting point for discussion and possible questions. First, how can evaluation respond to policy concerns and priorities, and yet at the same time retain its independence? Second, in the context of devolution, can evaluation become a new tool for effective subsidiarity in regional policy? How is it best organised in a devolved policy environment? Third, reflecting experience with EU policy evaluation, the principle of proportionality has been highlighted as one of the key elements of effective policy evaluation. How can the right balance be achieved between efforts and costs, for evaluation to be considered proportional?

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1. INTRODUCTION

Over the past two decades, there has been a revolution in the evaluation of regional policy. Whereas in the mid-1980s, a leading commentator could claim that the practice of regional policy evaluation in Europe was mainly dominated by the UK¹, there is now no EU Member State where the evaluation of regional policies, programme or instruments is not undertaken, if only to comply with EU requirements.

Indeed, it is the regulatory commitment to the evaluation of the Structural Funds, introduced in the 1988 reforms, which has been the major single influence on the expansion of regional policy evaluation. The increasing stringency with which the EU regulations have been enforced over the past decade, combined with investment in evaluation research, has progressively led to an increase in the scope and quality of Structural Fund evaluations; between 2000 and 2003, a complete cycle of *ex ante*, interim and *ex post* evaluations was undertaken covering every EU-funded regional development programme.

The EU evaluation experience has had a clear impact on the evaluation of *national* regional policies in terms of commitment, concepts, organisation and methods. More so than ever before, regional policymakers in European countries are using evaluation to assess the effectiveness and efficiency of policy, to guide the design of new policies and to support the implementation of policy programmes and instruments.

These trends have not gone unquestioned. The complexity of regional development processes and patterns, and the multiple streams of intervention from public organisations and policies, mean that disentangling the cause and effect of specific programmes or measures is highly problematic. Criticism has been levelled at the reliance on evaluation techniques which, because of methodological and data limitations, can actually yield little insight into the real impact of policies.

The aim of this paper is to explore the growing importance of evaluation within national regional policies in Europe. Focusing on the experience of selected countries, it reviews the challenges of evaluating 'new' regional policies (Section 2) and the different evaluation cultures, legal requirements and institutional arrangements for regional policy evaluation (Section 3). It then discusses the different aims, scope and timing of evaluation and highlights selected regional policy evaluation studies conducted in recent years (Section 4). A key question is the relationship between policymaking and evidence in regional policy (Section 5): to what extent does evaluation influence the direction, scope or shape of regional policies or individual instruments? Lastly, some issues for discussion at the EoRPA meeting are identified (Section 6).

¹ Wadley D (1986) *Restructuring the Regions: Analysis, Policy Model and Prognosis*, OECD, Paris.

The paper is based on country-specific desk and fieldwork research carried out by EPRC. Fieldwork research involved semi-structured interviews with two groups of actors for each country under analysis: (i) policymakers, ie. officials from the evaluation units of the Ministries in charge of regional policy and senior officials in charge of regional policy coordination; and (ii) representatives of the evaluation community, such as evaluators, academics and active members of national evaluation societies. In some cases, regional-level actors were also interviewed. It should be stressed that this study is not a meta-evaluation and has not entailed a comprehensive, comparative review of regional policy evaluations carried out in the countries under investigation. However, a sample of recent national evaluation reports is included in the study with a view to obtaining an understanding of the use that is made of evaluation in the field of regional policy.

2. NEW REGIONAL POLICY AND EVALUATION CHALLENGES

2.1 New Regional Policy

Regional policy has undergone profound changes over the past decade, so much so that a new 'paradigm' or model of regional policy has been identified.² According to this model, regional policy:

- targets both equity and efficiency at the same time, shifting the policy focus from redistribution to competitiveness;
- favours supply-side instruments and bottom-up local economic development initiatives;
- embodies a stronger spatial but also thematic/sectoral targeting of resources, whilst at the same time reducing the use of regional aid in eligible areas;
- is implemented and delivered by different (broader) actors and mechanisms, according a greater role to local public and private actors;
- revolves around a multi-annual strategic framework; and
- pays increased attention to value for money, by making increased use of evaluation.

Recent OECD work corroborates the thesis of a radical change in recent regional policy thinking. Pezzini observes that, in most OECD countries, regional policy has been moving in recent years along three trajectories:³

- "from spatial redistribution to regional competitiveness - *the focus is no longer on the reduction of disparities per se, but rather on the potential regions can offer to enhance regional growth*;
- from a sectoral approach to place-based policies *that take a more cross-disciplinary approach to economic development*;
- from subsidies to indirect supports for local economic environment *that substitute direct payments with investments and measures to improve the quality of the local environment.*"

In essence, regional policies have gradually moved from a redistributive to an endogenous growth approach, based on the mobilisation of local material and immaterial assets, in line with theories such as the 'new economic geography' and 'new regionalism'. According to these theories, it is the stock and exploitation of regional 'capital' and 'potential' which are crucial for competitive advantage and

² Bachtler J and Raines P (2002), A New Paradigm of Regional Policy? Reviewing Recent Trends in Europe, Paper for 23rd Meeting of the EoRPA Regional Policy Research Consortium, European Policies Research Centre, Ross Priory, 7-8 October. Bachtler J (2003) 'The Implementation of EU Regional Policy: Experience from EU-15 Member States', in V. Benč (Ed.) Readiness of the Candidate Countries for EU Regional Policy, Slovak Foreign Policy Association Conference Almanac, 3-5 November 2003, Bratislava.

³ Pezzini M (2003) Meeting Summary, Meeting of the EU Sub-Committee on Spatial and Urban Development, Brussels, 18 February 2003.

which play a role in making “*the investment in one region more effective than in another*”. These include factors such as:⁴

“geographical location, the size of the region, climate, natural resources, quality of life, economies of scale, including all the factors that can reduce ‘transaction costs’ (access to knowledge etc.) [...] local and regional traditions and customs, the quality of governance, mutual trust and informal rules that enable economic actors to work together under conditions of uncertainty. Lastly there are intangible factors, the ‘something in the air’ that results from a combination of institutions, rules, practices, producers, researchers and policy-makers and that makes a certain degree of creativity and innovation possible, a condition often referred to as ‘quality of the milieu’” (p. 8).

Based on these conceptual premises, contemporary regional policies have become cross-sectoral and comprehensive in their scope. Quoting Zonneveld and Waterhout again⁵:

“There is not much point [...] in focussing on just one or a handful of aspects of a region’s territorial capital”.

There are many examples of regional policies featuring the above characteristics in policy documents at all levels: European, national and even regional. At EU level, the new regional policy paradigm is at the heart of the Commission’s proposals for future EU regional and cohesion policy. In the Third Cohesion Report,⁶ disparities are considered to be caused by, and rooted in, the structural deficiencies of regions in key competitiveness factors, namely the lack of adequate physical, environmental, social and human endowments, of innovation capacity and of entrepreneurial vocation. This translates into a strategic approach whereby the strengthening of regional competitiveness across the Union is seen as crucial for reinforcing the economy as a whole, as well as for limiting the risks of bottlenecks and congestion that are implied by a concentration of economic activities.⁷

The goals of the Lisbon agenda, approved in March 2000, also contribute to shaping national regional policies along the lines of the new regional policy model. Emphasis is placed on competitiveness – the objective being to make the EU the most competitive and dynamic economy in the world -- within the framework of sustainable development and social inclusion.

The shift towards the new regional policy paradigm is equally evident in the policy documents of individual countries. In the UK, for example, the concept of potential is at the core of regional policy:⁸

“Regional policy is not just about the poorest areas. To improve the UK’s long-run growth and prosperity, it is essential that every nation and region of

⁴ Zonneveld and Waterhout in Faludi A (ed.), *Town Planning Review*, Special Issue, forthcoming.

⁵ Ibid.

⁶ CEC (2004) *A New Partnership for Cohesion: Convergence, Competitiveness, Cooperation*, Third Report on Economic and Social Cohesion, Commission of the European Communities, Brussels

⁷ Polverari L (2004) *European Regional Policy and Territorial Cohesion. Economic and social cohesion across space or balanced territorial development?* Paper presented to the ECPR Workshop: European Spatial Politics or Spatial Policy for Europe? Uppsala, 13-18 April). Polverari L and Bachtler J (forthcoming), ‘The Contribution of European Structural Funds to Territorial Cohesion’, in Faludi A (ed.), *Town Planning Review*, Special Issue, forthcoming.

⁸ HMT, DTI, ODPM (2003) *A Modern Regional Policy for the United Kingdom*, HM Treasury, Department of Trade & Industry, and Office of the Deputy prime Minister, United Kingdom, March 2003.

the UK performs to its full economic potential. That is why a modern regional policy must focus on improving the economic performance of every nation and region, by tackling the diverse market and social failures that are hindering their performance, and promoting opportunities for all."

Similarly, in Italian regional policy, the policy for the 'depressed areas' of the country (as the assisted areas were called until recently) has lately become policy for the 'under-utilised' areas. This terminological change underlines a shift from state aids and sectoral interventions towards measures to improve the business environment – material and immaterial investments to enhance the production of quality services of general interest.⁹

Such approaches also increasingly inform policy statements and documents produced in the new Member States. For example: *"the Czech Government, like other Governments in the OECD Member States, is changing from traditional policies based on subsidies, state aid and redistribution, to the development of strategies assessing the capacities of a region".*¹⁰

2.2 Implications for Evaluation

One aspect of the new forms of regional policy which now operate is the greater importance accorded to evaluation. This reflects broader trends for public bodies to be more accountable for government expenditure and of governments requiring evidence to improve the management and delivery of policies. Integral to the new regional policy paradigm is also the need for better understanding of how regional economies function and the effectiveness of different combinations of policy inputs.¹¹

However, the evaluation of new regional policies based on social capital, knowledge networks and institutional capacity is extremely complex. This is summarised well by Diez¹² who identified six characteristics of regional policy that pose significant challenges to evaluation, namely:

- the fact that regional policy has increasingly intangible objectives;
- the complexity of cause-effect relationships;
- the systemic nature of policy;
- the embeddedness of policy in the broader socio-economic context;
- the dynamism and flexibility of policy; and
- the increasingly active role of regions in regional policy.

All these elements imply a need to overcome the traditional dichotomies between 'formative' and 'summative' evaluation – that is between evaluations which focus on process and those which concentrate on impacts – in favour of an approach which

⁹ Ministero dell'Economia e delle Finanze, Dipartimento per le Politiche di Sviluppo e Coesione (2004) *Rapporto Annuale 2003 del Dipartimento per le Politiche di Sviluppo sugli interventi nelle aree sottoutilizzate*, 31 January 2004, p. VII.

¹⁰ Address by First Deputy Minister Ivo Hartmann At Meeting of OECD Territorial Development Policy Committee, Martigny, Switzerland, 25 June 2003, 'Promoting Economic Growth and Social Cohesion By Enhancing the Competitiveness of Regions.

¹¹ Bachtler J (2000) op. cit.

¹² Diez M A (2002), *Evaluating New Regional Policies. Reviewing the Theory and Practice*, in 'Evaluation', Vol. 8(3), 285-305.

integrates quantitative and qualitative methodologies and which addresses the policy process as well as the outcomes of policy (see Table 1).¹³

Following Diez's line of thinking, and elaborating on interview evidence gathered during the fieldwork and desk research undertaken for this paper, the main challenges for evaluation in a new regional policy framework can be summarised as follows.

- i. The need to look at the *full picture* implied by the *holistic approach* of contemporary regional policy. Contemporary regional policy does not just have one main aim (e.g. job creation, GDP increase) but a plurality of often poorly prioritised goals. In the same way that policy is based on an underlying development model rooted in the context in which policy takes place, evaluation also has to consider the full picture, the context in which the policy and interventions are set.
- ii. The necessity for evaluation to use a range of *interdisciplinary tools, methods and skills*, implied by the *cross-sectoral* character of contemporary regional policy.
- iii. The *complexity* of the issues dealt with by policy entails, as suggested by Diez, the need to evaluate a complex set of interactions and synergies, often of an intangible nature. Evaluation cannot just look at the effects of individual policy strands (which is a complex exercise *per se*), but it has to consider the synergies and potential negative interactions delivered by the various strands and layers of contemporary regional policy. In this framework, the unintentional effects of policy should also be acknowledged (Popper).
- iv. The need to *involve a wide range of actors* (partners, stakeholders, beneficiaries etc.) in the evaluation activity due to the *negotiated nature* of policy. The number of actors involved in policy making is unprecedented in comparison with the past; as policy-making becomes less of a technocratic and more of a participative exercise, so does evaluation.
- v. The *bottom-up* process through which policy is made. Subsidiarity-based delivery involves a new range of problems for evaluation, such as the lack of data and capacities at the lower levels of governance (see box below on UK issues). Evaluation in this respect becomes a *capacity building* and learning *tool* itself.

The following sections consider how some of the above challenges are dealt with in selected Member States. This is followed by a discussion of the elements that influence the use of evaluation evidence in policy-making, including reflections on the perceived future priorities of action to support evaluation-based policy-making in each country.

