UNIVERSITY OF STRATHCLYDE

The Added Value of the Structural Funds: A Regional Perspective

IQ-Net Report on the Reform of the Structural Funds

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Improving the Quality of Structural Fund Programming through Exchange of Experience

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Preface

This paper on the added value of the Structural Funds is a contribution to the debate on the reform of EU regional policy after 2006. The paper has been prepared by the European Policies Research Centre (EPRC) under the aegis of IQ-Net, which is a network of programme management authorities from Structural Fund programmes across the EU. The aim of the network is 'Improving the Quality of Structural Fund Programming through Exchange of Experience' through a structured programme of applied research and debate, centred on a bi-annual meetings held in partner regions.

IQ-Net members currently comprise the following partners:

Austria
- Amt der Niederösterreichischen Landesregierung (Lower Austria)
- Amt der Steiermärkischen Landesregierung (Styria)

Denmark
- Nordjyllandsamt (North Jutland)
- Erhervs- og Boligstyrelsen (National Agency for Enterprise & Housing)

Finland
- Länsi-Suomi (Western Finland)
- Sisäasiainministeriö (Ministry of the Interior)

France
- Délégation à l'aménagement du territoire et à l'action régionale (DATAR)

Germany
- Ministerium für Wirtschaft und Arbeit des Landes Nordrhein-Westfalen (North-Rhine Westphalia)

Italy
- Dipartimento dello sviluppo economico, Regione Toscana (Tuscany)
- DG Industria, Piccola e Media Impresa e Cooperazione e Turismo, Regione Lombardia (Lombardy)
- Istituto per la Promozione Industriale (Institute for Industrial Promotion)
- Ministero delle Attività Produttive (Ministry of Productive Activities)

Spain
- Diputación Foral de Bizkaia (Basque Country)

Sweden
- Länsstyrelsen Gävleborg (Objective 2 North)
- Länsstyrelsen Norrbotten (Objective 1 Norra Norrland)

United Kingdom
- Government Office for North-East England
- Office of the Deputy Prime Minister
- Strathclyde European Partnership (Western Scotland)
- Welsh European Funding Office (Wales)

European Commission
- DG Regio

European Policies Research Centre, University of Strathclyde

The research for this paper was undertaken by EPRC in consultation with IQ-Net partners. It involved a programme of desk research and fieldwork visits among national and regional authorities in Member States (notably in member regions of the IQ-Net consortium) during Spring/Summer 2003.

The paper is also based on an IQ-Net Seminar on the Added Value of the Structural Funds held at Scotland House in Brussels on 12 June 2003. A full list of the IQ-Net seminar participants, whose contributions significantly shaped the final version of the paper, is provided in Annex 1.

The paper has been drafted by Professor John Bachtler and Sandra Taylor. The field research team comprised:

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For further information about IQ-Net, and access to the full series of Thematic Papers, visit the IQ-Net website: http://www.eprc.strath.ac.uk/iqnet.

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EXECUTIVE SUMMARY

The importance of added value

Community added value is at the heart of the debate on the future of EU regional policy. The European Commission and Member States agree that a post-2006 EU regional policy must seek to maximise the added value of EU interventions, in particular under any policy support provided outside Objective 1. This paper explores the concept of added value and its determinants. On the basis of experience across nine Member States, it discusses the individual components of added value, with respect to the effects of the Structural Funds on cohesion (economic development), political awareness, policy-making, institutional arrangements, the implementation of programmes and regional policy learning. The paper concludes with proposals for measures to improve added value in future Structural Fund programmes.

Added value in current and past programmes

Cohesion added value

Structural Fund programmes have had tangible net economic impacts in the cohesion countries and other large Objective 1 regions. Outside these areas, the economic impacts are difficult to quantify. However, the Funds have clearly enabled additional economic activity to take place, and there is evidence of programmes improving the quality of economic development and acting as a catalyst for regeneration.

Programmes have influenced the deployment of resources for economic development, in particular at local level. They have enabled a wider range of organisations to engage in economic development and focused intervention on the needier areas. The Funds have safeguarded or increased the level of domestic regional development spending, and encouraged forward-looking regional development strategies.

Political added value

An important intangible effect of the Structural Funds is to make the EU more visible to citizens, communities, businesses and public authorities. Among the perceived benefits is stronger support for European economic and political integration. There are tangible outcomes in terms of the encouragement given to regional and local organisations to become involved in European political and policy debates and to 'internationalise' their operations. Positive effects on businesses are harder to identify.

Policy added value

The EU programming approach has promoted a strategic dimension in regional development policymaking. Regional development has become more integrated and coherent, through the multi-sectoral and geographically focused approach of programmes. Multi-annual programming periods have also provided a more stable policy environment, allowing longer term planning. In several Member States, there is evidence that the lessons of EU programming are being transferred into domestic policies.

There is mixed evidence of the influence of Structural Funds on domestic policy priorities. For the most part, the EU programmes do not appear to have 'bent' expenditure against the direction of national policy trends. However, they have played an important part in pioneering new types of intervention (in areas such as community economic development and the horizontal themes) and have been associated with institutional innovations in the management of regional development.

Operational added value

The most frequently cited area of added value associated with the Structural Funds is partnership. This fundamental principle of Structural Fund programming is considered to have brought enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy, and better quality regional development interventions as a result.

The partnership principle is implemented in different ways across the EU, but the commonly perceived benefits of partnership are improved vertical coherence, stronger involvement of local actors, a greater awareness of the 'bigger picture', collaborative working and co-operation on economic development initiatives, and improved decision-making in the management of economic development interventions.

There are also problematic aspects of operating the Structural Funds that can significantly detract from their operational value. For example, there is universal concern that the bureaucracy associated with programming is excessively complex, demanding and costly. The eligible areas are often small, fragmented and lacking in coherence for effective regional development. Programmes may be too risk averse as a result of the pressure to spend.

Learning added value

Learning is an integral ingredient of Structural Fund programming. The Structural Funds have provided an exceptionally stable yet adaptable policy framework, which has promoted a dynamic of learning and innovation. In some regions, they have helped to institutionalise a 'learning reflex' as part of the routine delivery of regional economic development policy.

Improving the added value of Structural Funds after 2006

Improving added value after 2006 will require Structural Fund programming to adjust to a different level of resourcing, the changing regional policy environment in Member States and the differential progress of programming in the past across the EU. In some countries/regions, programmes are still at a developmental stage and have scope to exploit more added value from EU funding; in other programmes, the potential added value of EU funding has largely been achieved and there is need to revitalise mature systems. The starting point is to create a

framework based on the principles of proportionality, subsidiarity, simplification and spatial coherence.

At a policy level, the key features of programming which deliver added value are coherence (integrated, multi-sectoral development), stability (multi-annual programmes), collaborative working (partnership) and accountability (monitoring and evaluation). Notwithstanding the likely resource constraints on Structural Fund support outside Objective 1, it is important that programmes are sufficiently resourced to have strategic meaning. Programmes should promote added value by focusing on innovation, facilitating risk-taking and promoting the network economy. From a management perspective, programming needs to provide greater scope for strategic thinking and development activity, to retain the partnership principle and to have the flexibility to be managed to suit local circumstances. Lastly, there should be greater recognition of the role of learning in effective regional development.

The Added Value of the Structural Funds: A Regional Perspective

1. INTRODUCTION

Added value is a key objective in the reform debate. It is not, however, a simple concept, since it captures both quantitative and qualitative effects of the Structural Funds. There is a need for better, evidence-based understanding of added value. This paper examines the effects of the Structural Funds on cohesion, policymaking, institutional arrangements, the operation of the Structural Funds and policy learning.

1.1 Added Value – an important concept

Improving the ‘added value’ of the Structural Funds has become a key objective for reforming EU regional policy after 2006. Whatever views are held about budgetary issues, regional eligibility or policy priorities, there is common ground among many Member States, European institutions and regional interests that a future EU regional policy must seek to maximise the added value of interventions. Virtually every contribution to the reform debate makes reference to the importance of added value.

Added value is not a simple concept. It attempts to capture both the quantitative impact and qualitative effects of the European Community contribution to regional development through the Structural Funds, for example with respect to the ‘Community method’ for implementing programmes. As such, it entails considerable subjectivity. Different actors, working within or outside EU regional policy at different levels, may perceive and interpret the added value of Structural Funds in very different ways.

If the concept of added value is to be meaningfully discussed as part of the reform debate, it is essential that there is a common, evidence-based understanding of the nature of the European contribution to regional development through the Structural Funds that goes beyond measures of GDP, investment, job creation and other quantifiable impacts. Such an understanding needs to recognise the different systems within which Structural Funds are implemented and weigh up both the positive (added value) and negative (detracted value) aspects of EU regional policy.

1.2 IQ-Net contribution to the debate

This paper seeks to provide a better understanding of the added value of the Structural Funds. It has been prepared under the aegis of the IQ-Net Network (Improving the Quality of Programming Through Exchange of Experience) and is the only systematic, comparative, cross-national study on added value to be

published to date. IQ-Net is particularly well suited to comment on the subject of added value, for several reasons.

- IQ-Net comprises programming authorities from nine Member States, representing a wide range of experience of Structural Fund management and delivery under different regional development conditions, policy environments and resource allocation systems.
- IQ-Net has a distinctive historical perspective, having been engaged in researching, debating and transferring experience on Structural Fund programming since 1996, with the explicit aim of improving the quality - inter alia the added value – of programme management and delivery.
- IQ-Net is not a lobby organisation, and this paper is not being submitted to represent or advance a particular set of national, regional or sectoral interests in the reform debate. The paper has been prepared to improve common understanding of whether and how added value has been achieved under present and past programming periods and how it might be enhanced under any future EU regional policy.

1.3 Objectives and structure of the paper

The following paper examines the different components of added value, primarily from a regional perspective. It assesses the effects of the Structural Funds on cohesion, political awareness, policy-making, institutional arrangements, the implementation of regional policy and regional policy learning. The analysis takes account of both the perceived benefits and disbenefits of EU intervention. The research is based on several sources:

- primary research undertaken in nine Member States during Spring/Summer 2003, involving fieldwork interviews and a seminar discussion with national and regional authorities, programme managers, partner organisations and academic bodies;
- a synthesis of previous IQ-Net research, from 1996 to the present, undertaken across the EU on different aspects of Structural Fund programme management and delivery (listed in full on the IQ-Net website at: http://www.eprc.strath.ac.uk/iqnet); and
- secondary source research based on Structural Fund ex ante, interim and ex post evaluation reports, as well as other policy studies and academic research on the implementation of the Structural Funds throughout the EU.

The paper is structured as follows.

- Section 2 reviews the importance of identifying added value for the Structural Fund reform debate, and summarises some of the key perspectives expressed by European institutions and Member States in the reform debate.
- Section 3 considers how added value can best be defined, recapping definitions used in previous EC and national level studies.
- Section 4 considers the factors shaping the views taken of added value.
- Sections 5 to 9 are the core of this paper, and address the different types of added value in turn, related to Cohesion Added Value (Section 5), Political Added Value (Section 6), Policy Added Value (Section 7), Operational Added Value (Section 8) and Learning Added Value (Section 9).
- Finally, Section 10 presents conclusions and options for improving the added value of Structural Funds after 2006.

2. ADDED VALUE AND THE REFORM DEBATE

The question of added value has been highlighted by the EC in the Second Cohesion Report and is also an important factor in the approach of many national governments to the reform debate. Member State interpretations focus on the role of Structural Funds as an expression of solidarity as well as their regional development impacts, contribution to the process of regional development and the facilitation of exchange of experience.

2.1 European perspectives

For the European Commission, the Community added value of EU structural assistance is at the heart of the reform debate. The EC highlighted the importance of added value in the Second Cohesion Report [1], stating that: *"a future reform of cohesion policies should ideally take the opportunity to increase the added value and the visibility of Community policy".* The EC argues that, while the main benefits of EU regional policy accrue through the significant transfers of resources to the poorer countries of the EU, with positive results evident in terms of GDP growth, investment and employment creation, there are other benefits associated with the mobilisation of Community resources[2].

> *"The value added of Community involvement in regional development is not only related to the expenditure incurred as such. Benefits also stem from the method of implementation developed in the 1988 reform of the Structural Funds, which was revised in each subsequent programming period".*

According to the Commission, the benefits stem partly from the 'Community method' of programming. For example, the multi-annual planning process has encouraged participants to adopt a 'strategic' approach leading to better selection and greater coherence of co-financed projects. New partnership arrangements have been established to implement programmes, becoming a permanent mechanism to exchange information and experience, and encouraging more coherent and inclusive policies and shared objectives. The monitoring and evaluation obligations have also improved the efficiency of programme implementation and led to more transparency and better policymaking.

More generally, the Commission considers that cohesion policy makes a contribution to the aims pursued by other Community policies.[3] It 'cements' the Internal Market and is a factor in the stability of monetary union. Community intervention is also regarded as a 'vector of governance at local level' and a means of showing the public that common problems can be solved by joint action.

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[1] CEC (2001) *Unity, solidarity, diversity for Europe, its people and its territory*, Second Report on Economic and Social Cohesion, European Commission, January 2001.
[2] Ibid.
[3] CEC (2002) *The Union's Regional Priorities: Defining Community Value Added, General Conclusions of the EC Seminar*, 27-28 May 2002, Brussels.

Research by the Committee of the Regions comes to similar conclusions, suggesting that the added value provided by the EU lies in:[4]

- its considerable contribution towards recognition of regional policy at national level: without structural fund policy, the progress towards an integrated regional development policy would have been much slower;
- the contribution which programmes have made to the methodology of regional development and particularly project methodology, ie. strategy formation, programme planning and assessment;
- the Commission's contribution to programme management, in terms of training in more structured working methods and management procedures (such as cost-benefit analysis and SWOT analysis).

The question of added value has been particularly pertinent to the debate on a future role for the EU outside Objective 1 regions. The EC has sought to develop arguments for EU intervention in a possible new Objective 2 on the basis that Community added value would be achieved by supporting areas such as: innovation and development of the knowledge society; employment; social cohesion; sustainable development and improvement of competitiveness, in conjunction with economic and social restructuring.