¹³ The argument developed by Diez captures some of the main problems that a changing regional policy has for evaluation. However, even though - in theory - Diez suggests an approach that overcomes the traditional formative-summative barriers, in reality she takes sides herself, in favour of an approach that is clearly in line with the formative, realistic evaluation school of thought.

Table 1: The evaluation challenges associated with the ‘new’ regional policy

Characteristics	Challenges	Evaluating proposals
Intangible objectives	There are a numerous difficulties in quantifying effects and identifying measuring indicators	Qualitative information is the most useful tool for the observation of intangible effects
The complexity of cause-effect relationship	There is no linear causal relationship between resources, activities, results, effects and regional impact	An approach is required that can help to clarify the mechanisms that explain changes
Systemic nature	Complex interactions are produced in multiple areas and at different levels of effects: companies, institutions, regional community	Case studies as a method of observation and analysis
Embeddedness	The cultural and political context and the socio-economic conditions are an intrinsic part of the policy	Social, cultural and political elements must be wholly integrated in the evaluation. Evaluation is a socio-political process
Dynamism and flexibility	The implementation process is as important as the changes produced. The integration of possible changes in conditions (context) and in the needs of users	A summative and formative exercise. Evaluation design must be an active-reactive-adaptive process
The region as ‘animateur’	Helping regional governments to design better policies and recognising the existence of a pluralist society	The participation of the stakeholders must guide the evaluating design. Evaluation must be a collective learning process

Source: Diez (2002) *op. cit.*

3. EVALUATION CULTURES, LEGAL REQUIREMENTS AND INSTITUTIONAL ARRANGEMENTS

3.1 Evaluation Cultures

The wide variety of attitudes across Europe to the evaluation of regional policy is conditioned by national differences in the 'culture' of evaluation, which are related to systems of law and administration. For example, the so-called 'Continental' administrative structure and law systems in France, Italy, Portugal and Spain have not been favourable to the emergence of an evaluation culture.¹⁴ By contrast, Anglo-Saxon common law and public management-based administration are generally acknowledged to have been more conducive to the development of an evaluation culture, with the emphasis that it places on value for money and accountability.

Previous EPRC research identified three broad groups of countries based on their commitment to, and use of, evaluation in the field of regional policy.¹⁵

- countries where evaluation was considered an integral part of the policy-making process (the UK, Germany, the Netherlands, Sweden and, more recently, Ireland and Austria);
- countries where evaluation was used, but on an *ad hoc* or intermittent basis (Finland, France and Luxembourg);
- countries where the evaluation of regional policies was considered to be rare, and where regional policy evaluation was essentially introduced and reinforced as a result of the influence of Structural Funds obligations.

The review of evaluation practice undertaken for this paper suggests that this categorisation has changed significantly within only a few years. In several countries, the perception of evaluation has improved and its use increased, trends that can often be associated with the implementation of European cohesion policy and its related evaluation requirements..

3.2 Evaluation Approaches: Domestic vis-à-vis EU Cohesion Policy

In a number of countries the evaluation of domestic regional policy has become embedded in the policy-making process, reflecting national evaluation cultures and the development of an evaluation practice which largely pre-dates the Structural Funds or that can be considered as mainly independent from Structural Fund rules. These countries include Germany, the Netherlands, Sweden and the UK.

In other countries, the evaluation of national regional policy has developed largely in response to the rules introduced by the Structural Funds regulations. This applies to countries where domestic and EU-funded regional policy can be considered as having been coincident or at least strongly interrelated (such as Ireland, Italy), and it

¹⁴ Casavola and Tagle (2003), *Building Capacity for Evaluation: Lessons from Italy*, Paper presented at the Fifth European Conference on Evaluation of the Structural Funds, Budapest, 26-27 June 2003.

¹⁵ Bachtler J, Polverari L, Taylor S, Ashcroft B and Swales K (2000) *Methodologies used in the Evaluation of the Effectiveness of European Structural Funds: A Comparative Assessment*, Final Report to the Scottish Executive Development Department, Edinburgh.

also applies to Austria and Finland, where Structural Fund regulations acted as a catalyst for a broader use of evaluation in domestic policies.

As for the first group of countries, those where evaluation of domestic regional policy can be considered as largely independent from the framework of EU regional policy, **Germany** has an approach to domestic evaluation that can be considered strong and well-consolidated. According to the Federal Ministry of Economics and Labour, domestic and Structural Fund evaluations can be viewed as largely separate, although the rules introduced by the Structural Funds have also had some impact, particularly at the *local* level. The domestic approach to evaluation in Germany can be unpacked into three main components:

- the monitoring and checking carried out by the federal Court of Auditors and by the Court of Auditors of individual *Länder* (even though these cannot be considered as evaluation activities in the strict sense);
- assessment of the achievements of regional policy objectives, undertaken mainly via ongoing studies, surveys of businesses, studies on labour market regions and similar research, particularly through the activity of the Institute for Labour Market and Employment Research (IAB); and
- studies of economic impacts, commissioned from specialist economic institutes external to the public administrations, such as DIW, IAB, IFO Institute Dresden and others.

In **the Netherlands**, policy evaluation has been part of the regional policy regime for many years. Regional policy operates on a four-to-five year cycle, and it is established practice that policy instruments are evaluated towards the end of each cycle, with a view to improving and re-targeting future policy. Legislation introduced in recent years has placed increased emphasis on evaluation across all policy areas, contributing to its increased formalisation and codification.

In **Sweden**, evaluation is embedded in the policy-making process in the form of National Public Reviews (SOU), ie. evaluations carried out by Parliamentary Committees to review policy or its delivery. Independent national authorities also undertake periodic independent evaluations on specific policy instruments or programmes (eg. the Employment Grant). Accession to the EU and the implementation of Structural Fund programmes have increased the perception of the relevance of evaluation amongst policy-makers and have also impacted on the way evaluations are managed. For example, it has increased the use of calls for tenders with exact specification of the tasks to be performed; and has promoted recourse to the 'ex-ante/mid-term/ex-post' timetable also for domestic policy (eg. the Regional Growth Programmes have been evaluated *ex ante*, and will probably be evaluated at the mid-term stage and *ex post* too).

Lastly, the **United Kingdom** has a solid evaluation culture, and this applies also to regional policy. For more than 30 years, regional policy has been linked to measurable objectives which are routinely evaluated. In recent years, regional policy evaluation has been developed further as an essential part of the policy-making process, in response to a number of pressures, such as: the Government's commitment to evidence-based policy-making; the devolution of regional policy responsibility to the elected Assemblies of Northern Ireland and Wales and the Scottish Parliament, and delegation to the English Regional Development Agencies; and the changed paradigm as regards the perception of the regional problem, with the emphasis placed on productivity improvements and long-term solutions.

Austria is emblematic of the second group of countries: countries that cannot be considered as having a long-term tradition of evaluating regional policy and where the development of evaluation can be associated strongly with the Structural Funds. The evaluation of regional policy – and policy evaluation more generally – has developed mainly in response to EU requirements.¹⁶ Apart from the activities of the Court of Auditors, which focuses primarily on financial and legal aspects, there is only a limited domestic evaluation of regional policy. The main reason is that Austria's domestic regional policy is relatively limited in terms of resources and instruments, not least because regional disparities are not very acute, and there are effective equalisation mechanisms for redistributing funds between regions.

In **Finland**, domestic regional policy evaluation has also been strongly influenced by EU regional policy rules; the use of evaluation for regional policy-making evolved rapidly after Finland joined the EU in 1995. This is due not least to the interrelationship that exists between domestic policy and EU programmes (the Structural Funds are one of the funding sources that contribute to the strategic regional programmes). This results in considerable overlap between Structural Fund evaluation at the regional level and the evaluation of the strategic regional programmes.

Similarly in **Italy**, regional policy evaluation can be deemed to be linked to the procedures and practices introduced by the Structural Funds. Historically, Italy has not had a strong evaluation culture, at least as regards regional and economic development (other policy spheres, such as the health sector or labour market policies have a stronger evaluation tradition). Prior to the late 1980s, evaluation was mainly project-related and *ex ante* in the sphere of regional and economic development. No *ex post* evaluations or programme-wide evaluations were conducted. It is only with the requirements of Structural Fund regulations, mainly from 1988, that evaluation became programme-wide.

Finally, **Ireland** is perhaps the most striking illustration of the impact that EU structural and cohesion policy rules have had in relation to the development of evaluation use and culture. As in Italy, during the 1970s and 1980s policy and programme evaluation was limited and peripheral to decision-making, although there was a relatively well-developed system of project evaluation.¹⁷ The demand for evaluation of EU-funded programmes and a programme of public management reforms have contributed to a significant shift in the role and weight of evaluation in Ireland, involving not just regional policy but the whole of public policy in the broad sense. As discussed further below, the Structural Funds evaluation approach has been adopted as the basis for the evaluation of the whole 2000-06 National Development Plan, even though only a minor proportion of the Plan's budget comes from the EU.¹⁸

3.3 Legal Frameworks for Evaluation

In most countries, the evaluation of regional policy (and often of public policies more broadly) is embedded in the policy-making process through explicit legislative

¹⁶ Holzinger, E (2001), *Sechs Jahre Programmevaluation - eine Bilanz*, Österreichisches Institut für Raumplanung (ÖIR)

¹⁷ Tutty (1994) *Improving Evaluation of Policies and Programmes in the Irish Public Services*, University of Dublin, Trinity College, unpublished Msc Thesis, quoted in Sources book 3

¹⁸ The NDP plans €50 billion of public investment over the period 2000 to 2006. Of this total, the CSF accounts for €5.4 billion, of which the EU is providing €3.2 billion (Evaluating Socio Economic Development, SOURCEBOOK 3: Capacity Building The case of the Republic of Ireland), p.12.

provisions. This legal enforcement of evaluation appears to occur in three, often overlapping, ways:

- through evaluation-specific framework legislation, where the obligation to evaluate, the approach to evaluation and suitable methods are clarified (eg. Ireland, the Netherlands, UK);
- through evaluation obligations in framework regional policy documents (eg. Austria, Finland, Germany, Ireland, UK); and
- via the assignment of framework evaluation responsibilities to dedicated bodies (e.g. Austria, Germany, Ireland, Italy, UK).

In addition, evaluation obligations applying to regional policy can be found in public management legislation (e.g. Ireland, the Netherlands) or in the legislation associated with specific instruments (such as Law 488/92 in Italy).

In some countries, evaluation is so ingrained in the policy-making culture that it is undertaken in a more automatic manner. In the Netherlands and Sweden, for example, periodic reviews of policy are undertaken because they are an expected part of the political and policy process. In Germany too, a large corpus of evaluation activity is undertaken in the field of regional policy, commissioned by both Federal and *Länder* governments, whenever they are seen to be useful by the administration.

Table 2 below provides a synthesis of the legal approach to evaluation in selected countries. As the table suggests, countries like Ireland, the Netherlands and the UK have a codified and mainstreamed evaluation framework, with detailed evaluation legislation that applies to all public policies. Other countries, on the other hand, particularly Italy and Sweden, but also Germany, have looser evaluation arrangements. An intermediate group of the countries, which includes Austria and Finland, has a quite codified approach to the evaluation of domestic regional policy – via the introduction of detailed evaluation provisions in regional policy laws – but the evaluation framework adopted for regional policy is not part of a broader public policy evaluation framework.

In **Ireland**, legislation was produced in the 1990s to ensure the periodic review of public expenditure and to promote the development of evaluation procedures in government departments. The 1993 Comptroller and Auditor General (Amendment) Act and the 1997 Public Service Management Act together provide a legal mandate and requirement for the development of evaluation in all government departments. As a result, in 1997 an 'Expenditure Review Initiative' (ERI) was launched to provide a systematic analysis of what is achieved by expenditure in each programme and to provide a foundation on which to base informed decisions for the prioritisation of expenditure within and between programmes. As part of the ERI, all areas of expenditure are subject to review at least once every three years. In addition, triennial reviews of industrial policy are mandatory, to analyse implemented policy, to outline context changes and to identify the necessary changes in the direction of future policy (Industrial Development Act 1993). As already mentioned, the Structural Funds have had a major impact on the development of the Irish approach to evaluation, to the extent that, for the current National Development Plan (2000-06), an evaluation approach has been adopted which is based on the 1999 Structural Funds regulations, even though the amount of NDP resources provided for by European funds is relatively minor. This approach, based on a cycle of *ex ante*, interim and *ex post* studies, supplemented by a programme of on-going thematic evaluations, allows for a very systematic and tangible use of evaluation.

Table 2: Legal requirements for the evaluation of domestic regional policy

Country	Evaluation-specific framework legislation	Evaluation requirements in policy documents	Evaluation Responsibility in legislation on specific bodies	Other (eg. evaluation requirements in legislation on spec. instruments)
Austria		Evaluation requirements included in the <i>Richtlinien</i> , eg. RIF 2000	Limited evaluation role of Court of Auditors, whose tasks are set out by law	
Finland		2002 Regional Development Act includes monitoring and evaluation requirements 2000 Aid Business Act Implementation Decision foresees detailed evaluation prescriptions		
Germany		The GRW has to be audited and evaluated.	Legal requirement for regional policy to be audited on a regular basis by Federal and <i>Länder</i> Court of Auditors.	Decisions of authorities or committees, rather than on legal requirements
Ireland	1997 Expenditure Review Initiative	Evaluation requirements set out in NDP 2000-6. 1993 Industrial Development Act provides for triennial reviews of policy and relative performance.	Comptroller and Auditor General (Am) Acts 1993	Public Service Management Act 1997
Italy			Legal obligation for Ministry of Finances and Ministry of Productive Activities to submit yearly reports to Parliament (on interventions for underutilised areas and on incentives respectively)	Law 488/92 includes evaluation obligations.
Netherlands	2002 Ministry of Finance Regulation on Policy Implementation and Evaluation + Handbook on policy implementation and evaluation			1999 and 2001 management control legislation. Consuetudinary periodic reviews of policies, drawing from pool of instrument evaluations
Sweden				No formal legal framework for RP Evaluation. Institutionalisation in policy-making of National Public Reviews (SOU)
United Kingdom	HM Treasury 2003 Green Book 'Appraisal and Evaluation in Central Government'	Eg. Scottish Framework for Economic Development	Comptroller and Auditor General reporting duties to Parliament on public bodies expenditure (including value for money)	

In **the Netherlands**, policy evaluation is part of a long-standing tradition, as already noted. In recent years, however, legislation has been produced that has made the whole evaluation process more formalised and codified. At the end of the 1990s, a new system of management control was introduced by the Ministry of Finance, along with a budgetary framework whereby central government departments have had to link together objectives, activities and the allocation of resources.¹⁹ In January 2002, a new Ministry of Finance Regulation on Policy Implementation and Evaluation was introduced (*Regeling Prestatiegegevens en Evaluatieonderzoek Rijksoverheid, RPE*). This has two main goals: to ensure that the evaluation function is satisfactorily carried out within government; and to make certain that, within the framework of departmental budget estimates and accounts, quality information is supplied. Following on from this, the Ministry of Economic Affairs produced a Handbook on Policy Evaluation and Implementation (*Handboek Beleidsevaluatie & Prestatiegegevens*) which sets out guidelines to ensure that the Ministry's approach to evaluation conforms with the Ministry of Finance's Regulation. Even prior to the introduction of this legislation, the main policy instruments in the Netherlands were evaluated towards the end of each policy cycle. In recent years, efforts have been made to coordinate thematic evaluation work, to ensure that related policy instruments would be all assessed at the same time (for example, in 2003 the main regional policy instruments were evaluated together).

As for the **United Kingdom**, after extensive consultation, HM Treasury produced a Green Book 'Appraisal and Evaluation in Central Government' in April 2003. This provides binding guidance to Government Departments and executive agencies stating that "*all new policies, programmes and projects, whether revenue, capital or regulatory, should be subject to comprehensive but proportionate assessment, wherever it is practicable so as best to promote public interest*".²⁰ The main aim is to ensure that public monies are spent in an effective and efficient manner, with a strong focus on the value for money of public spending. The Green Book is also the basis for the evaluation activity carried out by competent authorities in Northern Ireland, Scotland and Wales. For example, the updated Scottish Framework for Economic Development, published in September 2004, refers to the Green Book for the pre-expenditure assessment of policies, programmes and projects.²¹

The two countries that have been assessed as being in an 'intermediate position', Austria and Finland, are similar insofar as regional policy evaluation was developed as a result of their accession to the Union. In **Austria**, the framework for the evaluation of domestic regional policy initiatives is provided by formal guidelines (*Richtlinien*), which include detailed provisions on the implementation of the interventions, including how these should be evaluated. The *Richtlinien* of the RIF 2000, for instance, include specific evaluation requirements relating to both the programme and project levels. The influence of the Structural Funds can be seen, for example, in the fact that the programme has been evaluated mid-term and will also be evaluated *ex post*.

¹⁹ Ministry of Finance, From Policy Budgets to Policy Accountability (*Van beleidsbegroting tot beleidsverantwoording*), May 1999. More recently, Article 20 of the 2001 Government Accounts Act has highlighted "the accountability of the minister for the efficiency and suitability of policy *and its periodical examination*" (italics added). Quoted in Ministry of Finance, Management Control Framework: The frame of reference statement on operational management, April 2002.

²⁰ HM Treasury (2003) *The Green Book. Appraisal and Evaluation in Central Government*, Treasury Guidance, London:TSO, 2004, p. 1.

²¹ Scottish Executive, (2004) Framework for Economic Development in Scotland, 2 September 2004

Similarly, in **Finland**, the 2002 Regional Development Act (602/2002) lays down a series of requirements as regards programme evaluation. It states that *“when programmes in accordance with this Act are drawn up they shall be evaluated....”* In line with this, three distinct components of regional policy must be evaluated by external evaluators at least once during or at the end of their lifetime. These are:

- i. the strategic four-year regional programmes which each Regional Council has to develop and deliver;
- ii. the regional development plans and targets which have to be agreed by certain sectoral ministries; and
- iii. the special programmes which contribute to national regional development goals (such as the Centre of Expertise Programme, the Regional Centre Development Programme, the Rural Policy Programme and the Island Development Programme).

Evaluation also figures prominently in the implementation of the Aid to Business Act (1068/2000) which provides the legal basis for the award of regional aid (and business aid more generally). The Act provides for the continuous assessment of policy effectiveness. This involves, on the one hand, specifying conditions which have to be met before any award can be made (involving an increase in the size of the project or in its quality or in its speed of implementation); and, on the other, monitoring the progress of the project (in terms of turnover, export growth and jobs) after project completion. The Act relates to the 2000-06 period. In the run-up to the development of policy for the forthcoming period, an external evaluation of the business aid regime is planned. Lastly, in January 2004, a Government Decision²² was published which sets out the new Finnish government's regional development goals and priorities for its period of office. The Decision states that *“monitoring, effectiveness, evaluation and anticipation concerning government allocations for regional development in various administrative sectors will be enhanced”*.²³ As part of the proposed enhancement, there is to be an annual evaluation of the regional policy impacts of the proposals made with respect to the State budget each year. To this end, the Ministry of the Interior is to establish a working group to advise on how this might be undertaken in relation to the 2005 budget.

With reference to the last group of countries, in **Italy** there are no overarching obligations to evaluate regional policy other than the framework provided by Structural Fund regulations. Evaluation obligations are sometimes found in the legislation of specific instruments – this is the case, for example, in Law 488/92, the main incentive scheme for firms in Italian assisted areas – but in general there are no obligations to assess the results and impacts of policy. The rules introduced by the Structural Funds are the only existing evaluation framework, and, for this reason, they are used as a lever to develop the use of evaluation in all of the policies for the underutilised areas. This is being done particularly by building up evaluation demand and by generating greater understanding of the utility of evaluation among those involved in programming and implementation, mainly through capacity building and networking activities. It should also be noted that, at the macro-level, the Ministry of Economy and Finance has the obligation to report to Parliament every year on the

²² Ministry of the Interior, Government Decision on Development Targets under the Regional Development Act, 15 January 2004

²³ Ibid, page 33.

interventions implemented for the support of underutilised areas,²⁴ and a similar obligation has been placed on the Ministry of Productive Activities regarding incentives (not just regional aid) to firms. Even though these obligations were not intended to be evaluations in the strict sense, the annual reports have increasingly taken on an evaluation character. The report of the Department for Development and Cohesion Policies, for example, presents an overview of regional economic trends, developments in the social, infrastructure and environmental spheres, capital expenditure in both the *Mezzogiorno* and the Centre-North, a description of the instruments for regional development and their implementation, and various other issues (eg. this year's report covered progress in the modernisation of the public administration and developments in labour and credit markets). The annual report of the Ministry of Productive Activities, on the other hand, provides data on the implementation of incentives, such as financial flows, attainment of the objectives of schemes and analysis of selected macro-economic indicators. It also provides forward-looking guidance on the system of incentives, eg. the number of incentives available and their aims. Over the last year, the report has been supplemented with thematic annexes on the main incentives.

Although there is no formal legal framework for evaluation in **Sweden**, (ie. there are no laws that specify that policy evaluations should be undertaken at given intervals), the National Public Reviews (NPRs) have been incorporated in the policy-making process to the extent that they are quite frequent. They are launched every time the government feels that a policy should be reviewed, which, for regional policy, happened in 2000 (with the resulting report being the basis for the 2001 regional policy Bill). The NPRs are undertaken by a Committee of Experts appointed by the competent Minister and/or by a Parliamentary Committee. The committees operate on the basis of a ministerial mandate which specifies purpose, object, background, timescale and procedures for the review. A review can generally take from one to four years. The final report issued by a review is often subject to extensive consultations before its recommendations are taken on board in setting out new policy.

Finally, in **Germany** there are legal requirements for regional policy to be audited regularly both at Federal and at *Land* levels, by the Courts of Auditors. This activity, however, encompasses mainly the financial aspects of expenditure (commitments, proof of use of funds, respect of the GA Framework Plan) and the achievement job creation targets. The annual Framework Plan includes a general reference to evaluation, but without specifying timeframes, scope, methods etc. Other than this, however, there are no legal frameworks for the evaluation of domestic regional policy, and evaluation is undertaken on the basis of the decisions of particular administrations, bodies or committees, rather than in relation to formal legal frameworks.

3.4 Institutional Arrangements

As might be expected, the responsibility for evaluating national regional policy is often exercised by the competent ministry or department that has the overall oversight and coordination responsibility for programming and implementation. In a number of countries, specific evaluation units have been set up to coordinate evaluation work and to provide technical support to those in charge of commissioning and undertaking evaluations.

²⁴ The report (*Relazione di sintesi sugli interventi realizzati e sui risultati conseguiti nelle aree sottoutilizzate*) is one of the financial programming documents introduced by Law 468/1978 that reformed public accounting (art. 15), but in fact was produced in its current form only since 1998.

Table 3: Key actors in the evaluation of domestic regional policy

Country	Actor responsible for domestic regional policy	Actor responsible for coordination and oversight of domestic regional policy evaluation	Other key actor/s in domestic regional policy evaluation
<i>Austria</i>	Federal Chancellery Austrian Conference of Regional Planning (ÖROK)		Federal Ministry of Transport, Innovation and Technology and Agency for Technological Impulses Federal Ministry of Economics and Labour ÖROK
<i>Finland</i>	Ministry of the Interior (in cooperation with other Ministries and Regional Councils) Regional Management Committees and Council	Ministry of the Interior Ministry of Trade and Industry (aid to business), T&E Centres	Working Group set up by Ministry of the Interior to assess every year the impact of the regional policy state budget
<i>Germany</i>	Federal Government and <i>Länder</i> through the GRW	Evaluation Sub-Committee for evaluation of the GRW Federal and <i>Land</i> Ministries	Federal Agency for Economics and Export Control (BAFA) Inst. For Labour Market and Employment Research (IAB) Federal Agency for Construction and Spatial Research (BBR) Federal Institute for Labour (BfA)
<i>Ireland</i>	Dept. for Enterprise, Trade and Industry Dept. of Finance	NDP/CSF Evaluation Unit within the Dept. of Finance	Agencies (eg. Enterprise Ireland, IDA)
<i>Italy</i>	Ministry of Economy and Finances, Dept. for Development and Cohesion Policy	Evaluation Unit, MEF, Dept. for Development and Cohesion Policies	Regional Evaluation Units Network of Evaluation Units
<i>Netherlands</i>	Ministry of Economic Affairs Provincial Authorities in the North (Northern Netherlands Alliance)	Ministry of Economic Affairs	Evaluation Committees set up to coordinate the evaluation process and receive evaluation report.
<i>Sweden</i>	Ministry of Industry, Employment and Communications NUTEK (Business Development Agency)	Ministry of Industry, Employment and Communications NUTEK	Swedish Institute for Growth Policy Studies Responsibility Committee
<i>United Kingdom</i>	Department for Trade and Industry Devolved authorities for England, NI, Scotland and Wales	Strategy Unit's Performance and Evaluation Team, within DTI	Centre for Management and Policy Studies (CMPS), within Cabinet Office Evaluation Units of devolved administrations

In **Austria**, the Federal Chancellery has been the main force in stimulating the development of an evaluation culture with respect to regional policy. Its activities began in the late 1980s in preparation for EU accession. Even though the Chancellery is not in charge of the implementation of regional policy,²⁵ its regional development unit still commissions evaluation studies on an *ad hoc* basis.²⁶ These are published in a dedicated series '*Writings on regional policy and spatial planning*'. The key actors in the evaluation of domestic regional policy in Austria are the Federal Ministry for Transport, Innovation and Technology and the Federal Ministry for Economy and Labour. These manage respectively the RIF2000 scheme and the ERP Fund, the two main national regional policy instruments, and they commission the evaluations for these programmes. The Ministry for Transport, Innovation and Technology is assisted by the Technological Impulses Agency (TIG) in its tasks, and it is this agency that manages the evaluation of the RIFupgrade and REGplus schemes. The approach to the evaluation of these programmes is clearly influenced by Structural Fund practice, following an *ex ante*, interim and *ex post* timetable.