2.2 Member State views

At Member State level also, it is evident that the added value of the Structural Funds is an important factor in the approach of many national governments to the reform debate. The conclusions of the Informal Ministerial Meeting under the Greek Presidency in May 2003 make successive references to adjusting EU regional policy objectives and priorities, focusing assistance (outside Objective 1) and selecting interventions in order to *"enhance the added value of the Structural Funds in the enlarged Union"*[5].

However, Member State views on what constitutes added value vary greatly. At one end of the spectrum, the Greek government maintains that[6]: *"the added value of regional cohesion policies has already proven to be highly significant".* By contrast, the UK government's assessment of experiences of EU regional policy judged that[7]: *"it is not clear that the use of Structural Funds adds significant value in comparison to domestic initiatives".*

Examining the different Member State interpretations in more detail, the first and most common perception of the added value of European regional policy concerns its role as a tangible expression of solidarity between the richer and poorer parts of the Union (referred to by position papers or discussion documents in Finland, France, Germany, Greece, Italy, Portugal, Spain). In the words of the Italian memorandum[8]: *"It implements a principle of solidarity among regions of different countries, which is one of the objectives of the European Union".*

[4] RIDER II (2003) *The implementation of the finance programmes by the Structural Funds, in particular the way in which the management of the Cohesion Policy could be simplified after 2006,* Forward Study Report of the Committee of the Regions, March 2003.

[5] *Presidency Conclusions of the Informal Ministerial Meeting for Regional Policy and Cohesion,* Hellenic Presidency of the Council of the European Union, Halkidiki, 16 May 2003.

[6] *Future Regional and Cohesion Policy: Meeting the Challenge of Deepening the Enlarged EU,* Memorandum of the Ministry of Economy and Finance, Hellenic Republic, February 2003.

[7] *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.

[8] *Second Italian Memorandum on the Reform of the EU Regional Cohesion Policy 2007-2013*, Ministry of Economy & Finance and Ministry of European Affairs, Italy, December 2002.

Related, in the view of some countries, it is a way of making the EU visible to the citizen.

Second, the Structural Funds are considered to have had positive regional development impacts (Austria, Belgium, France, Greece, Portugal, Spain). This is partly associated with the reduction of disparities but also with respect to specific effects, such as (in the case of France)[9] the maintenance of local employment, acceleration of diversification and improved consideration of environmental issues. Some Member States also note the increased profile given to regional policy in terms of political priority and expenditure. The co-financing requirement has ensured more spending than would otherwise have been the case and guaranteed more attention to specific regional, sectoral or social problems.

Third, the Structural Funds are considered to have improved the process of regional development (Austria, Greece, Italy, Sweden, UK). For example, in the view of the Austrian Länder[10]: *"The professionalisation of regional development politics (systems and participants) has been brought about"* by factors such as strategic planning, integrated development, partnership, long-term financial planning, high-quality evaluation, exchanges of experience etc.

Lastly, EU regional policy is considered to produce added value by facilitating co-operation and exchanges of experience (Finland, France, Germany, Italy, Netherlands, Sweden). Finnish views on the reform debate[11] highlight how the Structural Funds have introduced good practices to other parts of Europe in the development of sparsely populated and peripheral regions in areas such as exploitation of the information society. Even the more radical contributions to the reform debate (such as the Dutch standpoint) recognise added value in areas like inter-regional co-operation.[12]

Although there is much positive comment on the added value of the Structural Funds, this is not universal. Some countries are less clear that the current approach to EU regional policy can be said to comprise added value in the sense that it leads to the quality or quantity of economic development being greater than it otherwise would have been in the absence of EU regional policy. They maintain that implementing the Structural Funds in fact entails 'detracted value' for several reasons.

One argument is that the policy priorities of the Structural Funds (or the way that they are interpreted) are said to 'distort' national policy spending objectives by requiring co-financing on areas of intervention or types of project that are not necessarily the preferred options of Member State authorities. The UK points to the *"lack of flexibility and other problems [which] have limited their usefulness".* A further factor is that the institutional approach to implementing the Funds does not necessarily accord with national practices. Finally, a view shared by many Member States is that the implementation of the Structural Funds is overly complex, bureaucratic and requires the commitment of excessive administrative resources at both national and regional levels. Indeed, it has been noted in the

[9] *Bridging the gaps: the contribution of EU cohesion and other policies to competitiveness and territorial cohesion,* Nicholas Jacquet, DATAR, France, 27 February 2003.
[10] *On the Development of EU Regional Policy After 2006,* Position of the Austrian Federal States, March 2003.
[11] *Finnish views on future EU cohesion policy,* Paper for the Informal Regional Policy Ministerial Meeting in Greece, Ministry of the Interior, Finland, 9 May 2003.
[12] *Cabinet Standpoint concerning the Interdepartmental Policy Study on "EU Structural Policy in the Context of the Enlargement of the EU",* Dutch Ministry of Foreign Affairs, Ministry of Finance and Ministry for Foreign Trade, The Netherlands, 2001.

German debate that the administrative costs have reached a level disproportionate to the volume of assistance[13].

[13] *Europäische Strukturpolitik nach 2006*, Bericht des Arbeitskreises der EU-Referenten der Wirtshaftsressorts der Länder, Wirtschaftsministerkonferenz.

3. ANALYSING ADDED VALUE

Added value has been analysed in several ways by the EC and other studies. The IQ-Net definition of added value is "something which has been enabled, or which could not have been done, without Community assistance". The research concentrates on added value from a regional perspective.

3.1 Previous definitions

Added value is a flexible concept that is used in various ways. The Commission recently defined Community added value in the following terms, with a view to justifying structural policies at Community level[14]:

> *"the value resulting from the Community assistance which is additional to that which would have been secured through the Structural Funds and the Cohesion Fund by the national and regional authorities and the private sector. In other words, it is an assessment of the economic and non-economic benefits associated with cohesion policy as a whole and with each of the programmes implemented in the eligible regions".*

The same document went on to identify four main elements of the added value of EU structural policies.

(1) The achievement of Community objectives related to economic and social cohesion, implementation of Community priorities of a transnational character, as well as the desire to promote balanced and sustainable development within the Union.

(2) Community resources mobilised (about one third of the Community budget) having a triple prerequisite: a significant redistributive effect; an additional character as compared to the financial effort of the Member States; and a guarantee of a maximum leverage effect, especially on the private sector.

(3) The method of implementation of the Structural Funds, which implies rules and principles (programming, partnership, control, monitoring and evaluation) to ensure greater effectiveness of interventions.

(4) Co-operation and networking, facilitating transfer of know-how, an exchange of experience and the pooling of resources, which often would not happen in the absence of Community initiative.

The main difficulty with the Commission's approach, as the German Ministry of Finance has pointed out[15], is that it does not adequately separate out those effects that would be induced by regional policy anyway (regardless of whether organised at EU or national levels) from the additional effects that are specifically attributable to the implementation of the Structural Funds.

[14] CEC (2002) *Community Added Value: Definition and Evaluation Criteria*, Working Paper, DG Regio, Commission of the European Communities, Brussels.
[15] BMF (2002) *Stellungnahme zu dem von der Kommission im Januar 2002 vorgelegten Arbeitspapier "Der Mehrwert der Gemeinschaftspolitik im Rahmen der Strukturpolitik*", Federal Ministry of Finance, Germany, April 2002.

A more specific definition was used in an EC-sponsored evaluation of RTDI,[16] where Community added value was assumed when:

- the beneficiary region or country is enabled to do something which it could not have done without Community assistance; and/or
- the benefits of an action undertaken on behalf of the Community in one region or country result (directly or indirectly) in positive spillovers or externalities in some or all of the other Member States or regions of the Union.

In the RTDI study, Community added value was addressed from three perspectives:

- additionality impacts – attributed solely or mainly to additional monies being available (irrespective of the donor);
- impacts from shared Community objectives – arising from the benefits of exposure to best international practices, participation in international networks, improved institutional learning, reducing or overcoming institutional inertia, improved evaluation and learning effects; and
- cohesion impacts – in terms of improved economic and social cohesion, reduction of disparities etc.

Another variant was the approach used in a feasibility study undertaken for the UK Department of Trade and Industry[17]. This distinguished between:

- added value effects - defined narrowly in terms of the additional impact of Structural Fund expenditure on economic development, over and above the contribution of domestic expenditure; and
- interaction effects – defined as the effects (positive or negative) of the distinctive Structural Fund approaches to the implementation of economic development policies compared to domestic implementation practices.

3.2 IQ-Net research on added value

The aim of this research is to examine the past and present added value of Structural Funds in IQ-Net Member States and regions with a view to identifying how such added value could be enhanced in the future. Specifically, the research attempts to answer several questions.

- What are the determinants of added value?
- How does the definition and interpretation of the added value of EU interventions vary (eg. by scale of funding, type of Funds, country and administrative tradition, implementation systems, geographical scale, maturity of programming experience, or different interest groups)?
- How does added value evolve over time?
- What are the ‘negative costs’ of Structural Funds – the converse of added value?

[16] CIRCA (1999) *Thematic evaluation of the Impacts of Structural Funds (1994/99) on Research, Technology Development and Innovation in Objective 1 & 6 Regions*, CIRCA, University of Athens, PricewaterhouseCoopers, http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/rdti/1.pdf

[17] Bachtler J, Fraser A, Raines P and Hearns D (2002) *A Feasibility Study for an Evaluation of the Impact and Added Value of the EU Structural Funds in the UK,* Report to the UK Department of Trade and Industry, European Policies Research Centre, University of Strathclyde, Glasgow.

- How might Community intervention be improved in the future – by improving the added value and reducing the negative costs?
- What are the implications for the reform of the Structural Funds?

For research purposes, IQ-Net adopted a similar definition of added value to the RTDI study i.e. as "s*omething which has been enabled or which could not have been done, without Community assistance"*. In particular, the research concentrates on added value from a regional perspective, subdividing the concept into several categories.

- ***Cohesion added value***: reduction in economic and social disparities - relative to other regions or within the region; measurable additional contribution to economic development such as creation/safeguarding of jobs, R&D activity, new firm formation etc; visibility of the EU to the citizen.
- ***Political added value:*** enhanced visibility of the EU; increased participation of sub-national economic development actors, businesses and citizens.
- ***Policy added value***: additional expenditure on regional development - national cofinancing; sub-national cofinancing; private sector leverage; higher profile of regional policy; changes in existing policy; innovation in policy.
- ***Operational added value:*** defined in terms of changes to institutional arrangements or implementation methods with respect to: (a) enhancement effects – additional or enhanced variants of existing practice; (b) innovation effects – new practices; (c) detractive effects – enforced use of undesirable practices; and (d) learning effects – better understanding of how implementation can be done. These may be relevant to any stage of Structural Fund implementation:
  - Regional development planning – processes for plan formulation; consultation processes; use of evaluation
  - Regional analysis – evidence base; techniques; sub-regional or thematic focus
  - Strategy development – structure/coverage; internal/external coherence; management arrangements for strategy development
  - Programme and funding – approach to meeting the region's needs; combination of interventions; focusing of priorities; greater sub-regional or thematic focus; dimension of resources; coherence/conflict with domestic strategies; multiannuality/predictability of funding; long-term
  - Partnership arrangements – structures/participation; involvement of non-statutory bodies (eg. community organisations, environmental bodies, economic and social partners); information sharing; role in programme/project co-ordination; scale economies or synergies achieved
  - Resource allocation process – resource planning; resource allocation decisions
  - Project generation, appraisal and selection – interaction with project applicants; delivery of projects, value for money; project quality
  - Monitoring – monitoring indicator frameworks; data collection/management systems; exploitation of monitoring information
  - Evaluation – evaluation culture; methods;exploitation of evaluation results
  - Horizontal themes – integration within objectives and interventions, management/delivery systems, and monitoring/evaluation procedures.
- ***Learning added value***: exchange of practical experiences; dissemination of good practice.

4. FACTORS INFLUENCING ADDED VALUE

Added value is influenced by external factors, notably the financial and geographical scale of programmes and type of administrative systems. A further factor is maturity of programming experience. Even within individual systems, perspectives vary between actors.

4.1 Factors shaping added value

It is important to emphasise at the outset that the added value of Structural Fund programmes varies greatly across the EU. Three key characteristics are influential: the financial and geographical scale of programmes; the type of administrative system under which EU funding is delivered; and the maturity of programming experience.

- **Financial and geographical scale of programmes**
  Added value differs by size of programme. The largest programmes, in terms of their geography and resource allocations – namely the larger and nationwide Objective 1 programmes - have greater scope to achieve and demonstrate economic added value in areas such as GDP growth, investment and employment. In contrast, the medium-sized and smaller programmes – whether regional Objective 1 programmes, Objective 2 programmes or Community Initiatives - tend to highlight the more qualitative aspects of added value. Programmes operating across areas that correspond with functional labour market areas or economic units have greater potential to undertake coherent actions than those restricted to strictly defined and fragmented eligible areas. The smallest programmes may even be impeded in achieving added value by their scarce resources and fragmented or limited spatial coverage; potential benefits may be outweighed by the administrative cost of management.

- **Administrative system**
  Structural Fund programmes are implemented in very different ways across the EU. In some cases (eg. Germany, Spain, Austria), resource allocation is largely 'subsumed' within domestic policy structures and systems. In other countries (eg. Belgium, Denmark, the Netherlands, Sweden, UK), separate 'differentiated' resource allocation systems have been put in place specifically to implement Structural Fund programmes. Some countries (eg. Finland, France, Italy) have a combination of the two approaches.[18]

  The type of implementation system has a bearing on the scope for generating added value. Under subsumed systems, added value may be less visible and more difficult to achieve, since the allocation of resources is more strongly determined by domestic policy priorities and decision-making procedures. Differentiated systems, by contrast, generally have more scope for using EU funding to pursue distinctive strategic priorities and to innovate, establishing new processes and systems.