The ERP Fund is not evaluated as such. Projects are monitored, however, on an ongoing basis covering both financial aspects and physical outcomes (such as the total investment activated by the support, jobs created, etc.). This information is made available in annual reports on the scheme. Each project applying for support under the ERP Fund, moreover, has an *ex ante* appraisal, including on the potential of the project to contribute to the improvement of the innovative capacity of the region's business structure.

As already underlined, domestic regional policy in Austria is rather limited in scope, and this is reflected in the use that is made of evaluation. The most interesting experiences in regional policy evaluation relate to the Structural Funds. The evaluation of the co-funded programmes in Austria was not approached solely as an obligation imposed by EU regulations, but efforts were made to make it a real programming tool, by tailoring evaluation terms of reference to the needs of specific programmes and via the adoption of an on-going approach to evaluation. In line with this thinking, a new forum was set up – KAP EVA – to facilitate the cooperation between federal and *Land* levels (the *Land* being responsible for Structural Fund programmes) and to raise evaluation capacity amongst administrators and evaluators.

In **Finland**, it is the Ministry of Interior that determines the timing and nature of most regional policy evaluations. However, the evaluations of regional aids fall under the competence of the Ministry of Trade and Industry, in line with the provisions of the Aid to Business Act. The Ministry of the Interior is directly responsible for the operation and evaluation of both the Centre of Expertise Programme and the Regional Centre Development Programme. Both of these programmes have recently undergone mid-term evaluations. In addition, both are subject to ongoing review, involving the dissemination of best practice amongst programme participants. For both programmes, external evaluators were appointed to conduct the evaluations by open tender. The Ministry has also established the framework for the evaluation of strategic regional programmes which are the responsibility of the 19 Finnish Regional Councils. As well as being responsible for the strategic regional programmes, Regional Councils also have a responsibility for Structural Fund programmes (the

²⁵ It run for over 20 years the 'Instrument for promoting indigenous regional development' which is no longer active.

²⁶ These include an evaluation on the regional effects of Austria's accession to the EU, an assessment of six years of programme evaluation, a study for an equality-oriented regional development, as well as spatial studies, eg. on polycentrism, and studies based on the application of systems theory to regional development (eg. on the management of complex multi-level policies).

Structural Funds are one of a range of funding sources used to finance the strategic regional programmes). This is the reason for the overlaps that can be found between domestic and co-funded regional policy evaluation: with respect to the Structural Funds, the Ministry of the Interior provided a common framework for the mid-term Structural Fund evaluations. It took the view that the Commission was too implementation-oriented in its approach and tried to make the evaluations focus more on value-added issues and, in particular, on the extent to which the programmes contributed to regional competitiveness. Lastly, the Ministry of the Interior has set up a working group with the task of evaluating the regional policy impacts of the proposed State budget each year.

The evaluation of aids to business in Finland is undertaken by the T&E Centres that incorporate the regional arm of the Ministry of Trade and Industry. The Ministry has developed a detailed monitoring system which is used to review progress with respect to the operation of aid to business. It focuses both on the impact of the aid on the project prior to project start and on its effects two years after project completion. Now that the end of the 2000-06 period is approaching, an external evaluator has been appointed to evaluate the scheme. This will involve an analysis of the available monitoring data which has developed into a useful dataset. In addition, there is likely to be a more detailed study of the impact of aid at the project level, perhaps through a number of case studies. Case-study-based approaches have been a feature of a number of the evaluations undertaken on behalf of the T&E Centres at the regional level. These have frequently been undertaken by local universities with a view to gaining more detailed insights into the impact of aid on the ground.

In **Germany**, the responsibility for initiating, organising and undertaking the evaluation of domestic regional policy is shared by a number of different authorities at federal and *Land* levels, including Ministries, Courts of Auditors and organisations with specialist tasks, including the Federal Agency for Economics and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle* - BAFA); the Institute for Labour Market and Employment Research (*Institut für Arbeitsmarkt- und Berufsforschung* - IAB), the Federal Agency for Construction and Spatial Research (*Bundesamt für Bauwesen und Raumforschung* - BBR), and the Federal Institute for Labour (*Bundesanstalt für Arbeit* (BfA). Key coordinating functions are undertaken by the Sub-Committee of the Joint Task for the Improvement of Regional Economic Structures (*Gemeinschaftsaufgabe 'Verbesserung der regionalen Wirtschaftsstruktur'* - GA), which is made up of representatives of public authorities at both federal and Land levels.

The Federal Ministry for Economics and Labour has set up an evaluation group (*Projektgruppe Evaluierung*) which provides a means of exchanging experiences on the theme of evaluation between staff within the Ministry. It also organises explicit training for staff on evaluation-related themes.

In **Ireland**, evaluation capacity was historically spread across different government departments. More recently, a decision was made for the new programming period not to continue the department-based independent evaluation units. Instead, the central evaluation unit was expanded and renamed 'NDP/CSF Evaluation Unit'. This Unit is the key body involved in evaluation of the National Development Plan (NDP) and Community Support Framework (CSF) for Ireland 2000-06. It is an independent unit under the aegis of the Department of Finance and undertakes or commissions evaluations of the NDP/CSF Operational Programmes. It has developed the evaluation plan for the NDP and drafted, amongst other things, standardised terms of reference to be applied by other administrations in the commissioning of evaluations.

The Unit also provides advice and assistance to other government departments, to regional assemblies and other bodies.

In *Italy*, it is the Ministry of Economy and Finance, Department for Development and Cohesion Policy that is responsible for regional policy and this competence encompasses also the evaluation of policy. Within the Department, an Evaluation Unit provides technical support to public administrations in the evaluation of public investments. The Unit elaborates and disseminates evaluation methods and undertakes and commissions evaluation work, advising the government on the correspondence of programmes and projects to economic policy guidelines and on the feasibility/value for money of specific initiatives, as well as on their socio-economic implications.²⁷

The Unit²⁸ developed out of a pre-existing unit, which had been set up in the late 1980s for the evaluation of public policy and project appraisal, and has been subject to subsequent reforms. In 1998, it was placed within the Department for Development and Cohesion Policy (DPS), which limited its remit to regional policy. With subsequent reforms in 1997-98 (Law 94/1997 and DPR 38/1998), it was formally allocated an explicit role in the evaluation of public investments but without clarifying the aims and objectives of the role. As such, the Unit operated mainly on demand; for example, it was involved by the Ministry in the *ex ante* evaluation of the Objective 1 CSF. Following a recent re-organisation (DPR. 202/2002), the Unit is divided into four main sections:²⁹

- *Methods and studies for public policies* – analysis of territorial development policies, production of a territorial report, management of the project ‘territorial public accounts’, support and training.
- *Transfer of methods and implementation support* – support to other services of the DPS and other national and regional administrations, Intese and FPAs, performance assessments and methodology setting. This section deals with the allocation of the national and European performance reserve for the Objective 1 programmes. It also deals extensively with capacity building, also in the new Member States.
- *Evaluation* - coordination of the national evaluation system (Objective 1 CSF), definition and dissemination of methods and guidelines for undertaking and use of evaluation. This section coordinated the mid-term evaluation of the programmes within the Objective 1 CSF and has managed the mid-term evaluation of the Objective 1 CSF and updated the impact forecasts of the development model for the *Mezzogiorno*.
- *Projects, studies and statistics, feasibility analysis of infrastructure investments, integrated projects, special projects and large projects, support to administrations in the various stages of project management and on monitoring*. This section is involved in projects targeting networks of administrations (eg on empowerment for public administrations and advice and technical support to public administrations in the implementation phase of feasibility studies and various pilot projects).

²⁷ Ministero dell'Economia e delle Finanze, Dipartimento per le Politiche di Sviluppo e Coesione Nucleo Tecnico di Valutazione e Verifica degli Investimenti Pubblici (2004) *Relazione* dell'attività svolta nel 2003, Presentata al Parlamento dal Vice-Ministro On. Gianfranco Micciché, Rome, July 2004.

²⁸ Composed of two sub-Units: the Evaluation Unit (Unità di Valutazione, UVAL) and the Verification Unit (Unità di Verifica, UVER). The information provided in this text refers to the Evaluation Unit only.

²⁹ The Evaluation Unit is one of the these www.dps.tesoro.it

At present, the main focus of activity of the evaluation Unit is the *Mezzogiorno*, although, for the future, its work will be probably be broadened to the rest of the country. The Unit works in close cooperation with other institutional actors through networks and working groups: eg. the National Evaluation System³⁰ set up for the coordination of all evaluation activities carried out for the Objective 1 CSF; the Network of the Environmental Authorities; and the Network of Evaluation Units.

The latter network is of particular interest. In addition to the national evaluation unit within the Ministry of Economy and Finances, Law 144/1999 obliged all regional and national administrations to set up their own evaluation units. These were established independently between 2000 and 2001 by the individual administrations, which defined the units' objectives and scope of activity, their tasks and resources (both financial and human). As a result, the units are varied in scope and character: in the Objective 1 regions, for example, they have numbers of staff ranging from 7 (Calabria) to 26 (Sicilia), with functions varying from the support of regional programming activity, project appraisal and feasibility studies, to programme evaluation in the strict sense. In April 2003, the Network of Regional and National Evaluation Units was launched, to serve as an exchange and dissemination forum. The network has the ultimate goal of increasing the quality and reliability of public investments and optimising the use of public resources and activities towards this goal by supporting the exchange of best practice, the dissemination of evaluation knowledge and the professionalisation of administrators.

In addition to the Ministry of Economy and Finance, the Ministry for Productive Activities is the key actor for the evaluation of aids for businesses. It has the responsibility for monitoring and evaluating the main incentive scheme, Law 488/1992, and other schemes of so-called negotiated programming.

The key actor for regional policy evaluation in **the Netherlands** is the Ministry of Economic Affairs. It determines both the evaluation framework and the key questions to be posed. External experts then help to determine how the questions of each specific evaluation will be answered – by developing a methodological framework, by identifying the evaluation tools to be employed and by determining the balance between desk research and interviews. An independent evaluation committee then approves the evaluation plan (a check having been made by the relevant Directorate within the Ministry³¹ that the structure of the evaluation is in line with the Ministry of Finance's Regulation on Policy Implementation and Evaluation), chooses the external evaluation consultant³² (usually after a tender process), monitors the implementation of the evaluation (the process is generally interactive) and receives (and ultimately accepts) the results of the evaluation. This committee is generally made of experts and academics who are not directly related to the policy itself, sometimes with the inclusion of one policy-maker.

The Ministry of Economic Affairs also has a coordination role with respect the evaluation of the Structural Fund programmes. It developed a national evaluation framework for the evaluation of Structural Fund programmes over the 2000-06 period, with the following main purposes: to increase the follow up of evaluation results; to favour the involvement of stakeholders in the discussions on the strategic

³⁰ The National Evaluation System is coordinated by the Evaluation Unit within the Ministry of Economy and Finances and involves also INEA, a national research institute on agriculture and ISFOL, the national organisation responsible for the evaluation of ESF co-funded policies. The System has been given the task to make sure that the evaluation of the CSF and it does so, amongst others, via second level evaluations, issuing of guidance and capacity building initiatives.

³¹ FEZ: *Directie Financieel-Economische Zaken*.

³² Nearly all evaluations of policy instruments are carried out externally.

direction of the programme; and, to improve the information generated with particular emphasis on effectiveness and impacts.³³

In **Sweden**, the main actor responsible for regional policy is the Ministry of Industry, Employment and Communications. Policy design and implementation are supported by NUTEK, the national agency responsible for business growth and the development of regions, and the 21 County Administration Boards, representing the national government at the regional level. The latter have the task of implementing and coordinating the government's regional development interventions at the regional level and also are responsible for the Structural Fund programmes. Evaluation responsibility for regional policy falls also within the Ministry of Industry, Employment and Communications. The coordination of evaluation activity at the national level on regional policy is mainly undertaken by NUTEK and by a relatively new organisation – ITPS, the Swedish Institute for Growth Policy Studies.³⁴

ITPS was founded by the Swedish Parliament and Government in January 2001, to support the Ministry in taking the 'right decisions' in regional policy. The mission of the Institute is to "*develop and improve the prerequisites for growth policy*", assisting the government in decision-making, providing "*policy intelligence, evaluation of policy measures and statistics*".³⁵ With a staff of around 55, ITPS is responsible for:

- analyses of economic development, especially in the spheres of industrial, regional and innovation policy;
- studies on growth policy in other countries, and benchmarking of Sweden with the US, Japan, European countries and others;
- contributing to the development of the Regional Growth Agreements;
- analyses of the Structural Funds programmes that are implemented in Sweden;
- evaluations on industrial, regional and innovation policy instruments; and
- the collection and elaboration of statistics on growth (particularly on international business and ICT).