[18] Taylor S, Bachtler J and Rooney ML (2001) *Implementing the New Generation of Programmes: Project Development, Appraisal and Selection*, IQ-Net Thematic Paper, 7(2), European Policies Research Centre, University of Strathclyde, Glasgow. http://www.eprc.strath.ac.uk/iqnet/iq-net/reports.html

- **Maturity of programming experience**
  A further factor influencing added value is the timescale over which the Structural Funds are implemented. Research suggests that there is an evolutionary cycle in the generation of added value among Structural Fund programmes.[19]

  (1) Accommodation. When Structural Fund programmes are launched for the first time, the priority is to establish the basic systems for managing the Funds and to spend the money. The pressures of understanding and accommodating a new type of policy in a short space of time allow limited opportunity for adding value in areas such as strategic thinking, integrated programme management, partnership, project selection, monitoring etc. Much effort may be consumed in dealing with 'teething problems' and addressing misconceptions or unrealistic expectations among partner organisations. This situation applied to most of the EU-12 programming authorities in the 1989-93 period, and from 1995 onwards for Austria, Finland and Sweden; it will probably apply to the new Member States in 2004-06.

  (2) Development and innovation. In a second phase, the basic structures and systems are established and begin to be more widely understood among partner organisations. There is scope for generating added value by introducing new ideas and developing more sophisticated systems of programme management, project selection and monitoring. However, the degree to which this is feasible is conditioned by the external constraints listed above. In some (EU-12) regions, innovative developments were already evident in 1994-96, while for others it was only in the late 1990s (or only in the 2000-06 programmes) that opportunities for creating significant added value were exploited.

  (3) Consolidation. The third phase appears to be the most difficult for maximising added value. By this time, the Structural Fund structures and systems are well established, partners know how to utilise (and even exploit) the system, and it may be difficult to generate fresh ideas or for 'new entrants' to break into the system. There may be increasingly rigid assumptions about what is eligible which are based more in local established practice than the scope of the regulations. Among beneficiaries, elements of grant dependency may develop. The added value of earlier periods may be embedded (and even discounted as constituting 'value', since it is assumed to be part of the established way of doing things). In the current (2000-06) period, there is a danger that some longer established programmes, which have been through several programming cycles, will develop these characteristics. Their main challenge is how to maintain the vitality of the programme and continue to generate added value. In Austria, Sweden and Finland, by contrast, the potential withdrawal of Structural Funds could mean this consolidation period is cut short, reducing the potential for long term added value.

Final outcomes in terms of actual and perceived added value are affected by a combination of the above factors, especially the administrative system and the maturity of programming experience.

[19] Bachtler J and Taylor S (1999) *Objective 2: Experiences, Lessons and Policy Implications,* Final Report to the Directorate General for Regional Policies, European Policies Research Centre, University of Strathclyde, Glasgow.
http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/exp_en.htm

4.2 Perceptions

In a further nuance, added value is ‘in the eye of the beholder’. Perceptions of what constitutes added value can vary greatly at different levels of governance, between organisations within and outside the EU regional policy system and even between actors involved in the same programme, depending on their position and interests. In general, positive or negative assessments tend to be related to proximity to the programme. Those working at a more strategic level within programmes (programme managers, monitoring committees, project selection committees, etc), who have direct involvement in the delivery of programmes, are not surprisingly those who best understand the reasons for the shape of the system, and the potential benefits it presents. In contrast, national civil servants often see the Structural Funds as a complex administrative system, which may not fit with domestic policy priorities or government spending arrangements.

At project level, views may be polarised. Some domestic policy intermediaries and beneficiaries may hold a jaundiced view of Structural Funds, based on the bureaucracy of application, project selection and monitoring procedures. Others might regard them in a more positive light as having enabled them to improve their understanding of the wider policy environment, network more widely, achieve more influence, explore new policy directions, better define their objectives, or secure additional resources.

5. COHESION ADDED VALUE

The largest Structural Fund programmes have had the most tangible net economic development impacts. The quantitative impact of the Structural Funds in smaller programmes such as Objective 2, by contrast, has been elusive. However, Structural Fund co-finance has enabled projects to be undertaken which are bigger, better and/or have been implemented sooner than would otherwise have been the case.

Programmes have also influenced the deployment of resources for economic development. They have enabled a wider range of organisations to engage in economic development and focused intervention on the needier areas. The Funds have safeguarded or increased the level of domestic regional development spending, and encouraged forward-looking regional development strategies.

5.1 Macroeconomic impacts

Cohesion added value is most evident in the largest programmes geographically and financially. Structural Fund interventions in the cohesion countries and other major Objective 1 regions have had the most significant and tangible net economic impacts. Recent evaluations demonstrate the significant effects attributable to the Structural Funds in terms of GDP growth, investment and employment. The ex post evaluation of the 1994-99 Objective 1 programmes concluded recently that, while the impact varied significantly between programmes, the overall picture was a reduced gap in various economic development indicators between Objective 1 regions and the rest of the EU over the programming period.[20] For example, the average GDP per head rose from 64 percent of the EU average in 1993 to 69 percent of the average in 2000. Further convergence in GDP and stimuli to economic performance and structural change are predicted for the current period.[21]

Outside these larger programmes, quantitative impacts have been harder to capture due to the small proportion of Structural Fund interventions relative to total public expenditure, as well as problems associated with inadequate monitoring indicators and poor data quality. Consequently, the macroeconomic effects are uncertain and disputed. In Sweden, for example, a comparative assessment of similar eligible and non-eligible areas found no marked differences in economic development. Likewise, in Austria, the net economic effects in terms of reducing disparities were concluded to be barely measurable. More positively, Danish evaluations have credited Structural Fund programmes with creating or maintaining 15-20,000 jobs, and preventing the unemployment gap from widening.

The broad consensus of opinion appears to be that Objective 2 programmes, in particular, have not been able to close the gap between richer and poorer regions. On the other hand, it is widely believed that the Funds have helped regions to ‘hold their own’, at least not losing further ground over time relative to

[20] Ecotec (2003) *Ex Post Evaluation of Objective 1 1994-99*, Final Report to the Directorate General for Regional Policies, Commission of the European Communities, Brussels.
[21] Beutel J (2002) *The economic impact of Objective 1 interventions for the period 2000-2006,* Final Report to the Directorate-General for Regional Policies, Commission of the European Communities, Brussels.

other regions. The ex post evaluation of the 1989-93 Objective 2 programmes concluded that these programmes had at least slowed down the pace of decline. More positively, the forthcoming EC-sponsored ex post evaluation for 1994-99 is likely to show considerable economic and labour market effects. Both of these studies, however, pointed to the qualitative impacts of Objective 2 programming being as important - if not more so - than the quantitative.

5.2 Microeconomic impacts

Despite the difficulties in establishing the macroeconomic regional impacts of intervention outside Objective 1 regions, recent evaluation research provides considerable evidence of quantified micro-economic and local effects of EU support.

- **Additional economic development activity**
  The Structural Funds ring-fence a significant volume of resources for economic development activities in Europe's least dynamic regions - €213 billion in 2000-06. At the most basic level, Structural Fund programmes have demonstrably enabled additional economic development projects to be funded. This is evident in a larger volume of beneficiaries (firms assisted, people trained, land regenerated etc), as well as enabling major transport infrastructure, tourism or environmental 'flagship' projects to be undertaken. Many recent regional ex post evaluations claim relatively high levels of additionality for Structural Fund interventions, either in terms of total additionality (projects being made possible purely through EU support) or partial additionality (projects being undertaken more speedily or on a larger scale). The availability of EU funding has been particularly important in accelerating the speed of response to economic change, particularly in the case of responding to upturns in the economic cycle or sudden, large-scale job-losses associated with major plant closure.

- **Quality of economic development**
  The project generation, appraisal and selection procedures of the more sophisticated programmes are associated with higher project quality than is the case under comparable domestic programmes. This arises through the requirements for business planning imposed on projects (including consideration of outputs and results), as well as the achievement of 'synergies' through partnership working (for example, avoiding duplication by encouraging partners with similar projects to collaborate). It also arises through the targeting of additional support to particular target groups, or the tailoring of initiatives to respond better to the horizontal themes. Simply increasing the scale of some projects enhances their quality, giving them more strategic weight or enabling them to offer a wider range of more specialist services than a smaller scheme where a more generic service might be offered.

- **Acting as a catalyst**
  A key role for EU funding under some programmes has been to 'kick start' local regeneration. This catalytic role arises, for example, from addressing market failure in the early stages of major regeneration projects (eg. through site clearance and decontamination of land), supplying a critical mass of resources to fill funding gaps at this stage. This enables actions to be undertaken which help to build confidence among other public and private funding providers.

  In some countries (eg. Denmark, Scotland), policymakers claim that Structural Fund awards are perceived as conferring a mark of quality on projects, thereby assisting in leveraging other funds into initiatives.

5.3 Altering the distribution of funding and the balance of activity

The Structural Funds have not only altered the volume of resources spent, but also their distribution. Changes have taken place to: the overall balance of resources across space; spending priorities, organisations and sectors; and the aims of this expenditure. For regionally focused programmes (such as the smaller Objective 1 programmes and Objective 2 programmes), the primary change has been an empowerment of actors at the regional and local levels.

- **The region as the locus for economic development**
  EU regional policy has played an important part in strengthening the role of the regions, their capacity to initiate and manage regional development and the resources available at regional level to pursue this activity. A significant academic literature underlines the importance of the region as a locus for economic development action. Mobilising coherent action at this level is widely argued to provide good conditions for regeneration. The regional level is broader than the local, which brings a strategic perspective, yet small enough for 'human factors' to work – familiarity, trust and the flow of knowledge between actors. Stakeholders take ownership of the fate of their locality, mobilising to shape their own futures. In many Member States, the Funds seem to have driven or reinforced an evolution towards a more regionally-determined approach to economic development.

  One expert interviewed for this research remarked that the fundamental added value of the Structural Funds in Denmark has been the "financial underpinning of large-scale regional policy activities" which are unlikely to have existed otherwise.

- **Spatial distribution of resources**
  Structural Fund programmes have often had an impact on the spatial distribution of economic development resources – not just within Member States, but also within regions, as resources are channelled to the needier areas. Nordrhein Westfalen is a good example: the Objective 2 designation of the worst-off areas has focused regional development expenditure in these areas at a higher level than might otherwise have been the case. This example involves targeting of regional resources to Objective 2 eligible areas and away from non-eligible areas. In many UK programmes, there is an additional layer of targeting *within* eligible areas: local area strategies are being implemented in the worst-off parts of the eligible areas, providing a further method for concentrating resources.

- **Protecting domestic levels of spend on regional development**
  In several countries, there is evidence that the availability of the Structural Funds has influenced the level of domestic regional policy spending. Especially during times of austerity, EU financing has helped to safeguard economic development budgets against pressures from competing public expenditure priorities. An important element of this is preventing investment or capital-type budgets from being eroded by the growing needs of current budget expenditure headings. During the 1980s, at a time of central government spending cutbacks, British regional policy might have been abolished in the absence of a requirement to co-finance ERDF allocations to the UK. More recently, in Austria, regional policy has a higher profile and level of expenditure than would be the case without Structural Funds.

  The leverage effect also applies to both public and private spending on areas of economic development such as RTD, where expenditure is normally heavily concentrated in core areas.

A central concern about the proposals to 'renationalise' regional policy for the better-off Member States is that there is no guarantee of either future levels of funding or their distribution.

- **Local resources**
  The requirement for partnership involvement in Structural Fund spending has extended the number and type of organisations involved in economic development, and increased the resource base for local bodies in particular. In the UK, for example, this has created opportunities for local authorities and voluntary organisations, amongst others, to secure resources over and above their core budgets to address identified development needs. This is changing the balance of actors involved in economic development.

- **The logic of regional policy**
  The Funds have encouraged a more pro-active regional development logic for government intervention based around strategic objectives of growth and restructuring - rather than resources being seen as compensation for regional disadvantage. This is particularly apparent in Italy, where a long-standing culture of 'passive' support for the *Mezzogiorno* has been perceptibly changed with the assistance of EU programmes. Structural Funds not only increased the volume of resources dedicated to the least affluent regions, but also influenced the strategic objectives under which they were deployed, moving towards a stronger regional development approach.

6. POLITICAL ADDED VALUE

An important intangible effect of the Structural Funds is to make the EU more visible to citizens, communities, businesses and public authorities. Among the perceived benefits is stronger support for European economic and political integration. There are tangible outcomes in terms of the encouragement given to regional and local organisations to become involved in European political and policy debates and to 'internationalise' their operations. Positive effects on business awareness and attitudes are harder to identify.

6.1 Making the European Union visible

From a political perspective, an important intangible effect of the Structural Funds – in some countries more than others – has been to make the European Union more visible to citizens, communities, businesses and public authorities. In parts of the EU, the Union is regarded as remote, and European integration is seen predominantly in terms of regulation and constraints on national politics and policies. The Structural Funds represent a more positive aspect of European integration, as a concrete expression of EU solidarity and commitment to cohesion at the level of citizens and communities. The visibility of EU co-funded initiatives also reminds citizens that they are part of a wider Europe.

Among the perceived benefits is stronger support for European economic and political integration. For some, this is a significant dimension of added value. The effect has perhaps been strongest in those Member States that are most 'distant' from the heart of Europe, whether geographically (eg. remote regions) or in terms of engagement in European integration (Denmark, Sweden, UK).

However, Structural Fund programmes are not uniformly visible. The degree to which 'visibility' added value is achievable depends on certain factors.

- ***Administrative system.*** 'Differentiated' systems of programme implementation have greater scope to distinguish the EU contribution to economic development than 'subsumed' systems. Community Initiatives often have greater recognition than Objective 1 and 2 programmes, even in Member States where a subsumed approach would usually be taken (eg. Austria), because they are not part of mainstream economic development and require dedicated structures and systems.
- ***Type of intervention***. Transport infrastructure and environmental projects, as well as 'flagship' developments and community initiatives, make a more direct impact on the public consciousness than business development interventions. The shift away from capital projects in Objective 2 regions over the past decade has tended to lower the public visibility of EU funding.

6.2 Differential visibility

The incidence and effect of 'European' added value has several dimensions related to the different groups affected by the Structural Funds.

- **Economic development actors**
  The participation of regional and local organisations in Structural Fund programmes is primarily driven by the desire to access additional resources to address socio-economic development issues. The process of participating in programmes has a secondary effect of bringing stakeholders together to collaborate in purposeful activity, thereby involving them in European integration. Although it has attendant costs, this active participation in a major European policy has a very different potential and effect from a situation where institutions are passive targets of publicity about Europe.