The Institute publishes a series of reports which are made available through its website. It operates with budget of SEK 100 million per year (ca. €11 million) allocated from the Ministry of Industry, Employment, and Communications. Its yearly work-plan is based on the Budget Document written by the Ministry of Industry, Employment, and Communications each year. This includes, amongst others, a list of the evaluations to be initiated or that are underway. During the year, the Ministry can also initiate specific evaluations, which are usually less broad in scope compared to the evaluations initiated through the Budget Document. With respect specifically to evaluation, ITPS considers the promotion of the evaluation of policy effects to be one of its main tasks, as opposed to the process-oriented evaluation that is promoted by the Structural Fund approach. Difficulties related to this task are associated with the meaning of 'effects' as well with the lack of skills for the production and use of quality evaluation. For this reason, ITPS is working on a definition of 'effect' to be applied

³³ Ecorys, Evaluatiekader Structuurfondsen 2000-2006, 2002.

³⁴ http://www.itps.nu/in_english/index.htm

³⁵ ITPS (2001) ITPS The Swedish Institute for Growth Policy Studies, October 2001, available from <http://www.itps.nu/pdf/folder.pdf>.

uniformly across all evaluations. It also provides support for the preparation of calls for proposals as well as policymaker training.

Finally, in the **United Kingdom**, the need to foster evaluation expertise within government was marked recently by the creation of the Centre for Management and Policy Studies (CMPS) in the Cabinet Office. This was established to provide a “*window at the heart of government*” for research and evaluation evidence.³⁶ In the field of regional policy, the Department of Trade and Industry (DTI) has the main evaluation responsibility. The DTI’s approach to evaluation is based on the Treasury’s Green Book and more detailed guidance on its application to DTI programmes. The DTI has a well-established rolling programme of evaluation which has been extended to cover administrative and regulatory activities as well as programme expenditure. It is committed to publishing evaluations on its website and has also set up an internal evaluation database to help disseminate findings. Its programme of evaluation studies is designed to give policy-makers better evidence of the relative contributions of different activities and to help assess progress towards the achievement of Public Service Agreement targets. Although the bulk of its evaluation work is conducted by external contractors, the DTI has dedicated evaluation staff, and its evaluation programme is co-ordinated by the Strategy Unit’s Performance and Evaluation Team. The team helps ensure that robust evidence is gathered to measure the effects of the department’s activities. This evidence is fed to the DTI Performance Committee which oversees performance measurement in the Department and to senior administrators to inform future strategy.

Evaluation responsibilities have been devolved, along with financial and political competences, to elected bodies in Scotland, Wales and Northern Ireland and delegated to Regional Development Agencies (RDAs) in England where the approach mirrors that taken at UK level. Evaluation units in these bodies are taking a more strategic approach with ‘cross-cutting’, theme-based evaluations increasingly evident. As at the UK level, there is increasing emphasis on identifying anticipated impacts, identifying appropriate targets and setting the policy direction rather than taking a purely retrospective view. The creation of new national/regional partnerships in England, including the devolution of more financial autonomy through the creation of a ‘single pot’ of RDA funding, has put increased emphasis on evaluation at that level. RDAs now organise evaluation steering groups, drawn from a range of stakeholders and partners, with panels of evaluators dealing with specific projects and programmes. One benefit of this new, more inclusive approach is the emergence of ‘peer group pressure’ to ensure that evaluation is done thoroughly and the results taken seriously. The emergence of horizontal working groups, incorporating representatives of central government departments and regional agencies, is supporting the development of joint national/regional approaches to evaluation of national support programmes, though this is at an early stage. At the same time, the RDAs are required to provide a range of information that facilitates central coordination and evaluation: they provide data and qualitative information via regional Government Offices; they produce a regularly reviewed strategy and corporate action plan for evaluation and performance management; and they are also required to provide evidence that they have in place performance management systems that ensure internal efficiency and robust frameworks for internal evaluation of corporate performance. A key dataset for assessing robustness of these processes are Internal Audit reports and Internal Audit Committee Papers produced by each RDA.

³⁶ Cabinet Office (2000) Professional Policy Making in the 21st Century.

4. EVALUATION APPROACHES

4.1 Comparison of Evaluation Methods

Drawing comparisons on the methodological and organisational approaches adopted for the evaluation of domestic regional policy is not straight-forward. Methodological and organisational choices tend to vary within as well as across countries depending, for example, on what is evaluated and whom the evaluation is for. Table 4 presents a synthetic overview of the main approaches adopted in the countries under review, based on evidence gathered through interviews and document-analysis. The table deals with the following aspects of evaluation:

- i. the functions associated with the evaluation of domestic regional policy, i.e. the overarching and predominant aim/s that can be associated with evaluation in each country;
- ii. the methodological approaches adopted (with particular reference to specific evaluation studies discussed in detail later on in this section);
- iii. the scope of domestic regional policy evaluations, in other words whether evaluations are of projects, instruments, programmes or regional policy as a whole; and
- iv. the timetables according to which evaluations are undertaken.

4.2 Aims, Scope and Timing

Evaluations respond to a range of overlapping objectives which can vary significantly between evaluation exercises. They include: accountability; decision-making support, particularly with respect resource allocation; instrument or policy (re)targeting; assessment of policy needs; identification of impacts (at project, programme and policy level); assessment of effectiveness and value for money; and learning and lesson drawing (especially on procedures). All of these are aims that, to different degrees, underpin the evaluation of domestic regional policy in European countries.

- Value for money and effectiveness are a core element of the evaluation philosophy of Ireland and the UK. Here, the key element of policy scrutiny is whether public money is spent in the best possible way to achieve the intended results.
- In the Nordic countries (particularly Sweden) and in the Netherlands, on the other hand, evaluation seems to be particularly oriented towards forward-looking policy appraisal. In the Netherlands, this went so far as addressing the question of whether there is a need to continue regional policy in the future. In Sweden, a review of regional policy carried out in 1999-2000 focused on the future orientation and delivery of policy.
- In Germany, evaluations tend to deal particularly with impact assessment and effectiveness. The assessment of administrative aspects associated with policy implementation and delivery tends to take place via ongoing monitoring rather than evaluation.
- Austria and Italy, on the other hand, appear more dominated by the lesson-learning component of evaluations; in both countries instrument-specific evaluations are also undertaken to establish effectiveness.

Table 4: Domestic regional policy evaluation: different approaches

Country	Overarching aims	Methodological approach	Timetable	Scope
Austria	Varied. Emphasis on soft effects, linked to character of domestic regional policy.	Qualitative, process-oriented, but also project-level effects and contribution to indigenous development (FER)	Structural Fund approach (<i>ex ante</i> , interim, <i>ex post</i>) and <i>ad hoc</i> studies	Instrument
Finland	Value for money and forward-looking policy appraisal. Emphasis on theme of competitiveness.	Approaches vary: - best practice, process-oriented (RCDP) - project level impacts (aids to business) - future needs and competitiveness implications (CfEP)	Mostly Structural Fund approach (<i>ex ante</i> , interim, <i>ex post</i>), but also ongoing (eg. RCDP) and <i>ad hoc</i> studies	Programme, project
Germany	Effectiveness and impacts.	Mainly quantitative: - Achievement of goals - Quantification of impacts - Understanding of regional needs	When appropriate: mainly <i>ex post</i> Ongoing assessment of needs for regional support	Instrument
Ireland	Value for money, rationale	Both quantitative and qualitative. NDP evaluations: rationale, effectiveness, continued relevance, efficiency, impacts.	Structural Fund approach: <i>ex ante</i> , interim, <i>ex post</i> . Also <i>ad hoc</i> studies (eg. by agencies) and periodic review of policy expenditure	Policy, Programme and projects
Italy	Lesson-drawing, support to decision-making and resource allocation.	Both qualitative and quantitative elements. Varied approaches - Case study, effectiveness and process-oriented (territorial pacts; <i>contratti di programma</i>) - Effects on firms (Law 488/92) - Macroeconomic impact (Mezzogiorno econometric model)	Other than Structural Funds evaluation and annual review of Law 488/92, no pre-defined timetables (<i>ad hoc</i> studies). Attempts to link generally resource allocation to evaluation evidence.	Instrument, projects, increasingly programme
Netherlands	Pre 2002 narrow focus (operational). New approach: effectiveness, value for money, forward-looking policy appraisal, future policy needs.	Varied. - Effectiveness and value added (Partnership in the Regions) - Additionality, impacts on projects, roles and procedures (Industrial Estates) - Efficiency, effectiveness and continued relevance (RDAs) - Effectiveness and national impact (Investment Premium)	Until recently, mainly <i>ex post</i> , under new framework <i>ex ante</i> , interim and <i>ex post</i> policy implementation.	Instruments, increasingly policy as a whole
Sweden	Forward-looking policy appraisal. Emphasis on growth.	Qualitative, process oriented work of Parliamentary Committees. Future orientation towards more effects studies.	Mostly Structural Fund approach (<i>ex ante</i> , interim, <i>ex post</i>), but also periodic policy reviews undertaken by <i>ad hoc</i> Committees	Policy, programmes
UK	Value for money, Impacts on recipients, Evidence for decisions	Varied. RSA evaluations focus on net costs per job and impacts	Integrated in the policy cycle (Green Book)	Instrument, project

These overarching aims tend to be reflected in the scope of evaluations. In Germany, for example, the methodological constraints associated with impact assessment make it necessary to narrow down the scope of evaluation to make it feasible and meaningful (eg. in terms of time, sectors, regions, firms-size and/or policy instrument). A general classification of evaluations as regards their scope can be made according to whether the studies focus on:

- the project level - this applies especially to the evaluation of aids schemes, as is the case of Finland, Ireland, Italy and the UK;
- a specific policy instrument, particularly common in Austria, Germany, Italy, the Netherlands and the UK;
- the programme level, as in Finland, Ireland and Italy, where the influence of the evaluation of regional policy is more marked; and
- on policy as a whole, for example in Ireland, Sweden and, more recently, the Netherlands.

Of course, the same evaluation can take more than one approach at the same time (for example, project-level effects are often considered to provide insight on the effects of the instrument), and different approaches can be found within each country. In the UK, for example, increasing use is being made of comparative evaluations that consider groups of related schemes and programmes. Meta- or second-level evaluations are also undertaken for this purpose, as in Italy within the framework of the Objective 1 CSF.

The timing of evaluations also varies. In several countries, particularly those that, prior to Structural Fund evaluation, did not have a strong evaluation culture and tradition, the 'ex-ante/mid-term/ex-post' cycle of the Structural Funds tends to be replicated in the evaluations of national instruments and programmes, not least because these are often co-financed by the Structural Funds. This is the case in Austria, Finland, Ireland, Italy and Sweden. In addition, *ad hoc* evaluations are undertaken in these countries, at the initiative of ministries or agencies, as well as periodic reviews of policy or instruments (Sweden and Italy respectively) and ongoing evaluations (e.g. in Finland).

In the Netherlands, policy instruments are generally evaluated towards the end of each policy phase, increasingly linked to a comprehensive review of policy carried out to inform decision-making for the forthcoming phase. The new Handbook for Policy Evaluation and Implementation produced by the Ministry of Economic Affairs, views evaluation as part of a policy cycle based on policy preparation, development, implementation and evaluation. As well as *ex post* evaluation at the end of the cycle, it sees scope for evaluation to be undertaken *ex ante* (during the preparation phase), and also as part of the implementation phase. This is being accompanied by a broadening of the scope of evaluation. Until 2002, regional policy evaluation was mainly undertaken at instrument level, focusing predominantly on operational issues, whereas now the crucial questions addressed by evaluators include questioning policy effectiveness, efficiency and ultimately the very need for policy.

Still more focused on *ex post* evaluation of regional policy is Germany, in line with the emphasis placed by German authorities on effects and impacts. In addition, the Labour Market and Employment Research Institute also periodically undertakes an assessment of the need for ongoing support to the regions on behalf of the GA Planning Committee, by examining the need for intervention at the level of all labour

market areas (similar to the UK's travel-to-work areas, or the Italian Local Labour Systems).³⁷ At the *Land* level, regional policy evaluation tends to reflect the timetable of Structural Fund evaluation, due to the subsumed character of European regional policy in Germany.

4.3 Insights from Selected Evaluations

Having looked briefly at the approaches adopted in the countries under investigation as regards the overarching aims, scope and timing of evaluations, it is worth discussing in more detail the methods and approaches of selected evaluations in each country in turn.

4.3.1 Austria

In Austria, the approach to the evaluation of domestic regional policy is predominantly qualitative and process-oriented. Even when the evaluations draw on quantitative data (eg. on financial allocations and spending), they are not generally used for regression analyses or other quantitative models. This approach is largely due to the micro-orientation of much of regional policy – for example, small-scale aid and/or subsidised business loans, or the provision of support for local strategies and capacity-building – which does not lend itself to quantitative analysis. As already underlined, most evaluation of regional policy in Austria occurs within the context of the Structural Fund programmes and therefore is undertaken on an *ex ante*, mid-term and *ex post* policy cycle. In addition, all actors involved in domestic regional policy (the Federal Chancellery, the Federal Ministry of Transport, Innovation and Technology and the competent Ministries of the individual *Länder*) commission *ad hoc* evaluation studies on specific policy instruments (eg. the RIFupgrade and REGplus). The evaluations that are undertaken on domestic policy tend to focus on policy instruments, rather than programmes or the whole policy; however a programme-based approach is evident in the evaluation of EU co-financed policy.