  Participation in European Structural Fund programmes encourages institutions at the regional and local level to 'internationalise' their operations. Typically, they organise themselves to understand and engage in European political and policy processes, for example by establishing European offices, appointing European officers and developing European contacts. In the process, they gain a voice in wider debates. This has spin-offs in other fields and sectors of activity, such as the establishment of political and commercial links and networks. Participation in economic and social cohesion policy also reflects a two-way relationship: the establishment of a large-scale policy mechanism which involves local institutions in delivering 'European' priorities is an explicit acknowledgement on the part of higher tiers of governance of the importance and capacity of more locally focused institutions and their potential role in European integration.

  Over the period since 1988, it is possible to identify the Europeanisation of partnerships in many Member States. In the early years, national governments were often the sole interlocutors with the EC and 'gatekeepers' to European funding. Over successive programme periods, regional and local partner organisations (including environmental interests and the voluntary sector) have developed their own communication channels and 'European identity', first with the EC and then more broadly with counterpart organisations from other countries.

  The French experience is typical. While management responsibility for Structural Fund programmes is generally held by the administrative units of the regional *Préfectures*, (offices of the state in the regions), many French Regional Councils have progressively sought a more formal management role in these programmes, perceiving this as important for increasing their political weight and European presence.

- **Business**
  From a corporate perspective, the 'European' added value of the Structural Funds is mixed. Involving the private sector in the management of the programmes has sometimes been difficult. Business tends to regard the jargon and bureaucracy associated with European funding (as with the regulatory aspects of European integration) in negative terms. However, there is limited evidence that for SMEs, in particular, participation in EU-funded projects has improved knowledge about European policymaking and encouraged a wider perspective on economic development.

- **Citizens**
  The publicity and communication obligations attached to the Structural Funds mean that many programme activities are brought to the attention of the public in some way, whether through signposting and plaques, press coverage, newsletters or other media. The Structural Funds demonstrate that the European Commission, and the European Union, are actively committed to enhancing the well-being of individuals and communities. This concrete evidence of the contribution made by European budgets to improving local conditions can make abstract institutions more tangible and helps to counteract 'negative' information about the EU.

On the other hand, such awareness is not always easily generated, especially outside the Objective 1 regions, and can equally be associated with negative impressions (disagreement over spending priorities, bureaucracy etc.). The shift of EU priorities away from infrastructure projects in Objective 2 areas has also meant interventions becoming less visible.

7. POLICY ADDED VALUE

The EU programming approach has promoted a strategic dimension in regional development policymaking. Regional development has become more integrated and coherent, through the multi-sectoral and geographically focused approach of programmes. Multi-annual programming periods have also provided a more stable policy environment.

For the most part, the EU programmes do not appear to have 'bent' expenditure against the direction of national policy trends. However, they have played an important part in pioneering new types of intervention. These include innovative actions undertaken on a pilot basis, as well as applying new economic development principles to the allocation of resources.

7.1 The programming approach

A defining feature of the Structural Fund approach is programming. The original inspiration for the Structural Fund programming approach was the French model of *Contrats de Plan État-Région*. When introduced in 1989, the integrated, multi-annual, multi-sectoral Structural Fund programmes provided a genuinely new means of organising regional development in most parts of the EU. They have progressively become embedded as a familiar and effective method. Indeed, in some countries, they have encouraged and/or coincided with the emergence of regional programming approaches in domestic regional development policy.

The programming approach is characterised by several key features. Programmes are logically structured. They work from analysis through to policy objectives, priorities and intervention measures complemented by indicators for assessing the outcome of interventions. The programmes are multi-sectoral in scope, multi-annual in duration, and geographically targeted.

Structural Fund programmes have increased in quality over successive programming periods.[22] The early programmes had little strategic coherence, being viewed primarily as mechanisms to access EU funding. Analysis of needs and opportunities was rudimentary, often lacking basic contextual statistics. Development objectives were frequently general, and not always clearly derived from the regional analysis. Requirements for prior appraisal or quantification of targets were neglected or ignored, and the resulting programmes sometimes seemed little more than collections of projects.

Over successive programming periods, and although to differing degrees in different contexts, the Funds have encouraged enhanced strategic thinking and planning, including where this was on the decline or did not previously exist. The process has also become more inclusive (see Section 8.2). Partners now better appreciate the importance of programme development as a stage which genuinely sets the priorities for future years' activities. The resulting programmes are more integrated and robust than was previously typical. There has been a progressive increase in sophistication, with more systematic and in-depth socio-economic analyses underpinning programmes based around a clear mission statement (although still not always with a clear conceptual basis). Objectives

[22] For an extensive review of this process in Objective 2 areas across three programming periods from 1989 to 1999, see: Bachtler J and Taylor S (1999) *op. cit.*

and targets are specified and quantified. Measures are more coherent, and there are more explicit links between measures and with overall programme goals. In the most recent round of programmes (2000-06), ex ante evaluation was deployed in the most sophisticated way so far. What transpired was an iterative feedback loop between programme actors and evaluators who were able to bring an additional analytical resource and an independent sounding board offering constructive criticism and new ideas.

7.1.1 The strategic dimension

There is evidence from several countries – Denmark, Finland, the Netherlands, Sweden the UK – that the programming approach has encouraged more strategic thinking in regional development. The programme development phase is regarded as contributing several benefits.

- There has been a formal requirement to undertake analysis as a base for deriving or justifying the policies contained in programmes. Evidence-based policy development has included structured methods to move from the identification of problems to coherent proposals to address them in a balanced way. The limitations of initial, fairly crude, analytical techniques such as the SWOT analysis have led progressively to increased sophistication in identifying and exploring issues.
- Richer and more robust analysis has taken place than any single organisation could have done alone, pooling information and intelligence. This has enabled issues and trends to be better understood, options to be weighed up and consensus achieved about relative priorities for development. This additional effort might not take place for programmes lacking a critical mass of resources or participation.
- In a partnership context, it is difficult to make decisions about the allocation of resources, especially where it might be desirable to include some initiatives but not others in the scope of a programme. In these situations, the European Commission can help to reinforce the strategic potential of programmes by acting as a 'broker'. The involvement of EC desk officers, who have a strong guiding influence but are from outside the region, can facilitate a more challenging and critical programme development process, where there is greater rigour and more selectivity. They can help to defuse the 'scramble for inclusion' in the programme which might otherwise mean resources are shared between all potential participants to the detriment of strategic direction. EC representatives are seen to have brought added value to programmes in this way in England. It is more difficult for partnerships of purely domestic actors to exclude or prioritise.
- Consultation is intensive and inclusive. Wide participation at the programme development stage – including by those who will ultimately generate and deliver the projects - has encouraged a sense of ownership which then helps to secure commitment to successful programme delivery. As soon as the programme is launched, there is already a strong sense of 'ownership' among partners, and a clear understanding of what the programme aims to achieve and why.

This can be regarded as a somewhat idealised outline of the process of strategy development. In practice, the regulatory framework for programming has always been agreed late. Analysis, consultation and programme formulation have been carried out under tight time pressure. Under these circumstances, it has been argued that the distribution of funding among priorities has often been determined by an overtly political compromise between key interests, subsequently justified with a somewhat superficial and even spurious regional development 'logic'.

Such criticisms reflect the reality of Structural Fund planning in many regions (and indeed of economic development more generally). Yet, comparing regional development in 1988 to the present day, it is undeniable that in several Member States, there has been a ‘step change’ in the strategic thought given to resource allocation.

7.1.2 Integrated development

The multi-sectoral and geographical dimensions of regional Structural Fund programmes together allow policies to be ‘joined up’ at a strategic yet meaningful scale. These programmes have provided a spatially defined context within which to develop suites of complementary policies addressing economic development issues. This has both increased interest in the regional level as a locus for economic development, and provided opportunities for improved policy coherence.

The region has proved to be a valuable and effective scale for policy reflection, combining strategic scale with proximity and familiarity (Section 5.3). This enables a strong debate in which people can identify the needs of their region and come to sometimes difficult decisions about priorities as a group. The region is also broad enough in scale to allow attention to be focused on the major issues, and particular dimensions to be targeted for more intensive support, whether they be sectors, themes or communities.

In many countries – Austria, Denmark, Finland, Italy, Sweden, the UK - the region was previously neglected as a level of debate and action in the field of regional development. Programmes have increased dialogue at this level and brought greater interest in regional development, including at a political level.

The fact that regional Structural Fund programmes are both multi-sectoral and geographically focused means that they have a scope and scale which can join up the different strands of physical, economic and community-oriented interventions. This has the potential to be particularly effective in the case of region-wide programmes, and has been especially appreciated in the UK and Finland. In Finland, in particular, the focus previously was on sectoral policies; Structural Fund programming has provided a means to shift the focus towards a spatial logic, seeking to understand the interactions between policies in specific places.

The process of building a region-level Structural Fund strategy, which brings together a group of wider policy strands, provides the opportunity to consider whether the challenges affecting a region are adequately addressed by available mechanisms, and to identify and ideally address any gaps or weaknesses. It also provides a transparent framework, which, once agreed, allows actors to prioritise between potential interventions and to seek coherence and synergy of outcomes.

The degree to which this shift towards integrated development is attributable to the EU regional policy should not be exaggerated. Structural Funds have undoubtedly ‘pioneered’ a regional approach to economic development, but as part of a wider trend in national regional policies.

Further, the Structural Funds have not always been conducive to integrated development. It has not always been possible to realise the potential strategic benefits arising from the geographical focus, especially where eligible areas are small, fragmented, fail to encompass the potential economic drivers in a region and/or coincide badly with administrative boundaries. Where the large majority of a region is eligible, the inconvenience of strictly defined eligible areas is minimal. However, some regions consist of a combination of full Objective 2 areas,

transitional areas and so-called ‘white areas’ (non-eligible). Even apart from the difficulties of tracking underlying trends in such areas, undertaking soft interventions such as training, business development or innovation facilitation against this background can be extremely complex. Managing Objective 2 and transitional funds side-by-side also brings additional administration not compensated for by added value effects. Obtaining the benefits of geographical targeting, while minimising the potential disbenefits, will be one of the challenges of the new programming environment. In this context, it may be that approaches such as those used in Interreg could be of wider use – allowing the logic of a project to hold sway over the precise space in which it is implemented.

7.1.3 Multi-annuality

The existence of multi-annual development programmes, whose broad principles are agreed at the start of a programming period, provides a stable environment in which to develop projects, giving partners the necessary certainty to undertake longer-term planning. This stability creates opportunities to improve the strategic quality of projects, to plan ahead, and to enter into inter-organisational co-operation and consultation. It enables complementary suites of projects to come forward in their own time as constituent parts of larger, strategic interventions.

More broadly, the stability of Structural Fund programmes has been seen as a form of ‘insurance policy’ against national shifts of expenditure (see also Section 5.3), which could move resources away from a region when governments and/or policies change. Structural Fund budgets – and the co-funding attached to them - are insulated from the vagaries of short-term political prioritising and policy fashion, and also provide stability in election periods, being attached to a programme rhythm which is outwith the electoral cycle. In this sense, programmes have been described by one commentator interviewed for this research as: "a continuing source of separate money, free from many of the pressures placed on national sources of funding".

The disadvantage of the Structural Funds is that this (desirable) stability is not counterbalanced by scope for flexibility. Although adjustment at the mid-way point is built into the programme life-cycle, development needs can change more quickly than this timetable permits. Adjusting programmes can take many months – if indeed it is possible at all - requiring a reasoned justification to be submitted to the EC for consideration. Some practitioners, therefore, see current Structural Fund programmes, especially with their seven-year term, as a straitjacket. Across a seven-year programme, there is also the danger of routine and staleness in policy thinking.

To better accommodate change, some programmes have been written as broadly as possible (eg. with minimal subdivision of actions into separate measures, and priorities which include both capital and revenue measures). However, the flexibility can undermine the ability of programmes to achieve strategic targeting and sustain the hard choices reached during the programme development stage.

7.1.4 Mainstreaming the programming method

One of the clearest examples of the added value of the Structural Funds is the degree to which the EU programming model has been transferred into domestic regional policies. Across many EU Member States, national regional policies have moved towards more decentralised, integrated and strategic approaches to regional development. This is evident, for example in:

- Finland – where institutional arrangements were reformed prior to accession, to accommodate the Structural Funds, and domestic regional policy has progressively adopted a more multi-sectoral integrated approach (most recently under the Regional Centre Development Programme);
- Sweden – where the Regional Growth Agreements introduced in the late 1990s were directly inspired by, and adopted many of the features of, Structural Fund programming;
- England – where elements of Structural Fund programming are evident in the Regional Economic Strategies drawn up by the English regional development agencies, as well as the integration of government expenditure for regeneration across several policy areas in a 'single pot'.

As with similar developments in other Member States, EU regional policy is not solely responsible for these policy changes. However, the experience of Structural Fund programming provided a powerful demonstration effect and played an influential role in the change of 'paradigm' among national regional policies in many parts of the EU.

It has also been argued that the institutional and organisational capacity built up by participation in Structural Fund programmes, especially at the local level, has helped to enhance the potential for these initiatives to be taken forward successfully. In Spain, agreements are currently being negotiated for 'local pacts' between the central administration, the autonomous communities and local councils which will bring more power and increased resources to the local councils. The experience of Structural Fund participation is seen as having provided a good training ground for this.

7.2 Impact on policy

The previous section considered the influence of the Structural Fund method at programme level. What effects have the Structural Funds had at the level of the interventions themselves? There has been extensive debate about whether and how the Funds have changed the balance of policies delivered in regions through the co-finance provided, and the degree to which this constitutes added value. Across the EU, the pattern is mixed, with some programming authorities citing a significant impact on their expenditure choices and others only changes at the margins.

An important initial observation is that there is little support for the suggestion that the Structural Funds have 'bent' expenditure in undesirable ways away from domestic policy priorities, proposing unsynchronised policy directions. The Structural Funds only provide co-financing. Domestic organisations will not pledge their own match funding and implement projects that run counter to their aims. It follows from this that the Structural Funds can only change behaviours in any policy context if there is domestic reinforcement. Where the Funds might have had an impact is on the balance of activity, by providing more funding for organisations which were previously less central to regional development (Section 5.3).