An approach which may be seen as typical but has also been described as 'best-practice'³⁸ was undertaken in the late 1990s by the Joanneum Research institute³⁹, on the Instrument for Promoting Indigenous Regional Development (*Förderaktion eigenständige Regionalentwicklung, FER*). This study, which was commissioned by the Federal Chancellery (*Bundeskanzleramt, BKA*), aimed to evaluate the FER which the BKA had financed over a period of 20 years (and is no longer operating). The FER provided funding for local and regional initiatives in structurally-weak regions and helped to set up a regional structure of business advisory services. Its broader aim was to generate impulses for bottom-up regional development.

Given the potential complexities of such a long-run evaluation of 'soft' instruments, a feasibility study was first conducted in order to assess how the FER and its projects could best be evaluated. This led to the development of a multi-layered evaluation approach, focused on the following levels:

- *Concept* level: concentrated on the concept of 'indigenous regional development' – to understand what it meant, how it had developed and to what extent it was useful or appropriate. This was based on a literature review, as well as interviews with experts.

³⁷ The last such study was undertaken in 1999 and drew on regional data on the labour market situation, income disparities and the availability of infrastructure.

³⁸ Holzinger (2001) *op. cit.*

³⁹ Gerhardter and Gruber (2001) of the Joanneum Research institute

- *Instrument* level: aimed, first, at examining the ways in which FER had evolved over 20 years (via desk analyses of policy documents, as well as interviews with experts); and, second, at exploring the similar instruments set up by the *Länder* (via telephone and face-to-face interviews with the relevant agencies).
- *Performance* level, focused on the effects of the FER at project level. This involved first, the analysis of the BKA's project files and existing studies, interviews with the agencies involved, experts and project-holders, and also a statistical assessment of data using Geographic Information Systems. Second, an experimental method was applied in three regions, aimed at "following traces" (*spurensuchen*) to explore the learning and multiplier effects of the FER, focused on the questions of whether: (i) the FER introduced novel themes (via literature reviews and interviews); (ii) the FER contributed to indigenous regional development (via assessment of structural regional data, as well as the institutional framework and an overview of projects, as well as interviews); and (iii) regional consultancy firms developed (hypothesised to follow the creation of indigenous development instruments), via assessments of policy and related documents and interviews.

4.3.2 Finland

In Finland, the approaches to domestic regional policy tend to vary. Three recent evaluations were examined for this research, covering the Regional Centre Development Programme (RCDP), Aid to Business scheme and Centre for Expertise Programme (CfEP), each of which shows different emphases and approaches. On the basis of these studies, Finnish regional policy evaluations seem to be focused particularly on the programme and project levels. The timetable of evaluations tends to reproduce the Structural Funds sequence (*ex ante*, mid-term and *ex post*), but on-going assessments are also found together with *ad hoc* studies.

The first of the above-mentioned evaluations took the form of an ongoing assessment of the RCDP programme, from the year of its launch, 2000, to the end of the first phase in 2003. This was supplemented by a mid-term evaluation of the performance of the programme as a whole at the end of 2003. The aim of the programme is to support the development of a balanced network of regional centres across Finland by helping 34 selected centres organise and intensify cooperation and operational partnerships between the municipalities and the public and private sectors within their area. The evaluation was mainly process oriented: it addressed the theme of how cooperation was developing under the programme, mainly by highlighting best practice examples. For the second phase of implementation of the RCDP, which runs from 2004 to 2006, the same on-going plus final evaluation approach will be adopted, also with a view of helping to determine the possible continuation of the programme.

The Aid to Business scheme was evaluated through a continuous assessment of policy effectiveness. This was one of the innovations introduced by the 2000 Aid to Business Act. This on-going assessment focuses particularly on the project level and involves: first, setting out the additionality conditions which have to be met for awards to be made, namely that the project would not have gone ahead without aid or that it would have been less wide in scope, of a lower standard or introduced less rapidly; and second, the criteria against which the effectiveness of policy can be assessed two years after project completion, looking particularly at the impact of the project on turnover, export growth and jobs. This second part of the evaluation is still in its early stages, given the two-year time-lag in reporting turnover, exports and jobs. An

independent external evaluator has been appointed. The first meeting with the evaluator will take place in mid-2004, and the results of the exercise are expected by Spring 2005. Obviously, the figures provided by aid recipients will form an important part of the evaluation, but the aim will be to go deeper than the raw figures, with a view to identifying where the added value of aid to business lies, also through a case study approach.

These requirements have led not only to the generation of improved information on policy effectiveness but, perhaps more importantly, they have had a clear impact on the thinking of both aid recipients and administrators about the immediate and longer-term effects of aid and about the justification for its award.

In addition to this ongoing assessment, some T&E Centres (which, as noted in Section 3.4 also have evaluation responsibilities under the Aid to Business Act) have already commissioned evaluations (often from universities) which go very deeply, on a case study basis, into how the aid has been used and what impact it has had.

Finally, a mid-term evaluation was recently undertaken of the Centre for Expertise Programme, a scheme that has been in operation since 1996 and is now in its second phase of implementation. The evaluation focused on the questions of how the Centres are developing, what their needs for the future are, and how they can better respond to the goal of promoting international networks and competitiveness. The evaluation concluded that the Centres have been successful in creating innovation networks and that therefore the programme should continue until 2006. However, it also underlined that efforts could be better targeted; for example, it was noted that there are currently too many centres for them all to be genuinely world class.

4.3.3 Germany

In Germany, the evaluation of domestic regional policy is mainly concerned with specific instruments, rather than with the policy as a whole, and it is undertaken predominantly as *ex post* effectiveness and impact assessments. Generally speaking, evaluations are commissioned and financed when this is seen to be beneficial; as already discussed there are no legal obligations by which evaluation is bound to a set timetable. Domestic regional policy evaluation in Germany can be considered as methodologically rigorous, with a continuous and consistent approach to data-gathering⁴⁰ and processing, drawing on quantitative methods for analysing relatively long-run, time-series data on representative samples of firms and control groups. There have recently been a number of studies, undertaken at the federal level, that have addressed the question of whether policy objectives have been met. These analyses have predominantly been carried out by the Institute for Labour Market and Employment Research and by the Federal Agency for Construction and Spatial Research (BBR). The issues covered by these evaluations were: (i) whether regions receiving funding have developed better than those not receiving funding; (ii) whether the relative ranking of German regions has changed, and (iii) whether further assistance is needed by specific regions. An example of such studies is represented by the 'Regular IAB Business Panel Survey' which established the differences between assisted and non-assisted regions in terms of level of private investment per

⁴⁰ The *Länder* are subject to stringent monitoring obligations regarding the expenditure carried out under the GA. They have to submit monthly reports to the Federal Agency for Economics and Export Control information on both financial and physical indicators (financial information is collected since 1972, physical outcomes are tracked since 1991). In addition, since 1997, the Institute for Labour Market and Employment Research has undertaken a regular survey of over 8,000 firms on their use of public aid schemes, including the tracking of data on profits, business expectations, turnover, investment, economic sector, number of employees, plans for employment changes, and wages.

worker, firms' expectations of future employment trends, future investments intentions and the evolution of indicators of turnover, volume of business and wages. An econometric analysis carried out as part of this study showed that a significant relationship exists between regional aid, investment rates and employment growth.

As already noted with respect to Germany, considerable emphasis is placed on macro-regional or sector-level studies of broad economic impacts, drawing on econometric models. Such studies are undertaken by research institutes, such as the Ifo Institute Dresden, DIW, IAB, and they aim at understanding the causal linkages that exist between the effects generated by the instruments and the way these contribute to the broader regional development objectives.

A study on the impacts of regional incentives⁴¹ is an interesting example which illustrates how policy impacts are established. The study deals with two core instruments of domestic regional policy in Germany – the GA scheme providing aid to business investment (*Investitionszuschuss*) and the tax allowance for business investment (*Investitionszulage*) – and it analysed core indicators namely the amount of private investment, employment and productivity rates. The basic hypothesis of the study is that regional policy expenditure is likely to lead to an employment-reducing substitution effect (whereby capital replaces labour) as well as an employment-raising output effect (via the attraction of further production capacities and thus production). Through a model based on the assumption that there is no optimal way of combining capital and labour, but that different combinations are appropriate in different locations (depending on the level of regional development), the study concludes that the substitution effect outweighs the output effect in the short term, but that this situation is reversed in the longer term, so that regional aid to investment in Germany is found to have net positive effects on employment.

In general, the use of impact assessment in Germany is not made without awareness of the complexity of such an approach. As already underlined (Section 4.2), the acknowledgement of the various and varied factors influencing regional economic development and the difficulty of gathering appropriate, up-to-date, territorially disaggregated statistics, imply that the studies are often very focussed and limited in scope, in terms of time, sectors, regions, instruments, firm-size etc.

4.3.4 Ireland

As already mentioned, Irish regional policy is evaluated in line with the provisions of Structural Fund regulations. The NDP and the constituent programmes have undergone *ex ante* and mid-term evaluations and will be subject to *ex post* evaluation. In addition, a programme of ongoing/interim evaluation is implemented by the NDP/CSF Evaluation Unit. Although the Unit does undertake some evaluations itself, most of its role lies in making sure that the agreed NDP/CSF evaluation plan is implemented and that quality evaluations are delivered. Evaluation studies are mostly commissioned from external consultants through tendering procedures (for which the Evaluation Unit has drafted standard terms of reference).

⁴¹ Schalk and Untied (2000) "Regional Investment incentives in Germany: Impacts on factor demand and growth". *Annals of Regional Science* Vol.34, pp.173-195.

The approach adopted for the evaluations of the NDP builds on experience matured during the past programming period in evaluating the 1994-99 CSF. It is based on five main themes⁴²:

- rationale: is there market failure?
- (continued) relevance: what are the implications of external developments for the programme?
- effectiveness: is the programme meeting its objectives?
- efficiency: are programme benefits commensurate with costs? and
- impact: what are the net socio-economic effects of the interventions?

The focus of each evaluation is clearly tailored to the stage of the policy cycle in which the evaluation is carried out. The *ex ante* evaluations, for example, focus particularly on the rationale of the programmes, the mid-term and interim evaluations addressed particularly the themes of relevance and effectiveness, whereas the *ex post* evaluations mainly deal with efficiency and impact assessment.

In addition to the work carried out on the NDP, the agencies in charge of the implementation of specific schemes, such as Enterprise Ireland or IDA Ireland, also commission or undertake *ad hoc* studies of these programmes. For instance, Enterprise Ireland undertakes three or four evaluations per year, evaluating the impacts, deadweight and displacement of its schemes. The agencies are not required to undertake such evaluations, but they view them as beneficial, in that the studies allow them to follow up issues raised in the 'macro-evaluations' and to challenge conventional views (for example on what a 'successful scheme' is in the R&D field).

Finally, as previously noted, all areas of expenditure are subject to review at least once every three years as part of the Expenditure Review Initiative which was launched in 1997. There is also an established trend of large-scale policy reviews approximately every ten years and *ad hoc* reviews and evaluations.

4.3.5 Italy

The evaluation of regional policy in Italy has been strongly influenced by the framework put into place to comply with Structural Fund requirements, not least because of the significant overlap between domestic and European regional policy and because of the co-funding of national regional policy schemes (e.g. Law 488/1992). In addition to this, broader efforts are being made to align domestic and co-funded policies in Italy, and this is having an impact on the evaluation of policy. This having been said, aside from the programme-wide evaluations that are undertaken to comply with European rules, there is also an extensive body of *ad hoc* studies of particular instruments that are undertaken from time to time by or for Ministries or regional authorities. These have a marked lesson-drawing component, both as regards the operation of instruments and their capacity to deliver the expected results. The two studies summarised below are examples of this approach to evaluation as regards the evaluations commissioned at the national level.

⁴² Hegarty D (2003) Framework for the Evaluation of the Structural Funds in Ireland, paper presented at the Fifth European Conference on the Evaluation of the Structural Funds, Budapest, 26-27 June, p. 9-10.

Over time, the Ministry of Productive Activities has undertaken a substantial number of evaluations on Law 488/1992, the main national incentive scheme, and other schemes in support of firms, mainly within the framework of the report to the Parliament that it has to produce every year. A recent example is a study concluded in December 2003 on the *Contratti di Programma*. The study was undertaken to provide CIPE, the Interministerial Committee for Economic Programming (responsible for the allocation of the national resources for the development of the underutilised areas), with evidence on the implementation of this instrument that could support future resource allocation. The study dealt with the territorial distribution of the contracts, the amount of aid awarded and related investment, the number of jobs created, a typology of the applicants (eg. SME consortia, large firms, multinationals, industrial groups), the progress in the implementation of the contracts and various other issues. It concluded by highlighting the adequacy of the instrument in achieving its objectives and the need for a more effective monitoring system to be put in place to overcome the practical, procedural difficulties that have hindered some of the contracts.