The Structural Funds have been able to support diverse domestic policy priorities because, even where they are defined most narrowly (outside Objective 1), they can still support a very broad menu of generic economic development activities – ranging through business development, economic and to a lesser extent basic infrastructure, training, technology-oriented measures, etc). They are flexible and broad enough that a combination of proposed activities can be found which aligns

acceptably with most domestic contexts. Some would even argue that they are too flexible, undermining potential deployment in more focused ways.

Feedback confirms that the Structural Funds echoed and reinforced domestic policy shifts, providing an opportunity to test emerging ideas which are finding domestic favour, or to accelerate the dissemination of practices or orientations that are gaining ground. This is illustrated by their successful deployment in Scotland to reinforce community economic development, a policy undertaken through a suite of area-based interventions targeting the most disadvantaged parts of eligible areas. Area-based regeneration had been piloted in Glasgow in the late 1970s and early 1980s, and the Funds provided a means to take this experience further. Denmark also illustrates the use of the Funds to reinforce domestic trends: the Structural Fund emphasis on knowledge enhancement within individual firms, network building, 'soft/intelligent' infrastructure and training was found in various forms in other fields of public policy, eg the experimental industrial policies of the 1980s, bottom-up initiatives in economic development or national labour market policies. Here, the effect of the Structural Funds has probably mainly been one of enhancement or learning, perhaps especially by disseminating and transferring practices from the national to the regional level of government.

At the same time as the Funds have supported policy shifts initiated domestically, the Commission has exerted a top-down influence in a number of areas, often using the Funds as a lever for issues which have been placed high on the European policy agenda as a result of European Council agreements. Examples promoted across all Member States include EU encouragement to integrate the horizontal themes, notably environmental sustainability, gender equality and, more recently, the Information Society. A further broad priority promoted by the EU has been the role of Research, Technological Development and Innovation (RTDI) in less dynamic regions. It has also encouraged a shift away from capital spending towards revenue expenditure and a stronger focus on competitiveness measures ('soft' initiatives like business development and network building). The 2000-06 programmes were also required to include measures taking forward the national employment strategies. Some of these emphases are built into the Structural Fund regulations, and therefore require a response (notably mainstreaming of the horizontal themes). Others have been shifts expressed in the guidance issued by relevant DGs of the Commission to those developing programmes, and taken forward in the programme negotiation process.

Responses to EU regulations and EC guidance are programme-specific, shaped by the national and regional environment into which the issue fits, and the aims and ambitions of their constituent partners who provide the match funding. The range of possible responses of programmes to a compulsory policy impetus can usefully be categorised into three behaviours[23].

- **Passive,** where the response of SPDs is minimal. Activity may be supported if an applicant comes forward, but is not actively encouraged. Analytical, developmental and promotional activity which might make activity more likely is not undertaken.
- **Responsive,** in which pre-existing responses from the wider policy environment (eg. elements of complementary strategies) are integrated into the Structural Fund programme. This provides them with additional resources, and another channel through which to undertake initiatives –

[23] Taylor S and Downes R (2001) *The Structural Funds facilitating the Information Society*, IQ-Net Thematic Paper, 9(2), European Policies Research Centre, University of Strathclyde, Glasgow. http://www.eprc.strath.ac.uk/iqnet/iq-net/downloads/IQ-Net_Reports(Public)/9.2InformationSociety.pdf

potentially at the same time inviting participation from a wider range of agencies.

- **Catalytic**, where genuinely new initiatives are developed as a result of the Structural Funds placing a significant emphasis on the new policy impetus. This provides an incentive for the wider policy community to reflect and respond.

It is difficult to generalise about the overall balance of responses in different countries/regions, and why these responses have arisen. However, the categorisation illustrates the freedom of choice of how policy issues can be taken forward.

This is not to underestimate the degree of influence the Commission has during the programme negotiation process. In some cases, 'catalytic' type measures have been promoted which do not necessarily coincide with domestic priorities, or, more frequently, when higher levels of resources are encouraged for some of the more innovative measures. Such actions generally represent a small proportion of overall programmes and may be promoted to enable DG Regio, in particular, to experiment with pilot projects or to encourage a theme to be given a higher priority at the implementation stage.

An example is the introduction of measures dedicated to environmental technologies in many English programmes in 1994-99. In some contexts, more resources were dedicated to RTDI measures in 1994-99 programmes and Information Society actions in the 2000-06 programmes than it has been easy to spend. However, the high priority placed on these areas has arguably forced a gearing-up to take place to address issues, which, whilst difficult, are also widely acknowledged to be important contributors to competitive potential. In Spain, for example, the incentive to address these issues may have been far weaker without the Structural Funds.

7.2.1 The scope for policy innovation

Structural Fund programmes have been able to provide a space for innovation, where the actors in programming areas have been in a position to take this up. Most activity in any programme aligns with the established expenditure plans of participating institutions. However, there are two main opportunities for innovation:

- a proportion of programme funding can be dedicated towards activity in novel or expanding policy areas;
- a different lens may be applied to all projects, appraising them relative to a broader range of quality criteria than would normally be the case, including an assessment of their strategic fit and their response to horizontal theme issues.

First, a decision may be taken to dedicate a proportion of Structural Fund resources to more innovative actions pursued on a pilot basis. Ideas for new activities can come from local or regional agencies, including where the more intensive interactions and flows of information between organisations encourage new dynamics to emerge. For example, in Sweden, more cross-sectoral projects are now emerging because of the organisational connections developed under Structural Fund programmes and because these programmes invite linkages to be made.

In addition, programmes may be picking up national trends or transferring practices from other Structural Fund programming areas. An international

example here is the inclusion of integrated urban regeneration interventions in the Nordrhein Westfalen programme, inspired by practice in the UK, and Scotland in particular. Within the UK, a further illustration is the transfer of the key fund model from South Yorkshire to a range of other programmes. Ideas might also come from EC encouragement to act in certain areas.

A further example of innovation enabled by Structural Fund programmes has been the emergence of new instruments in Italy embracing cross-sectoral integration. Integrated Territorial Programmes have been introduced in Objective 1 areas based on bottom-up, localised programming efforts, while in Objective 2 areas, a related initiative, the Integrated Programmes for Local Development, are employed. Under the Objective 1 Operational Programme for Local Entrepreneurial Development, an integrated package of schemes for firms has also been introduced (*Programmi Integrati di Agevolazione*); this uses a single application and appraisal process to provide an integrated suite of support to firms. The rationale for this method is that integrated packages of more intensive support have higher impacts than a fragmented approach.

Untried activities should not be expected to take up a large proportion of programmes. Instead, a perceived strength of Objective 2 is that it provides a stable framework for experimentation at the margins, which, if successful, can be mainstreamed via wider Objective 2 programme activities. Experimental measures in fields such as technology and innovation, future energies and logistical services (eg. Nordrhein Westfalen) take time and effort to build momentum; this process can be given time where measures are part of a wider, smooth-running programme which is operated across a multi-annual timeframe.

A second type of innovation is associated with the application of new economic development principles in the allocation of resources. This is most evident in the integration of horizontal themes in Structural Fund programmes, where programme managers have been encouraged to take a broader view of project quality, taking into account criteria of environmental sustainability, inclusion and equality.

The stable policy environment provided by Structural Funds has enabled such principles first to be piloted, then applied more broadly to interventions and ultimately 'embedded' within the processes and outputs of programming.[24] This trend is evident in both 'differentiated' systems (eg. UK) and 'subsumed systems' (eg. Germany, Spain). In the UK, Structural Fund programmes have allowed a "proactive and sustained" emphasis to be placed on these principles. This is evident in the development of capacity across partnerships and changing practices. Practical insights have been gained, and a wide dialogue has been encouraged. Even where the response has been less active, the stability of programming periods has allowed issues to be addressed incrementally. In Spain, for example, equal opportunities analyses undertaken during the 2000-06 programme development process, and data collected during the subsequent implementation phase, are helping to open up debates and develop understanding about this area of intervention. The availability of financial support for the horizontal themes is seen as crucial in enabling them to be embedded.

The influence of the Structural Funds is affected by many factors. First, as already noted, there is more potential for issues such as the environment or the Information Society to be actively taken up in the fabric of programmes and in

[24] Taylor S, Polverari L and Raines P (2001) *Mainstreaming the Horizontal Themes into Structural Fund Programming*, IQ-Net Thematic Paper, 10(2), European Policies Research Centre, University of Strathclyde, Glasgow. http://www.eprc.strath.ac.uk/iqnet/iq-net/downloads/IQ-Net_Reports(Public)/10.2Horizontal%20Themes.pdf

their active implementation where they accord with domestic priorities. This is especially true where there is high-level political support or parallel strategic plans are in place.

Second, the length of engagement with the Funds is important. Where the Funds are new to an area, they have a greater ability to open up debate, and there are less fixed 'reflexes' about how the Funds can or should be deployed, allowing fresh ideas to come forward. As the Funds become an established part of the policy environment, attitudes develop which can reduce the perception that the programmes accommodate new ideas.

Third, resource availability is a factor. Structural Fund programmes appear to have more ability to influence applicants when funding is perceived to be somewhat scarce and applicants are competing for access to Structural Fund budgets. On the other hand, at times of less competition for resources, there is scope for assisting unusual projects that might not otherwise be funded.

The overall potential of Structural Fund programmes to embrace innovation has potentially been hindered by some aspects of the programming environment. A key constraint is the rigid boundaries of the eligible area maps. These have prevented some regions from pursuing more 'modern' economic development policies, such as cluster and network development and encouraging connections between growth poles and lagging areas. In turn, it has also perpetuated a focus on more 'traditional' approaches, such as interventions focused on single firms.

In addition, Structural Fund programmes may be too risk averse. Innovative ideas take longer to develop and get through decision-making processes. Even if they are approved, they have to be implemented to a strict timetable that may be at odds with their novelty or complexity. More attention needs to be given to replicating innovative projects, for example, by rewarding better quality with higher intervention rates.

Finally, even if they are well planned and managed, some innovative projects do not succeed. A mechanism to accommodate this could provide an environment that is better able to support innovation. Financial engineering instruments such as venture funds potentially provide a model in that their business plans recognise that some investments will fail. Most succeed, and a minority succeed spectacularly, thereby compensating for any failures. There is a need for Structural Fund programmes to find mechanisms to more fully embrace innovation.

8. OPERATIONAL ADDED VALUE

The Structural Funds have been associated with several institutional innovations in the management of regional development. The most frequently cited area of added value associated with the Structural Funds is partnership. This fundamental principle of Structural Fund programming is considered to have brought enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy, and better quality regional development interventions as a result. The evolution of monitoring and evaluation practices over time demonstrates how added value has been progressively enhanced.

8.1 Operational innovation

The common regulatory framework governing the Structural Funds has been implemented across 15 Member States with diverse institutional arrangements, policy environments, administrative system norms and economic development needs. In the course of this process, the Commission has promulgated a number of distinctive principles and practices, including the programming approach discussed above, the principle of designing and delivering economic development in partnership, and the embedding of learning and feedback into policy through monitoring and evaluation. Other distinctive features are a culture of accountability and sound financial management, reflected through the strong emphasis on transparency and audit, and positive and negative incentives for effective programme management, notably the performance reserve and the n+2 rule (although their impact is likely to be mixed in practice). Each of these principles potentially represents dimensions of added value.

The EC has no 'proprietary implementation apparatus'[25] for EU economic and social cohesion policy. Wherever they are implemented, Structural Fund programmes represent a distinctive mechanism in their own right requiring specific management structures and mechanisms. This is especially true where programmes are operated in a 'differentiated' manner, with dedicated structures and procedures to both manage and access funding. It also applies, to some extent, where the Funds have been implemented in a 'subsumed' way, with budgets integrated with mainstream activities and structures. At a minimum, programmes require mechanisms to develop programming documents, to undertake financial management and steering, to co-ordinate the activity of involved implementing institutions, and to monitor and evaluate outcomes. The process of creating the required structures and systems has itself provided an impetus for innovation and experimentation.

The ability of the Structural Funds to make an operational difference is more easily identifiable in regions taking a differentiated approach. It has been argued that subsumed systems also gain operational benefits from the Funds, but that often these only materialise over a longer time period, arising from evolution of existing systems rather than the establishment of new ones (eg. for project selection). Furthermore, once changes have taken place, there may be a greater legacy from subsumed systems as they are embedded into mainstream

[25] Perkmann M (2003) Cross-Border Regions in Europe: Significance and Drivers of Regional Cross-Border Co-operation, *European Urban and Regional Studies*, 10(2), pp153-171.

practices. In countries with differentiated systems, practitioners have expressed concern that some of the innovations of Structural Fund programming (such as partnership working) might be dissipated without the impetus of the Structural Funds.

Returning to the issue of added value, the process of building effective management systems is important in maximising the potential impact of the resources deployed. It has been argued that 'the stronger the institutional structures, the greater is the impact of the structural funds in supporting regional growth'.[26] To this end, it is evident that some regions have been able to introduce institutional innovations.

- UK – In Scotland, Programme Management Executives were created, which operate under delegated authority from the Managing Authority, to manage the day-to-day running of the programmes on behalf of the partnership as a whole. They operate as independent units (serving the needs of all partners, rather than any individual interests), permit greater interaction with partners, particularly in the field of project development, and promote greater access to the programme, including through physical proximity. In Wales and England, 'virtual institutions' have also been created in the form of formally constituted partnerships taking forward locally or thematically focused sub-programmes of activity.
- Austria - Regional management offices, which existed in partial form prior to Austria joining the EU, were comprehensively reformed and extended nationwide with the introduction of the Structural Funds to provide a regional support structure for the implementation of the SPDs. They provide an intermediation role in the development and implementation of regional projects and programmes, disseminate information in relation to EU Structural Funds and other EU action programmes, and increase the visibility and accessibility of these funding sources in the regions, promoting networking and regional level development.
- Sweden – The 'Sekretare' system has been introduced for Structural Fund management purposes in the Norra Objective 2 programme. With the programme incorporating three separate Country Administrative Boards, the system encourages collaboration on programme delivery to ensure common standards of appraisal in line with programme aims and objectives as part of the project selection process. Its purpose it to ensure that applicants are treated equally and encourage the view that the programme is regional and not county-based.

Innovation has also taken place in the systems and procedures for project generation and appraisal.[27] This is most obvious in 'differentiated' systems where dedicated application, appraisal and decision-making systems are required. In the UK, there has been significant experimentation over time with systems involving technical appraisal, then multi-variate quality analysis complemented by committee-based scoring systems based on the judgement and expertise of the economic development community.

The desire to identify and fund projects contributing significantly to Structural Fund programme objectives has also led to innovation in project selection in subsumed systems. Niederösterreich, for example, has undertaken work leading to a clear improvement in project appraisal methods for some types of intervention. Criteria are clearer, and scoring is used to support a more rigorous

[26] Ecotec (2003) *op. cit.*
[27] Taylor S, Bachtler J and Rooney ML (2001) *op. cit.*

and structured assessment. There is also more intensive dialogue about the relative merits of projects.

Delivering Structural Fund programming is a dynamic process which requires distinctive abilities. The activity involves elements of ‘stewardship’, with actors seeking to represent a partnership in a fair and balanced way, communicate opportunities to them and help organisations with diverse levels of experience and capacity to respond. Interactions are led, on the one hand, by a duty to ensure that the regulatory requirements associated with the Funds are respected (and, in the process, that organisations are not exposed to risk). On the other hand, there is the aim of maximising the quality and effectiveness of the interventions which are undertaken.

The next sections explore two of the most widely acknowledged aspects of added value – partnership, and quality management which is underpinned through monitoring, evaluation, audit and performance-related incentives. The sections reflect on how and why these principles have been beneficial.

8.2 Partnership: joint working towards shared goals

Among the most frequently cited areas of added value associated with the Structural Funds is partnership. This fundamental principle of Structural Fund programming is considered to have brought enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy, and better quality regional development interventions as a result.

8.2.1 Evolution of partnership

As with other Structural Fund principles, the application of partnership has developed progressively over time. For some Member States, partnership working in regional development pre-dated the Structural Funds. In Germany, for example, a partnership approach (both vertical and horizontal) underpinned measures to address restructuring problems in Nordrhein Westfalen during the 1980s. In Austria, there was also extensive experience of partnerships, cutting across sectors, and involving both governmental bodies and social partners. In other Member States (eg. Finland, Italy, the UK), regional policy had traditionally been dominated by central government, with a limited role for local authorities and a negligible involvement of non-governmental interests.

Even where partnerships already existed, however, EU regional policy brought a new dimension to collaborative working. Under the Structural Funds, the involvement of actors has been configured differently, and there has been a broadening, deepening or acceleration of partnership dynamics.

Partnership was introduced as one of the core principles of Structural Fund programming in the 1989-93 period. There were two dimensions of partnership: ‘vertical partnerships’ between levels of government; and ‘horizontal’ ones within the programming area. Horizontal partnerships at the programme level were relatively narrow in the first programming period – comprising the principal public sector economic development organisations. Partnership in a fuller sense really came into its own in the 1994-99 programming period, when the rules of participation were extended, leading to new opportunities for a wider range of institutions to participate. This provided opportunities for institutions to act not only as project implementers, but also as active partners in programme design and steering.

The extended partnerships which came about as a result of the 1993 regulations faced some early problems in preparing for the 1994-99 programmes, often because of their inexperience of working together. However, familiarity increased over the 1994-99 programming period, and their relationships, modes of working and understanding grew. By the time the programme development process for the 2000-06 programmes was underway, partnerships were mature and able to capitalise more fully than ever before on their potential.

8.2.2 Interpretation of the partnership principle

Partnerships can be thought of as collections of actors representing different organisations that are bound by a common interest, and engaged in a shared endeavour – in this case, the design and delivery of Structural Fund programmes. However, the practical interpretation of the partnership principle varies considerably across the EU. The breadth and form of partnerships is defined not just by the Structural Fund regulations, but also by the responses of individual Member States and regions, based on their own institutional arrangements and administrative practices and their perception of the potential gains to be derived.

There is variation within, as well as between, Member States. Nordrhein Westfalen in Germany has typically had wider partnership involvement in its Objective 2 programme than elsewhere in Germany. Likewise, some Spanish programmes involve a wider range of partners directly in their management structures than others, extending to the economic and social partners.

In practice, there are several ‘partnerships’ for any given programme, some more formally instituted than others. Every programme can be considered to have a programme-wide partnership which embraces all stakeholders and with whom the programme communicates on a regular basis. At a more practical level, a representative sub-group of these partners is selected to constitute the Monitoring Committee. Beyond this, most programmes have an array of partnership structures in place, bringing together sub-groups of actors who are more closely involved in a given issue. In Italy, Objective 1 provides a good example of an extensive suite of sub-partnerships, in the form of working groups and task forces, constituted to steer the different distinct elements of a significant and wide-ranging programme. For differentiated systems, additional decision-making committees are required for project selection, involving an appropriate group of respected and experienced partners, sometimes including politicians (Denmark, France, Sweden, the UK). In some cases, their work is supported by committees of technical experts who contribute to the project appraisal process (eg. the Scottish advisory groups).

Further partnership structures assisting in the steering of programmes are the working groups which are constituted from time to time to take forward special tasks in ways which are more fully informed by partner expertise. Examples include Evaluation Steering Groups, which are now almost universally constituted to accompany studies, and the Horizontal Theme Working Groups in some regions.

Among applicants, too, there has been a growth in operational structures that formalise partnership coalitions and focus their activity on shared objectives. In France, active co-operation between partners in the context of the Structural Funds (and the *Contrats de Plan État-Région*), has seen a progressive development in the ‘contractualisation’ of economic development – producing formal, joint agreements around specific tasks.

Formalising co-operation between applicants through 'meso-level partnerships'[28] has become increasingly prevalent in the UK. These are groupings that bring together focused sub-groups of actors with a narrow geographical and/or thematic focus. Welsh and English programmes, in particular, have instituted the 'Package' or 'Action Plan' approach, in which local or thematic partnerships bid for funding to implement an agreed, integrated sub-programme of targeted activities. In the case of Action Plans, one partner receives delegated authority as an accountable body and the partnership takes on responsibility for the decision-making and management associated with delivering the sub-programme. This has presented significant challenges in terms of institutional capacity, and achieved mixed success, but in some cases has brought about dynamics of co-operation and strategic debate, which may endure beyond the Funds.

8.3 Added value of partnerships

What has the partnership principle brought to regional development? In broad terms, the design and delivery of economic development programmes through a process of networking and communication, joint priority setting and joint working coincides with wider socio-economic trends. Among the features of the new economy are that: *"It favours intangible things – ideas, information, and relationships. And it is intensely interlinked."*[29] Regional policies are increasingly recognising the need for collaborative working, linkages and networks, not just as an object of policy but also as part of the process for designing and delivering it.

Partnership should not be idealised. The aims of communication, collaboration and co-operation are about finding mutual understanding and working together more effectively – but this is not always smooth. Indeed, increased contact can bring about disagreement as well as concord. Communication and consultation also introduces new layers of complexity into the process of designing and delivering policy, with a need to seek partnership endorsement and/or the assent of the higher tiers of governance in the partnership before many actions can be undertaken. Another impact of consultative approaches is that project-level decision-making can be slowed down. However, the overriding view is that the net value of partnership has been strongly positive, and that the trade-off of additional time and effort for enhanced programming has been justified.

- **Vertical coherence**

  A particular advantage of the vertical partnerships is that they provide a coherent structure to the whole system. Relevant Directorates General of the EC have an active involvement in every programme across the EU, while Member State authorities are involved in every programme operating on their own territory. This multi-level involvement helps to support policy coherence.

  The involvement of the national level in regional development has only come about in some contexts because of the Funds. In the Netherlands, for example, Objective 2 programmes provide central government with one of the few instruments they have for engaging actively with the regional level. Likewise, in Denmark, vertical co-ordination was very limited prior to the introduction of the Structural Fund partnership principle. This continued to be the case throughout the 1990s: central government was involved only minimally in domestically led sub-national economic development initiatives.

[28] Taylor S and Downes R (1997) *Meso-Level Partnerships and Structural Fund Implementation*, IQ-Net Thematic Paper, 3(3), European Policies Research Centre, University of Strathclyde, Glasgow.http://www.eprc.strath.ac.uk/iqnet/iq-net/downloads/IQ-Net_Reports(Public)/3.3meso-levelpartnerships.pdf

[29] Kelly K (1998) *New Rules for the New Economy*, Fourth Estate.

More recently, the Structural Fund partnership model appears to be being mainstreamed (although whether there is a direct cause and effect relationship in reality is difficult to discern): vertical co-operation is an organisational principle in the new ‘regional development initiatives’ and is at the heart of the latest white paper proposing ‘regional growth coalitions’ for the most peripheral Danish localities.[30]

- **Shifting the centre of gravity: involvement of more local actors**
  Structural Fund programmes operate with the participation of institutions from multiple tiers of governance, from the Commission, through Member State authorities to the regional and local organisations involved in programming. In addition, broad horizontal partnerships involve a wide range of stakeholders in any locality.

  A critical and distinctive feature of EU partnerships is the level of influence given to regional and local actors. In most contexts, Structural Fund programmes have increased the number of actors involved in regional development, beyond a narrow core of principal participants. They have also changed the *balance* of partners who are actively involved. A wider range of organisations, including many operating at the very local level, gain a ‘seat at the Structural Fund table’, giving them a presence and a voice and allowing them to exert more influence over the socio-economic development priorities of their area than would otherwise be the case. They ‘hit above their weight’, participating in forums which are, to some extent at least, non-hierarchical.

  Across the EU, more organisations are now actively involved in regional development because of the Structural Funds. The social economy has gained significantly in terms of its influence in the UK. A wider range of actors is also involved in Sweden: the County Administration Boards previously had the primary role in regional development, and were more self-contained in their operation. Other organisations worked directly within their sectoral or spatial remits. Now, there is more involvement by municipalities, other interest groups and partners not previously active. Likewise, local councils in Spain have been able to access enhanced resources for economic development actions by responding to the Structural Fund opportunity presented by the ‘Local and Urban Development’ priority in Objective 2 programmes, competing with each other to secure resources.

- **Awareness of the bigger picture**
  Thanks to the flows of information in a partnership setting, transparency is increased: partners become more aware of the wider economic development landscape in their area – who is doing what and why, and how they fit into the picture. There is also a pooling of intelligence about trends and opportunities.

  One interesting area of added value has been improvements to inter-organisation consultation. The ‘joining up’ of policy in strategy documents is mirrored by cross-sectoral communication among programme partners. In Wales, while partnership is a strong principle of the delivery of public policy, the natural tendency would have been for separate fora to be established for individual National Assembly initiatives. The Structural Funds provide a multi-policy forum bringing together these separate strands.

  Another area of enhanced consultation is between organisations of the same type or in the same sector (eg. municipalities), where they are undertaking activities within their own geographical boundaries and competence, but which might have implications for neighbouring areas. Increasing communication about the initiatives being led by neighbouring institutions helps organisations to take a wider view. This can help to prevent projects

[30] Regeringen (2003) *Den regionale vækststrategi*, København: Økonomi – og erhvervsministeriet.

going ahead which will lead to minimal net gain, for example, because they have substitution effects, and can encourage collaborative synergies.

- **Collaborative working and co-operation**
  The familiarity and trust developed – ultimately between individuals - by participation in Structural Fund programmes helps to foster collaborative working. This is true both as part of the design and steering of programmes, and in their delivery. Shared aims are agreed to which organisations contribute either singly, or through the development of joint or inter-related projects.

- **Improved decision-making**
  At a strategic level, every programme has a Monitoring Committee, bringing together the main political and/or organisational interests in the region. Under so-called 'differentiated' Structural Fund implementation systems, there are also dedicated decision-making committees which meet throughout the programme lifetime to undertake project selection. Competitive application systems are operated, whereby the applications submitted for funding are scrutinised by a panel of the applicant's peers before approval. Committees of this type are operated in Denmark, France, Sweden and the UK.

  This partnership involvement in resource allocation is valued for two reasons: first, it encourages more effort to be put into project development; and second, it facilitates improved decision-making. In both cases, it reduces duplication, increases the potential for synergies, enables decision-making to be informed by a real understanding of context, and thereby leads to different project outcomes. The process is imperfect in that it can be difficult in practice to reject the applications of some partners, leading to a dilution of strategic decision-making towards a situation where all interests are allocated resources.

In some cases, partnerships brought together as a result of Structural Fund programmes have come to appreciate the benefits of joint working to the extent that they have constituted themselves more formally, and exchange and co-operate on wider issues. A good example is the South of Scotland Alliance which co-operates on joint issues affecting the rural areas of Dumfries and Galloway, and the Borders. There was previously little history of co-operation (prior to 2000, each had a separate EU programme), but it has become clear that there are many areas in which they are stronger operating jointly, sharing information and increasing their lobbying power. Likewise in Wales, where meso-level partnerships have been charged with taking forward parts of the programmes, the Monmouthshire partnership is extending its brief beyond the Funds, and beginning to serve as a discussion forum for other initiatives in the area.

More generally, it is argued that partnerships currently function well because they are focused on concrete tasks. The 'glue' for partnership is funding: people need to be able to justify their use of time on activities directly beneficial to their organisation. It has to be doubtful whether many partnerships would survive without such a focus in the form of a programme with dedicated resources. The survival of partnership working beyond the Structural Funds may be related to maturity of experience; in areas with less well-established partnership processes the networking and cooperative approaches may not have had sufficient time to become embedded.

8.4 Quality management and accountability

8.4.1 Embedding feedback and learning through monitoring and evaluation

The Structural Funds have helped to institutionalise a learning reflex as part of the routine delivery of regional economic development policy. Analysis and reflection have been encouraged through regulatory requirements placed on programmes to monitor and evaluate their activities relative to a structured framework of targets and indicators. The strong emphasis placed on monitoring and evaluation has been one of the central innovations of the Structural Funds. As a universal requirement, it has had widespread impacts, and has been seen as valuable (although also onerous) by many participants in programming. As a direct result of the Structural Funds, considerable progress has been made in terms of integrating monitoring and evaluation into regional development programming across the EU.

a. Monitoring

Current Structural Fund monitoring practices are the product of over ten years of evolution across successive programming periods.[31] In 1989-93, monitoring was among the least well-developed aspects of Structural Fund programming. Financial monitoring has – of necessity – always been relatively good. However, in these early programmes, physical indicators tended not to be identified in advance, nor were targets set, and monitoring systems to collect data were rudimentary. The principal focus was on managing and monitoring the financial progress of programmes.