A similar study was undertaken for the Ministry of Economy and Finances on the *Patti Territoriali*. These pacts are bottom-up, local development initiatives that were launched in 1998 and include both aids to businesses (to compensate for localisation disadvantages) and infrastructure (to remove such disadvantages). Their main objectives are to promote local, public-private cooperation and the implementation of projects for the improvement of the local productive structure, partly by leveraging in private resources. Since they were first implemented, the pacts have been subject to delays and criticism, and they were finally regionalised in 2002. The study undertaken for the Ministry was commissioned to provide evidence to assist the regionalisation process. The research aimed to assess the effectiveness and efficiency of the instrument, by looking at the effects of the pacts on local development and highlighting contextual changes. It focused on selected cases and took account of both economic and institutional/operational aspects, with a view of assessing, first, the extent to which the pacts can be considered effective and, second, the extent to which recurrent characteristics – territorial, institutional or sectoral – can be associated with such effectiveness.⁴³ The outcome of the study has been presented to CIPE and has formed the basis for the regionalisation of the instrument.

The assessment of effects and impacts of regional policy are also conducted in Italy. For example, every year a review of Law 488/1992 takes place which includes a project-level assessment of the outcomes associated with the scheme, in terms of leveraged investment and the jobs maintained and created. In addition, a macroeconomic supply-side model was created by the national Evaluation Unit (discussed above) for assessing the expected impacts of the Objective 1 2000-06 CSF. This model, which was created within the context of Structural Fund programming, simulates the impacts of the policies implemented in the *Mezzogiorno* by aggregating all of the regional policy expenditure in the area (EU, national and regional).⁴⁴

⁴³ Ministero dell'Economia e delle Finanze, Dipartimento per le Politiche di Sviluppo (2003), *La lezione dei patti territoriali per la progettazione integrata territoriale nel Mezzogiorno*, gennaio 2003 (Premessa by Fabrizio Barca and Synthesis of the Research).

⁴⁴ Ministero dell'Economia e delle Finanze, Dipartimento per le Politiche di Sviluppo e Coesione Nucleo Tecnico di Valutazione e Verifica degli Investimenti Pubblici (2004) *Relazione dell'attività svolta nel 2003*, Presentata al Parlamento dal Vice-Ministro On. Gianfranco Micciché, Rome, July 2004

4.3.6 The Netherlands

In the Netherlands, as noted earlier, the evaluation of domestic regional policy historically involved the *ex post* assessment of specific instruments, undertaken at the end of each policy cycle. More recently, the new framework developed by the Ministry of Finance and the Evaluation Handbook produced by the Ministry of Economy have led to a more comprehensive approach to evaluation, ensuring that related policy instruments are reviewed at the same time. In response to this aim, a number of regional policy measures have recently been evaluated or are in the process of being evaluated.⁴⁵

- TIPP (Provincial Investment Programmes Tendering Scheme), 2003
- DBT (like the TIPP, related to the provision of industrial estates), 2003/04
- Covenant Partnership in the Regions, 2002/03
- Spatial-Economic Development Programme for the Northern Netherlands (Kompas voor het Noorden),⁴⁶ mid-term 2003
- TRN (*Toerisme en Recreatie Nederland*),⁴⁷ 2003
- ERDF co-finance: KONVER, 2003
- Regional Development Agencies (ROM's), 2004
- Investment Premium, 2003

In addition, in the run-up to a new memorandum on spatial economic policy,⁴⁸ all aspects of regional policy have been, or are being, evaluated, and the policy area as a whole has been subject to review by interministerial committee (IBO). This inter-departmental committee, which was due to report in the course of 2004, addressed the fundamental question of whether there should be a continuing regional policy in the Netherlands, concluding that there is a justification for regional policy as long as the focus is on areas of development potential rather than on problem regions.

The approaches adopted in the above evaluations vary. The foci encompass the themes of: effectiveness and value added (Partnership in the Regions); additionality, project-level impacts, roles and procedures (Industrial Estates); efficiency, effectiveness and continued relevance (evaluation of the Regional Development Agencies); and effectiveness and national impacts (Investment Premium). Two of the above evaluations are discussed below in more detail.

Overall, it appears that, with the newly introduced framework, the relatively narrow pre-2002 focus on the operational issues of specific instruments has been replaced with a much wider approach where evaluation encompasses not just individual aspects of policy – ie. the question of whether individual measures are working well – but also more fundamental questions, such as whether policy is moving in the right direction and whether it is effective in achieving its aims. Since the introduction of the new evaluation regime, the view of those responsible for evaluation within the Ministry of Economic Affairs is that there has been a mostly positive experience with respect to the changes which have been made, even though there have been some

⁴⁵ Ministry of Finance website, Table of Evaluations under Article 3.

⁴⁶ This Structural Fund evaluation was reviewed to ensure that it met the requirements of the RPE. Had it not done so, an additional evaluation would have had to be undertaken for RPE purposes.

⁴⁷ Aspects of tourism and leisure support are included within the spatial economic development budgetary heading.

⁴⁸ The previous spatial economic policy memorandum was published in 2000, and it has now been followed up by a new policy memorandum, published in July 2004: Ministry of Economic Affairs (2004), *Peaks in the Delta: Territorial Economic Prospects – Making room for enterprise*, The Hague.

initial difficulties. The new system has not just brought about changes in the evaluation methods but has also determined an attitudinal change. Under the new framework, Ministries must ask themselves not only what they intend to achieve with any given policy, but also how they want to achieve it and at what cost. The need to justify public expenditure in this way has, in turn, impacted on the questions posed for evaluation.

(i) *Evaluation of the Covenant “Partnership in the Regions”*

The Covenant “Partnership in the Regions” was signed in December 1999 by the Ministry of Economic Affairs, the Ministry of Transport, Public Works and Water Management, the Association of the Provinces of the Netherlands (IPO) and the Association of Netherlands Municipalities (VNG). Its aim was to enhance co-operation between the centre and the regions in three important spheres: industrial estates; innovation; and the effective operation of the market. In 2002, the Ministry of Housing and Planning also became a signatory, as the scope of the Covenant was extended to include broader quality concerns (for example, a new stress on restructuring and sustainability, on planning in relation to mobility patterns and on the architecture of industrial sites). Of the 70 agreements signed under the Covenant, more than half (some 40) dealt with industrial estates.

The Covenant was evaluated in the course of 2003.⁴⁹ The evaluation concluded that the Covenant had been useful in helping to set the agenda and also in improving cooperation between the partner organisations. However, it was deemed to be less successful from an implementation perspective. Around one half of the agreements signed were not ultimately carried through. Although the implementation record was better with respect to industrial estates, it remained unclear just where the value added of the Covenant lay. As a result, the partner organisations have been asked to consider how best to carry forward their cooperation in future.

(ii) *Evaluation of the Policy for Industrial Estates*

A second area where there has been an important evaluation was in respect of policy for industrial estates more generally. Prior to the evaluation, a number of policy measures had impacted on industrial estates. These included, in particular, the TIPP (*Tender Investments Programma’s Provincies*, Provincial Investment Programmes Tendering Scheme), which was introduced in 2000 to foster the development of new strategic business locations and the restructuring of derelict business locations, and the DBT (*Subsidieregeling Duurzame Bedrijventerreinen*, Sustainable Industrial Estates Incentive Programme), which aimed to improve the quality of industrial estates both economically and from an environmental perspective. The TIPP budget for the 2000-03 period was just over €136 million while the DBT budget was €13 million.

The two measures were evaluated jointly together with the StiREA, the predecessor of the TIPP. The main conclusions of the evaluation were that both instruments have had a positive impact, although results have fed through more slowly than expected, mainly due to difficulties at the start of projects. Without the support provided by the Ministry of Economic Affairs, the projects generally would have been smaller or would have been implemented later. The role played by the provinces with respect to the TIPP was viewed as a drawback by larger cities. The tender procedure of the TIPP was found to be cumbersome and the administrative burden associated with the DBT was felt to be high. Although the two measures were meant to be

⁴⁹ The results are summarised in *Ministrie van Economische Zaken, Actieplan Bedrijventerreinen 2004-2008*, The Hague, May 2004, Section 6.3

complementary, this proved not to be the case in practice.⁵⁰ These conclusions led to the formulation of targeted recommendations, for example the selection of industrial estates should be more focussed and that the scheme should concentrate on a limited number of restructuring projects. The recommendations were taken into account by the Ministry in formulating a new policy for industrial estates which, amongst others, will see it focus its efforts on a limited number of sites – 25 brownfield sites which are considered to have a pan-regional impact.

4.3.7 Sweden

Other than the evaluation obligations of EU cohesion policy, there is no legal requirement for regional policy evaluation to be undertaken in Sweden. However, there is a tradition for policy to be reviewed by a Committee prior to the submission of new government bills to Parliament.

The most recent such review of regional policy took place in 1999. A Parliamentary Committee was set up in January of that year, with the task of proposing the content and direction of future regional policy. The Committee involved regional policy experts along with representatives from national, regional, and local authorities and representatives from a number of national Ministries. The Committee submitted its final report on September 2000. The main conclusion was that future regional policy should be a welfare and growth policy for the whole country that is adapted to local and regional situations.

The review addressed the themes of policy monitoring and evaluation, highlighting that there were significant gaps with regards to access to information and the evaluation of regional development, thus calling for the improvement of skills and qualifications within the authorities and organisations that have the responsibility for the implementation of regional policy. Following on from the work of the Committee, the Government submitted a Regional Policy Bill to Parliament, which was strongly based on the Committee's report. This resulted in a new Bill being adopted by Parliament entitled 'A Policy for Growth and Viability throughout Sweden'.

A similar Committee is currently operating to analyse the governance of regional policy in Sweden. This Committee submitted its interim report in December 2003, 'Growth Potential for Sustainable Welfare' suggesting a clearer subdivision of responsibilities at the various levels. After the submission of its report, the Committee saw its mandate extended in June 2004, with the task of formulating possible changes to the division of tasks within the state, and between state, the county level and municipalities.

4.3.8 United Kingdom

The evaluation of regional policy in the UK is moving from a traditional, project-specific, retrospective model to broader, more strategic and iterative approaches. This is in line with the April 2003 Green Book which sees appraisal and evaluation as two stages of a broader policy cycle and reflects an increasingly sophisticated appreciation of regional policy challenges and the changing administrative framework. The Treasury, ODPM and DTI are working closely with officials across Whitehall and the Regions (including Government Offices, the existing regional chambers/regional assemblies and RDAs) to evaluate existing policies and programmes. National/regional partnership is a growing factor in evaluation approaches, and evaluation steering groups are increasingly drawing other stakeholders into the process. The growing importance of evaluation is reflected in

⁵⁰ Ibid

the strengthening of evaluation units in national and regional bodies, although the bulk of evaluation work is conducted by external contractors.

A recent example of evaluation of a domestic regional policy instrument relates to the main regional grant scheme, the Regional Selective Assistance (recently renamed Selective Finance for Investment). The DTI, together with the Scottish and Welsh administrations commissioned (from independent contractors) three studies on this scheme. The latest evaluation was published in 2000 and covered the grant offers made between 1991 and 1995. DTI argues that the full net effects and the true cost to Government can only be assessed several years after the offers have been made and the projects implemented, taking into account such factors as the need for grant, job displacement, the timing and duration of jobs, multiplier effects and net exchequer costs. The evaluation consisted of a study of monitoring data, a sample survey of companies who had been RSA grant recipients and discussions with competent officers and representatives from regional development organisations. The evaluation concentrated on the estimation of the 'net cost per net job', so as to provide an indicator of the cost effectiveness of the scheme. This estimate was based on the gross number of jobs created or safeguarded by the projects and the total grant funds used to achieve them.

5. THE INFLUENCE OF EVALUATION ON POLICY

5.1 A Fundamental Change in Attitude

The main theme of this paper is the fundamental change that has taken place in attitudes to evaluation within the regional policy community in Europe. This applies not just to regional policy alone, but is part of a broader commitment to evaluation within public policy. There are several important aspects to this change worth noting.

First, the community of policy-makers and administrators increasingly recognises evaluation to be part of the policy-making process. As noted in one of the interviews carried out for this research, *"it is now taken for granted that evaluation should be done"*. Notwithstanding some criticisms of the utility and application of evaluation – relating for example to specific aspects of the evaluation process or the perceived onerous character of evaluation work – evaluation is considered, at least in principle, to be a useful part of the process of policy design, targeting, justification and implementation.

Second, a higher volume of evaluation activity is underway in almost every country. More evaluations are being undertaken more regularly, in some cases at every point in the policy cycles – ex ante, at the mid term and ex post. In some cases, there is 'ongoing evaluation' with a continuous process of evaluation accompanying the implementation of a programme or instruments. These exercises are complemented by a range of ad hoc evaluations on specific themes or parts of the process. There also appears to be a broader approach to evaluation in some countries, going beyond the level of individual instruments to look at policy(ies) as a whole.