A step change has taken place over the decade which has followed, prompted by more explicit and demanding EC regulations, the need for accountability in public expenditure (tracking how resources have been used) and a growing awareness within Member States of the usefulness of monitoring programme progress in order to underpin good programme management. Frameworks and methods have been devised enabling coherent hierarchies of indicators to be identified for multi-sectoral, multi-annual programmes. In addition, definitions have been progressively standardised, databases refined taking advantage of advances in IT, and skills and knowledge developed.

Better monitoring information is now available than ever before, providing a new transparency about spending. Nordrhein Westfalen's single monitoring system now collects information from diverse agencies, enabling an overview to be compiled that was not previously available. Likewise in Austria, the Federal level now has an improved overview of *Land* level regional development activities. Collecting monitoring information is insufficient in itself: it also needs to be collated, communicated to others and interpreted in order to steer programme direction. Ideas have been generated to extract value from monitoring activities. In Nordrhein Westfalen, the so-called Traffic Light Reports provide a tool enabling monitoring data about over 1,000 projects to be communicated in ways that highlight the major issues to the Monitoring Committee quickly and easily in order to focus debate.

The mid-term evaluations of the 2000-06 programmes indicate that considerable progress has been made over the past decade in monitoring the physical progress of programmes and accounting for spending in relation to objectives. They also highlight the problems associated with monitoring – the administrative

[31] Taylor S, Bachtler J and Rooney ML *(2001) Information into Intelligence: Monitoring for effective Structural Fund Programming*, IQ-Net Thematic Paper, 8(2), European Policies Research Centre, University of Strathclyde, Glasgow.
http://www.eprc.strath.ac.uk/iqnet/iq-net/downloads/IQ-Net_Reports(Public)/8.2Monitoring.pdf

cost of collating data, the questionable reliability of the data, and the relevance of indicators. This raises questions as to whether the extensive monitoring information being collected is justified for either operational or accountability purposes. Practitioners argue that a more rationalised and simplified approach to monitoring could actually reduce the administrative burden while increasing added value.

b. *Evaluation*

Evaluation has become integral to Structural Fund programme design and delivery. This has been encouraged by the evaluation obligations in the Structural Fund regulations, and the provision of support and guidance by relevant DGs of the European Commission.

In some Member States, there was little or no culture of evaluation in economic development prior to the Structural Funds being introduced. In others, while evaluation was a part of the policy landscape, it had never been conducted across 'programmes' of activity before (being more focused on individual initiatives or even single projects), or had never been so systematically pursued. Building evaluation into the fabric of policy is an innovation that has significantly strengthened its role.

Capability has grown over time, as experience has accumulated among Structural Fund managers and project implementers, and an evaluation community has grown up to service Structural Fund evaluation needs. Ex ante and mid-term evaluations are now relatively 'routine' exercises. The unrealistic expectations of earlier rounds have been successively replaced by a more mature view of evaluation, with a deeper understanding of its potential but also its limitations.[32]

The position of evaluation is underlined by the fact that more and more Structural Fund evaluation studies are going beyond compliance with the Commission's minimum requirements for evaluation, instead tailoring studies to answer their own questions. The high degree of ownership of the evaluation exercise is also reflected in lively methodological debate – and even disagreement with the Commission's guidance. In particular, many programmes are now arguing that, especially for Objective 2 and other smaller programmes, the Commission's focus on quantitative issues should be balanced by more qualitative (formative) analysis that would be more beneficial to them. In addition, in some contexts, the standard menu of studies (ex ante, mid-term and ex post) is considered to be too rigid. Instead, the potential benefits of an 'ongoing' approach to evaluation are being explored.[33]

Evaluation is not confined to the programme level. For individual projects seeking continuation funding or involving significant investment, evaluation has also increasingly become integral to their good management.

Enhanced transparency, in terms of what has been done using regional development budgets, is among the cited benefits of a growing evaluation culture. Further, evaluations have generated analytical insights into programme

[32] Bachtler J and Taylor S (1999) *op. cit.* Raines P and Taylor S (2002) *Mid-term Evaluation of the 2000-06 Structural Fund Programmes,* IQ-Net Thematic Paper 11(2), European Policies Research Centre, University of Strathclyde, Glasgow. http://www.eprc.strath.ac.uk/iqnet/IQ-Net/downloads/IQ-Net_Conference_documentation/Lulea_Jun02/Lulea_Mid-Term_Evaluation_Jun02.pdf

[33] Taylor S, Bachtler J and Polverari L (2001) "Structural Fund evaluation as a programme management tool: comparative assessment and reflections on Germany", in *Evaluation und Qualitätsmanagement der EU-Strukturpolitik,* Informationen zur Raumentwicklung, Heft 6/7.2001, Bundesamt für Bauwesen und Raumordnung, Bonn, pp.341-358.

progress, which have encouraged targeted debate and informed decision-making.

Increased evaluation has not just benefited Structural Fund programmes, but evaluation practice more generally[34]:

- o the number of economic development actors with an understanding of evaluation has increased significantly;
- o the number of evaluators has increased;
- o independent evaluation has increased relative to evaluation undertaken by the internal analytical units of large institutions, leading to more rigour and openness;
- o a flow of ideas about evaluation practice has taken place between regions and Member States, enlivening practice and providing scope for innovation.

While the overall story is positive, the degree to which evaluation has been integrated into policy environments has not been uniform. Nor have the benefits of evaluation across different constituent groups been entirely even. In Sweden, for example, national authorities believe they have benefited more than regional authorities. Perhaps this is explained by the fact that, for those closely involved in a programme, it is rare for an evaluation study to generate real 'revelations' about progress: instead, they confirm evidence for patterns which are already known at some level. For national and EU level actors who are further from regional programmes, evaluations provide a level of detail and transparency not hitherto available.

Improvements to evaluation practices, wide participation in evaluation and the embedding of evaluation into policy processes have led evaluation to take a greater place in mainstream development policy in some contexts. Increased interest in evaluation in France, for example, has led to an explosion of activity, with new structures being established and methodological debates taking place. Evaluation has gradually been recognised as a positive tool for public policy-making and its practice is being mainstreamed across a range of public policies. At the national level, the '*Conseil national de l'évaluation'* (CNE, 'National Council for Evaluation'), which was set up in 1998, has embedded the principle of the cross-departmental evaluation. At the regional level, the evaluation of the '*Contrats de Plan Etat-Régions*' (CPER, 'State-Regional Development Programme Agreements') has also been strengthened and its time-frame closely matches that of the SPDs to reinforce the co-existence of the two programmes in each region. In addition, some regions have proven particularly active in the field and evaluate their own policies on a regular basis. Last, a major cross-departmental evaluation of Structural Fund programmes has recently been undertaken by the '*Commissariat du Plan*' (the government's planning commission). The objective of this exercise, due to be completed by the end of 2003, is to study the link between EU regional policy with French policies for regional development. Clearly, this emergence of a 'culture of evaluation' in French public policy-making could not be explained without making reference to EU influence.

Other examples can be cited from Austria, where a dedicated structure was established to ensure that the fullest benefits would arise from increased evaluation activity (KAP-EVA). In Denmark, an evaluation culture has also been emerging in policy areas beyond the Structural Funds.

[34] Bachtler J (2001) 'Quod erat demonstrandum? "The evaluation of regional policy", in Eckey H-F, Hecht D, Junkernheinrich M, Karl H, Werbeck N and Wink R (Eds.) *Ordnungspolitik als konstruktive Antwort auf wirtschaftspolitische Herausforderungen,* Lucius & Lucius Verlag, Stuttgart, pp. 3-20.

8.4.2 Accountability and performance-oriented financial management

The Structural Fund regulations have placed a consistently strong emphasis on accountability in the use of European funds. This is reflected not only in the provisions for monitoring and evaluation already described, but also in the strong culture of control and audit, verifying the proper use of the Funds at every level.

The importance and utility of audit and control is not contested. However, there has been increasing concern at the number of layers of audit regimes which have responsibilities in this area, and whose requirements are each slightly different, which means that there is considerable duplication of effort.

A sustained international trend in the public sector over recent decades has been the growth in the use of performance-related management techniques in the delivery of public services. This has incorporated a concern for value for money and effectiveness through competitive tendering for service delivery (often leading to outsourcing), and explicit target setting linked to positive and negative performance-related incentives.

In this context, the 1999 Structural Fund regulations brought two innovations that have integrated performance-oriented management more fully and overtly into the fabric of programme delivery. The performance reserve represents a positive incentive mechanism. Under this rule, four percent of the value of programme funds is withheld at the start of a programming period, and only awarded to programmes which can show that they have met a set of agreed programme-specific targets measuring progress in three areas: effectiveness, management and financial implementation. The so-called n+2 decommitment rule is a ‘negative incentive’, whereby the annual financial instalments of a Structural Fund programme must be spent before the end of the second year following commitment, ‘n’ being the year of commitment. Any sums unspent are automatically decommitted and lost to the relevant programme.

Although both instruments pose potential difficulties for some programmes, and could benefit from adjustments to their design and use, their introduction was widely welcomed in underlining the importance of high-quality, timely delivery of European programmes. In many cases, their introduction in 2000 brought about improvements to programme management systems, increasing efficiency and effectiveness. They have ‘shone a torch’ on implementation systems, exposing those areas requiring improvement. A step change in the quality of monitoring systems is at least in part attributable to this.

The main drawback of current systems is their rigidity. There is a danger that n+2 is promoting speedy programme delivery but at the expense of quality, strategic coherence and innovation. The programme budgets against which n+2 is measured need to reflect realistic patterns of spend in multi-annual programmes (with a slow start initially, gaining pace towards the middle of the programming period, then declining once more). It is also important to take into account the impact of delayed programme starts. The applicability of n+2 in different areas of intervention may also need consideration. The pace of delivery of business development programmes, in particular, is not simply a matter of sound programme management, but is affected by fluctuations in the absorption capacity of the business population caused by changes in the prevailing economic climate. Downturns mark an increasing need for business interventions but a concomitant decrease in the ability of firms to undertake developmental initiatives. Resources decommitted at this stage in the economic cycle could lead to a shortage of resources when an upturn once again increases demand (an issue of particular concern in Italy and Finland).

9. LEARNING ADDED VALUE

Learning is an integral and ongoing ingredient of Structural Fund programming. The Structural Funds have helped to institutionalise a learning reflex as part of the routine delivery of regional economic development policy. Analysis, reflection and learning have been encouraged through regulatory requirements placed on programmes to monitor and evaluate their activities.

Many structures have been established at programme, national and international level to facilitate the process of ongoing learning and capacity building. The Structural Funds have been an exceptionally stable yet adaptable policy framework, which has helped to consolidate a dynamic of learning and innovation across 15 years.

9.1 Learning is integral to the Structural Funds

The programming of Structural Fund interventions involves learning. At the outset (1989 for the EU-12, 1995 for Austria, Finland and Sweden, 2004 for the new Member States), there is a steep learning curve. Introducing Structural Funds into a region requires adjustment for economic development organisations, policies and systems and acts as a catalyst for learning and change.

Beyond this, however, learning is integral to the ongoing Structural Fund programming process. This is reflected in the idealised 'virtuous circle of programme delivery'.[35] An evidence-based programme development process leads to agreement of strategies with clear objectives. These are implemented across a multi-annual programming period, during which time progress is measured relative to original quantified targets. The Structural Fund environment is characterised by steady change – responding to the regulatory context, the policy environment, financial resources, partner engagement and the effectiveness of interventions. Monitoring provides management information on an ongoing basis, while regular evaluation feeds in more substantive reflection on impact and strategic direction. Both activities generate a flow of feedback which helps to inform the steering of the programmes. In this way, a culture of learning becomes integral to the Structural Funds.

Developing learning capacities is perceived as a key role for Structural Fund administrators. Scottish practitioners maintain that: *"Capacity building, learning, awareness raising, dissemination of good practice are* ***intended outcomes for all stakeholders*** *through a range of inputs from workshops, surgeries, provision of advice and guidance, networking and exchange of good practice".*

9.2 Facilitating learning

The stability of the Structural Funds as a multi-annual programming mechanism has already been discussed. It is not just stability *within* programming rounds which has benefited the Structural Funds as a learning mechanism, but also stability *between* periods. The Structural Fund programming system has existed

[35] Bachtler J and Taylor S (1999) *op. cit.*

in broadly the same form for almost 15 years, across three, multi-annual programming rounds (1989-93, 1994-99, 2000-06). It has evolved steadily over time, but working within principles and assumptions that have remained broadly fixed. This is exceptional in public policy and has provided the opportunity not only to accommodate a relatively complex system but also to work on improving it. Even after such a long period, many programme managers believe that there is still untapped potential in terms of future learning benefits which could arise from Structural Fund participation.

It has been argued that the Structural Funds have strong potential for learning effects also because most programmes are closely aligned to the policy mainstream, involving a broad cross-section of actors in a wide range of policy areas. Developments in the Structural Fund environment therefore have the potential to be disseminated more widely.

9.2.1 Programme level learning

At the level of individual programmes, capacity-building for both administrators and participants is an integral part of programme delivery. This is partly because effective participation in programmes is demanding, and requires a broad range of skills. Also, priorities change over time, as programmes progress through development to implementation, and various forms of evaluation are undertaken.

In most programmes, dedicated resources are allocated to encouraging learning and to disseminating good practice among programme actors, whether it be through guidance, websites, newsletters, seminars, conferences, exhibitions, one-to-one meetings or other means. The communication effort to keep partners and project participants up-to-date with changing programmes is significant.[36] In addition, there may be more specific capacity building to undertake. In Sweden, as in other countries, project development training has been undertaken for applicants, leading to new ideas and a high uptake of resources.

Some Structural Fund programmes have created dedicated structures to enable a more structured and sustained learning process. A good example is the Horizontal Theme Working Groups established in Western Scotland which combined thematic and sectoral experts from the partnership to consider how best to take these issues forward. Membership of these groups was selected explicitly to include representatives of all mainstream decision-making bodies in order to ensure transfer of experience in both directions.

9.2.2 National networking

Several Member States have established networks, often facilitated by national authorities, to enable networking to take place between Structural Fund managers and administrators working at the programme level in the regions. Such networks exist in Sweden, the Netherlands, Denmark (for ESF), Austria, France, Spain, England and Scotland. In some cases, national thematic networks have also been introduced, for example for the environment (Spain, Italy).

The networking facilitated by these fora is often cited as enhancing the networking initiatives in place for domestic policies. In Sweden, for example, NUTEK (the national business development agency) has enabled county-level actors involved in Structural Fund management to network in ways that had not

[36] Taylor S and Raines P (2003) *Getting the Message? Structural Fund Publicity and Communication*, IQ-Net Thematic Paper, 12(2), European Policies Research Centre, University of Strathclyde, Glasgow.

happened before, providing new opportunities for exchange on a range of issues – some now going beyond the Structural Funds.

9.2.3 Cross-national networking

The Structural Funds provide a common international policy framework and timetable for regional development programming. As a result, a class of administrators has progressively developed across Europe with a common background, culture and competencies, delivering programmes which, while they vary significantly, have a core of common features.

This provides scope for cross-national networking, which broadens horizons and facilitates the dissemination of best and distinctive practice. Within the same overall regulatory framework, contrasting approaches are taken which depend on the institutional and domestic policy configurations of the different Member States.

The EC has increasingly facilitated pan-European exchanges, organising special conferences at key points in the programming calendar which involve many hundreds of Structural Fund professionals. In a more structured and targeted initiative, DG Regio has supported a series of major evaluation conferences enabling lessons to be identified and disseminated from accumulating Structural Fund evaluation experience, and encouraging the emergence of a 'community of interest'. Within the framework of the Structural Funds, the Community Initiatives have encouraged networking, focusing on sectoral, geographic and social categories. These networks have only applied to geographic areas eligible for Structural Fund support.

In addition to these Commission initiatives, a number of more sustained networks have emerged out of the Structural Fund community with a narrower focus and more significant involvement. Examples include IQ-Net and RETI, and a range of networks supported under Article 10 of the ERDF Regulation. The Article 10 networks were first launched as interregional pilot projects (e.g. Quartiers en Crise, Network of Atlantic Regions, Eurocities), and their success led to the formal establishment of the RECITE programme within Article 10, allowing non-ERDF eligible and eligible areas to work together. RECITE networks included DEMILITARISED, for regions affected by a reduction in military presence and defence contracts, and the European Urban Observatory, set up to establish urban observatories collecting comparative data.

IQ-Net provides a good example of an operationally focused network, which has been able to undertake a sustained programme of cross-national research into regional development in a Structural Fund context. It is interesting to note that, in Objective 1, where there has been less networking activity, *'cross-programme co-operation…has not been a strong feature…and there has been limited explicit exchange of innovative ideas and good practice'*.[37]

9.2.4 Networking with the new Member States

The public sector in the existing Member States has accumulated significant experience in managing the Structural Funds in a wide range of different institutional, socio-economic and political settings. Co-operation and exchange has already been intensive between the existing Member States and the accession countries of Central and Eastern Europe, transferring knowledge and skills. This has taken place notably through the Twinning arrangements. The

[37] Ecotec (2003) *op. cit.*

benefits have not been one-way, with experienced actors generating new ideas and perspectives from exposure to other circumstances and systems. Maintaining some stability in Structural Fund programming in the next period would arguably prevent the body of expertise in experienced Member States from being dissipated, and ensure that exchanges could continue which help to ease the new Member States through their 'accommodation' phase and increase their potential to secure added value.

9.2.5 The benefits of exchanging experience

Exchange between programmes, whether in a national or international setting provides several benefits.

- It increases the confidence of programme managers and administrators who gain a better understanding of the position of their programme relative to others across the EU in terms of progress and responses to key issues.
- It enables learning through exchanging experience, and by looking at a range of programming themes in detail and in comparative perspective. Awareness of the diversity of responses within a uniform framework enables actors to see problems from a different viewpoint and to reflect critically on their strengths and weaknesses relative to others.
- At a more concrete level, this learning enables the generation of ideas and solutions – with tangible effects on programme management and delivery. This circulation of ideas can revitalise national policy environments. Opportunities are also provided to make new contacts among partner regions, some of which lead to substantive outcomes in terms of bilateral initiatives. A good example is a process of inter-regional benchmarking underway as part of interim evaluations in Nordrhein Westfalen, and Western and Eastern Scotland.
- Finally, reflection is integrated more fully and actively into the professional lives of those involved. Participants are provided with a space where they are exposed to other realities and can also articulate their own experiences, understanding them better in the process. Making the learning process overt and deliberate by focusing it into dedicated and distinct forums arguably enhances the potential to secure added value. Reserving a space for reflection seems especially important where the day-to-day tasks involved in delivering programmes would otherwise absorb all available resources. This has increasingly been perceived to be the case as the complexity of programme administration has grown.

Clearly, while many benefits can arise from exchanging experience and sharing best practice, it is important to ensure that the effort involved in this exchange is not disproportional to the potential benefits. Again, this is an issue to consider in the reform process: what models of exchange are most time and resource efficient and deliver the most worthwhile outcomes for participants? This should encompass both direct participants in the exchange process and the wider community of interest in any given field.

10. CONCLUSIONS: IMPROVING ADDED VALUE IN THE POST-2006 PROGRAMMES

Improving added value after 2006 will require Structural Fund programming to adjust to a different level of resourcing, the changing regional policy environment in Member States and the differential progress of programming in the past across the EU. The starting point is to create a framework based on the principles of proportionality, subsidiarity, simplification and spatial coherence.

At a policy level, the key features of programming which deliver added value are coherence (integrated, multi-sectoral development), stability (multi-annual programmes), collaborative working (partnership) and accountability (monitoring and evaluation). Programmes should promote added value by focusing on innovation, facilitating risk-taking and promoting the network economy. From a management perspective, programming needs to provide greater scope for strategic thinking and development activity, retain the partnership principle and be managed to suit local circumstances. Lastly, there should be greater recognition of the role of learning in effective regional development.

10.1 Improving added value

The future shape of Structural Funds after 2006 is still unclear. Insofar as EU intervention will continue to be provided outside Objective 1, it is likely to involve fewer resources and a different mode of implementation.

Over the past 15 years, the Structural Funds have provided significant added value in several areas of economic development, although the benefits have been severely tested by the complex and costly administrative requirements of the current programming period. If EU regional policy is to generate (further) added value outside Objective 1 after 2006, it will need to adjust not only to a different level of resourcing but also to a regional policy environment that has changed dramatically compared to 1988.

At the same time, future Structural Fund support needs to take account of the differential progress of programming across the EU (see Section 4.2). In some countries/regions, programmes are still at a developmental stage and have scope to exploit more added value from EU funding; in other contexts, the potential added value of EU funding has largely been achieved and there is need to revitalise mature systems.

Drawing lessons from current and past programming experience, this final part of the paper identifies priorities for reforming the Structural Funds to improve the added value of EU regional policy after 2006. It focuses in particular on future Structural Fund interventions outside Objective 1.

10.1.1 Principles - Proportionality, subsidiarity, streamlining and coherence

The starting point for reform is to create a framework for future programming based on four principles - proportionality, subsidiarity, simplification and spatial coherence

First, *proportionality* needs to be more fully embraced, adjusting procedures and requirements at every level in response to the size and significance of the initiatives or interventions in question. The application of this principle at project level is particularly necessary.

Second, a fuller and clearer application of the *subsidiarity* principle is required. Important dimensions here are not just to devolve responsibility to the lowest effective level, but to pair this with a fuller devolution of accountability to the same level. This would reduce the need for higher levels of authority to oversee the detailed activities of lower ones, which currently derives from the retention of accountability while devolving operational responsibility.

Third, there is a general requirement for *simplification.* The administrative burden associated with the Funds is a universal concern and is perceived to have increased significantly in the 2000-06 period The issue is simple: *"for the added value of cohesion policy to emerge [the benefits] must not be offset by the costs of EU procedures and Community actions must prove complementary to national actions"*.[38] An example would be reducing the duplication which has emerged in audit responsibilities, rather than downgrading the overall emphasis placed on the audit culture which helps to underpin sound financial management. Equally, the continuing existence of multiple separate Structural Funds could at last be addressed. A particular challenge is to streamline participation in the Structural Funds for applicants and project implementers, finding ways to reduce their need to understand the intricacies of the Funds in order to participate effectively.

Fourth, the eligible areas within which future EU programmes operate need to have *coherence*. As noted earlier, the current approach to zoning (of Objective 2) has often produced fragmented maps which militate against a coherent approach to economic development and create additional administrative pressures for the management and monitoring of programmes. Lack of coherence also causes difficulties in promoting some types of intervention, such as networking.

Some of these issues are already starting to be addressed in the emerging proposals for future EU intervention outside Objective 1. However, there is a need for a further debate about how added value might be improved with respect to both the policy orientation and management arrangements of post-2006 Structural Fund programmes.

10.2 Policy recommendations

Based on the preceding research, there are several recommendations at the policy level that would maintain or improve added value.

- **A strategic and coherent approach to economic development**
  At a policy level, there is widespread consensus about the key features of Structural Fund programming which deliver added value. They are:

  - coherence (integrated, multi-sectoral development)
  - stability and predictability (multi-annual programmes, clear rules)
  - collaborative working (partnership)
  - accountability (monitoring and evaluation)

  These should be the basis for post-2006 programmes. EU support should be conditional on the existence of a regional framework for economic development. Such a framework should: represent the outcome of

[38] *Second Italian Memorandum on the Reform of the EU Regional Cohesion Policy 2007-2013, op. cit.*

consulation between relevant authorities, including economic and social partners and environment organisations in the region; provide a unifying vision, strategic aim and objectives for economic development; comprise a multi-annual programme of interventions; exert (broad) influence on the allocation of resources; and provide accountability through appropriate mechanisms of financial control, monitoring and evaluation.

Notwithstanding the likely resource constraints on Structural Fund support outside Objective 1, it is important that programmes are sufficiently resourced to have strategic meaning. Programmes need a 'critical mass' of resources in order to have influence with businesses and other beneficiaries and to be visible in economic development markets.

- **Focus on innovation in regional development**
  Structural Fund programmes should promote policy added value by focusing on areas that maximise innovation, additionality and visibility. Parts of future Structural Fund support should specifically aim to operate outside the policy mainstream (in areas where there is no competition for funding), utilising EU resources in a way that adds value to the process or outcome of regional development, in order to improve the efficiency or effectiveness of economic development policies.

  Examples for the use of this dedicated part of programme resources might include (in addition to conventional interventions): demonstration or pilot projects; support for experimental or risky initiatives/instruments; support targeted on different types of geographical area, sector or field of intervention from mainstream regional development; and support facilitating the transfer of good practice. A crucial issue, however, would be to connect innovative actions with mainstream economic development. Learning from experience with Community Initiatives, where successful activities have not been fully exploited, future EU programmes should build in mechanisms by which lessons from innovative activity can be mainstreamed into domestic policies.

- **Facilitate risk-taking**
  If future Structural Funds are to encourage innovation in regional development, the implementation system needs to provide incentives for risk-taking. This could mean releasing a limited proportion of programme funding from the standard requirements for co-financing and monitoring, where national funding for risky ventures might not be available. More generally, all parts of the new Regulation(s) should be 'proofed' as being supportive of innovation.

- **Promote the network economy**
  A key challenge for many regions is that, while many of the 'building blocks' for regional development in the knowledge economy have been put in place, the level of interaction required (eg. for regional innovation systems) is inadequate. There would be scope for Structural Funds to facilitate better networking (especially informal networks), public-private co-operation, inter-regional and international linkages and the creation of new clusters of competence. Promoting such interaction often lies outside the responsibility of sectoral policies and individual organisations.

10.3 Management recommendations

- **Greater scope for strategic thinking and developmental activity**
  If policy added value is to be increased - with a more distinctive, innovative role for EU interventions - time and space needs to be created at programme level for:

  - more strategic thinking and management;

- a greater focus on interaction with beneficiaries;
- more emphasis on project generation and development to improve project quality.

Rationalisation of administrative procedures (at both European and national levels) is critical. In particular, intermediaries and beneficiaries need to be liberated from overly onerous application, selection and monitoring obligations that inhibit good projects from being assisted. However, more flexibility is also needed at programme level to allow adaptation of programmes to specific circumstance, including variation in the time periods over which programmes operate.

- **A differentiated approach to the implementation of the Funds**
  The generation of added value is conditioned by factors such as scale of funding, type of administrative system and geographical scale. This argues in favour of a highly differentiated system of implementation where programmes can be designed and managed to suit local circumstances. Proportionality in implementation requirements is necessary from the European level down to the administration of individual projects.

- **Embedding the partnership principle**
  As noted above, the partnership principle is considered a key aspect of value added, and should be retained as a basis for future programmes. There is scope for more sophisticated application of partnership, particularly at sub-programme level, learning from good practice in other parts of the EU. Although partnership between economic development intermediaries is often operating well, there is scope for improving collaborative working and networking at project level, especially in an environment of limited programme resources and if programmes are operating outside the policy mainstream. A further priority, however, is to recognise the potential fragility of partnership working without the incentive of EU funding and to develop mechanisms for embedding the partnership principle beyond EU regional policy.

- **Recognise the principle of evolution**
  When radical changes in policy or system are introduced, the EC needs to recognise the time taken to accommodate change and the stages and processes through which this accommodation takes place. The added value of new implementation methods could be accelerated by building in a 'road map' of development stages as guidance for programme managers and partners.

10.4 Learning recommendations

- **Learning is integral to effective regional development**
  Until now, the importance of the learning process has not been sufficiently appreciated, even by experienced programme managers. Future programming should facilitate reflection and learning by integrating active learning measures as part of programme management and delivery. This includes capacity building and exchanges of experience between partners within regions. Importantly, it should also involve a transnational dimension to promote more networking, regional exchanges of experience and knowledge transfer to ensure the international exchange of good practice. The European Commission has an important role in facilitating the learning process.

ANNEX 1: IQ-NET SEMINAR PARTICIPANTS

The Added Value of the Structural Funds
Scotland House, Brussels, Belgium, 12 June 2003

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