Third, there has been significant development in the 'capacity' to undertake evaluations of regional policy. The increasing demand for evaluation studies, combined with investment in evaluation techniques and skills, has widened the pool of evaluators and raised the quality of evaluations undertaken. Training, advisory and supporting activities have also contributed to improved understanding of the potential benefits. In some countries, the attention given to developing skills and knowledge in the evaluation of public/regional policy is so strong that not only training initiatives are organised for those who are already involved in policy implementation or evaluation, but tailor-made initiatives have even been launched on the educational front, with the specific purpose of creating new professional figures capable of responding to an increasing demand.⁵¹ The setting up of network-based forms of cooperation and exchange between those involved in evaluation (eg. the Irish 'network of reviewers' and the Irish and Italian evaluation networks) and the active commitment of existing evaluation societies or associations (such as those operating in Finland, Germany, Italy and the UK) have also contributed to the development of awareness, skills and trust in evaluation.

Lastly, there is greater professionalism in the ways that the evaluation process is managed by government authorities. Policymakers have developed more systematic and professional procedures for commissioning, steering, assessing and exploiting evaluation studies. In some countries, dedicated evaluation units have been established (Ireland, Italy), in others guidance on best practice and evaluation

⁵¹ In Ireland, for example, the Centre for Management and Organisation Development in the Department of Finance, in 2002 issued a call for tender for the provision of a two-year masters degree and a one-year diploma in policy analysis, both of which have a strong focus on expenditure review and evaluation practice. Similar master courses have recently been introduced in Italy where, in addition, evaluation-oriented electives have been included by some Universities as part of relevant postgraduate degrees.

handbooks have been drawn up (Netherlands, UK). Formal training initiatives have also been provided by national and regional governments (Germany, Ireland and Italy).

The obvious questions arising from these trends are whether and how evaluation has an influence on policy. The survey of national government officials and evaluators conducted for this research produced limited consensus across countries (and even within individual countries and government authorities). However, two broad sets of conclusions do emerge.

5.2 Influence on Policy

The first conclusion is that evaluation generally does not play a major role in determining the overall direction of policy. Rather, evaluation is used to justify political objectives and policy choices.

The policy-making process is of course extremely complex, often with a high degree of path dependency based on institutional, political and economic parameters which determine how regional policy evolves. In this context, it is generally acknowledged that the outcome of evaluation exercises plays only a minor role. Evaluation is only one factor among many in policy decisions; several policy-makers were able to cite examples of decisions taken contrary to the recommendations of evaluation studies.

However, this is not to suggest that evaluation has no influence. As noted several times in the research, evaluation results – both positive and negative – contribute to the ‘information stock’ or ‘policy pot’ of government thinking from which future policy emerges. The key point is that there is rarely a direct link between evaluation results and major changes in policy direction. Although there are examples of individual policy elements have been changed as a result of evaluation, the overall policy goals are attributable to many different influences.

The best examples of where evaluation has a possible effect on policy thinking are in Sweden and the Netherlands. In the Swedish case, the assessments of policy performance and direction, carried out under the aegis of parliamentary committees, have had a marked impact on the policy subsequently formulated. Public policy reviews precede the preparation of governmental bills, and it is their explicit aim to inform policy formulation. The main conclusion of the 2000 regional policy review was that future regional policy should be growth and welfare oriented, and that it should apply to all regions whilst being locally and regionally adapted, via decentralised implementation and delivery. These themes were at the core of the government’s 2001 regional policy bill, as the title itself testifies: *A Policy for Growth and Viability throughout Sweden*.

It is perhaps questionable whether this process qualifies as ‘evaluation’ in the strict sense although it does encompass important assessments of factors such as the relevance, effectiveness and efficiency of policy. It highlights the complex inter-relationship between political objectives and evidence in the use made of evaluation results to justify a change in policy direction.

A different example is the periodic review of policy carried out in the Netherlands, timed to coincide with the end of the policy cycle. Policymakers are now forced to ask themselves every three or four years not only if individual measures are working well but also if policy as a whole is moving in the right direction.

The Dutch case also illustrates the influence that wider contextual factors can have on policy formulation. For instance, the north of the Netherlands can make a good evidence-based case for the continuation of traditional regional policy; according to the mid-term review of the *Kompas voor het Noorden*, the money allocated to the Spatial-Economic Development Programme for the Northern Netherlands has been well spent and targets have been met. However, the policy environment is now very different from that which existed when the programme was first established. Issues of national and regional competitiveness have come to the fore and there is a political and policy debate about whether it is still appropriate to allocate funding to problem areas rather than areas of development potential.

Such broader contextual issues are important; indeed, they are generally more important than narrow evaluation evidence in determining future policy developments. It has been argued that evaluation conducted at the policy level needs to take account of the wider political and policy environments if it is to play an influential role in the policy formulation process.

A third example is from Italy. The 1999 Development Plan for the *Mezzogiorno* and the subsequent CSF marked a strong policy change towards policies for endogenous development. This was not the result of formal evaluations, of evidence found in specific studies or in the *ex post* evaluation of the previous programming period – which were completed well after the preparation of the new programmes – but rather the outcome of a change in the political perspectives of key decision-makers. Nonetheless, other ‘quasi-evaluation’ methods were utilised for the formulation of the strategies of the new programmes. In particular, the experience of the ‘consultation tables’ (*tavoli interinali*) that were set up in 1999 was meaningful in this respect. Every ‘table’ provided for an organised, prospective reflection on past experiences and reports produced by each provided policy-makers with a lot of evidence for the drafting of the new programming documents. All in all, it can be said that, even though there was no formal evaluation in the strict sense to support this, the shift in policy was the result of a structured and systematic process of assessment of previous experience in implementing policies.

Lastly, it is important to note the use of evaluation to justify policy choices. This applies also to Italy but perhaps most of all to the United Kingdom, where the value-for-money of public spending is seen as crucial to policy decisions. Government department and public agencies give a high profile to evaluation for this purpose. This objective also underpins the work of the National Audit Office, which is concerned not just with audit (in the accounting sense) but with the efficiency and effectiveness of policy, and it also pervades the inquiries of many parliamentary committees.

5.3 Influence on Policy Processes and Instruments

Although the influence of evaluation on the overall direction of regional policy may be limited, the second conclusion is that evaluation can play a major role in decisions on policy processes or instruments – ranging from the rationale accorded to a policy, programme or scheme, the policy mix chosen to achieve certain policy goals, to the operationalisation of specific instruments.

In the United Kingdom, for example, the recent replacement of the Regional Selective Assistance (RSA) scheme with Selective Finance for Investment (SFI) represented a major change in the DTI’s strategic approach to focus more on the creation of high-skilled jobs and support for research and development. This was the

result of a series of evaluations, including the DTIs evaluation of its business support activities and the publication, in June 2003, of a National Audit Office report Regional Grants in England.

In Italy, the evaluation of the above-mentioned *Patti Territoriali* (Section 4.3), provided evidence to support the decision to regionalise the instrument (which was in essence a political decision). By addressing the factors determining the success or failure of the analysed pacts, the evaluation provided operational options to accompany the regionalisation process which were predicted as improving the future efficiency of the instrument.

In the German *Land* of Sachsen, the state government took the decision to abolish a domestic scheme which provides grants to firms to gain patents, following on from a thematic evaluation of technology policy interventions, undertaken in the context of the mid-term evaluation of the Objective 1 Operational Programme. The evaluation showed that the scheme was achieving only rather limited results. Evidently, the decision was also influenced by the current fiscal constraints facing the *Land* authorities ie. evaluation provided the evidence for deciding where to make the politically determined budgetary savings.

Lastly, an example of the 'immaterial' changes to regional policy resulting from evaluation comes from Finland, where the evaluation of the Aid to Business scheme is considered to have brought about an important change of attitude to the award of support, not only within the administration but also within the community of aid recipients. There is now a broadly-based understanding that aid is not a right but that it must make a difference in terms of size, quality or speed of implementation.

All of these examples – and others that could be cited from all of the countries discussed in this paper – illustrate the role that evaluation plays in influencing specific changes to the operation or content of regional policy. In the majority of cases, however, the influence of the evaluation cannot be separated from the political or policy context.

6. FUTURE CHALLENGES AND ISSUES FOR DISCUSSION

This paper shows that evaluation is widely used to obtain insights and evidence to support decision-making, although it is clearly not the main basis for making decisions. The review of evaluation practice conducted across Member States has led to the identification of a number of challenges associated with evaluation and its potential roles.

With policy becoming increasingly cross-sectoral, targeting more than one main aim at the same time, often with limited prioritisation, and intangible, there is clear perception of the fact that evaluation also needs to evolve. There is a widespread feeling that a key challenge for evaluation will be to find effective ways to reflect the cross-sectoral character of policy. This calls for enormous efforts to be put in place, for example to provide evaluation with adequate skills and information, and to allow for a strategic, overarching vision, where the inputs of actors with different thematic and territorial backgrounds can be coordinated and integrated.

A further reflection emerging from the research is that evaluation needs to be better institutionalised as an integral part of the policy-making process. In other words, evaluation has to be embedded in the process of birth and growth of policies, through an iterative, systemic process of monitoring of policy effects and feedback into policy. This paper has provided various examples of attempts to do this, for example by developing legal frameworks or guidance documents (as in the Netherlands and the UK) or by assigning coordination and stimulation roles to *ad hoc* units or institutes (as in Ireland, Italy, Sweden). Research evidence suggests that further improvement in this area is necessary.

The design and organisation of evaluation processes is another area where progress is felt to be needed. Evaluations do not mechanically provide useful recommendations, they need to be managed and steered appropriately (eg. Austria, Germany). Evaluation demand needs to be targeted on needs. Inflexible evaluation frameworks are considered as counterproductive. While significant progress has been made as regards the generation of capacity and skills for evaluation, further improvements are still considered necessary (eg. Italy, Sweden, UK), with respect to both evaluation suppliers and the recipients.

The information and methodological bases for evaluation are also a concern, for example in Germany. In some countries, efforts are being made to develop appropriate indicators and provide for their consistent and systematic collection, for example in Sweden. Interview evidence suggests that evaluation is sometimes equated with the collection of endless lists of indicators. There is lack of clarity on how best to use such indicators and how to account for displacement, deadweight, substitution effects etc. The estimation of impacts is still a weak area in a number of countries.

Communication and dissemination are considered crucial issues (Finland, Ireland, Italy). Policy-makers and administrators can be alienated by over-technical reports. For evaluations to be followed up, it is important that messages are conveyed clearly and that recommendations are felt to be shared knowledge. In Italy, for example, experience shows that any attempt to implement evaluation recommendations in a mechanical fashion, without engaging the policy-makers, has failed. While dissemination to the broader public has seen improvements as never before in the

last few years (for instance much of the evaluation reports produced are available from the websites of national and regional ministries), communication is still considered in need of improvement.

Finally, there are issues in relation to the devolution of regional policy that is taking place in countries like Italy, Sweden and the UK. As underlined by other research, devolution presents a range of challenges and opportunities for evaluation. It can: provide scope for increased and more meaningful interactions between evaluators, policy-makers and stakeholders; encourage holistic approaches to evaluation, by allowing consideration of interaction and synergies between policies and domains; and provide the opportunity for greater discussion and dissemination of evaluation findings amongst the communities involved. However, it also presents risks due to a lack of skills, reduced scope for coordination and economies of scale, and potential inefficiencies (eg. duplication of work, lack of global vision etc).

These considerations show that there are still a number of open questions on the role of evaluation in the field of regional policy and on how most effectively it should be undertaken to maximise its utility. Three sets of questions in particular can be identified.

(i) Technocracy versus policy

Evaluation is in essence a technocratic exercise. Policy decisions are the responsibility of policy-makers. Evaluation evidence is only one of many inputs that feed into policy decisions. It was stressed in the paper that for evaluation to be meaningful, it has to take into account underlying policy agendas. However, this raises the question of how evaluation can respond to policy concerns and priorities, and yet at the same time retain its independence. How can it be ensured, in other words, that the evidence-policy process is not inverted?

(ii) Centre versus periphery

Regional policy is increasingly being devised and delivered at regional and local levels. In a number of countries, this is mirrored by an increasing array of competences, including in the sphere of evaluation, being dealt with locally and regionally. This implies new challenges and opportunities for evaluation. In particular, can evaluation become a new tool for effective subsidiarity in regional policy? How is it best organised in a devolved policy environment?

(iii) Domestic versus European policy

The paper has dealt essentially with domestic policy evaluation. However, there are extensive overlaps between national and EU regional policy and, perhaps with the exception of Germany, such overlaps are also mirrored in the evaluation of policy. Considerable criticism has been voiced about aspects of the evaluation requirements associated with European regional policy. The principle of proportionality has been highlighted as one of the key elements of effective policy evaluation. This raises a number of questions: What does proportionality mean for the evaluation of regional policy? In other words, how can the right balance be achieved between efforts and benefits, for evaluation to be considered proportional? And, how can proportionality be interpreted in a context where many of the evaluation obligations are imposed by the EU framework?