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**Work Package 4  
“Structural Change and Globalisation”**

**CASE STUDY  
RHÔNE-ALPES (FR)**

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## Acronyms

ANVAR	National Agency for the Promotion of Research ( <i>Agence National de Valorisation de la Recherche</i> )
BERD	Business Expenditure on R&D
CEA	French Atomic Energy Commission( <i>Commissariat à l’Energie Atomique</i> )
CETIM	French Technical Centre for Mechanical Industries) ( <i>Centre Technique des Industries Mécaniques</i> )
CNRS	French National Scientific Research Centre ( <i>Centre National de Recherche Scientifique</i> )
CPER	Planning contract between State and Region ( <i>Contrat de Plan Etat-Region</i> )
CRDR	Regional Resource Centre For Rural Development
DG REGIO	Directorate General for Regional Policy
DRAF	Regional Directorate for Agriculture and Forest
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
EDF	French electricity generation and distribution company( <i>Electricité de France</i> )
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FDI	Foreign Direct Investment
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GERD	Gross Domestic Expenditure on R&D
ICT	Information and Communication Technology
IFTH	French Institute for Textile and Clothing ( <i>Institut français du textile et de l’habillement</i> )
INSEE	French National Institute of Statistics and Economic Studies ( <i>Institut national des statistiques et des études économiques</i> )
LFS	Labour Force Survey
MIDIC	Departmental Mission for Information and Advice ( <i>Mission Départementale d’Information et de Conseil</i> )
NDP	National Development Programme
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PPS	Purchasing Power Standard
R&D	Research and Development
RTDI	Research, Technological Development and Innovation
SGAR	General Secretary for Regional Affairs
SME	Small and Medium Enterprise

SPD	Single Programming Document
SRESR	Regional Plan for Higher education and Research
TOR	Terms of Reference
WP	Work Package

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## Rhône-Alpes case study

### Executive summary

#### Scope and research methods

This report has been prepared in the framework of the ex post evaluation of cohesion policy programmes 2000-2006 co-financed by the European Regional Development Fund (Objectives 1 and 2). It is part of the Work Package 4: Structural Change and Globalisation.

This case study focuses on analysing the results and outcomes of a set of specific measures of the ERDF 2000-2006 Objective 2 programme implemented in the Rhône-Alpes region and considered particularly relevant in the context of structural change and adaptation to globalisation: the Measures 2.1 and 2.2 dealing with locally innovative projects, the Measure 7.2 supporting technology platforms and the Measure 10.1 dealing with new tourism products.

The study is based on various information sources: an in-depth analysis of available documents (programming documents, programme complement, annual implementation reports, mid-term and final evaluations, regional studies); monitoring data of the programme; on-site interviews with regional authorities and representatives of the state bodies in the region; phone interviews with final beneficiaries of the specific measures under review, including companies; as well as data from the French statistical office (INSEE) and Eurostat.

#### Key research question and hypothesis tested in the case study

The main research question addressed by this case study is the extent to which regional policy measures, co-financed by the ERDF (European Regional Development Fund), supporting structural change and adaptation to globalisation<sup>1</sup> have helped to reinforce the innovation potential of the economic fabric of the eligible areas of Rhône-Alpes (France). In particular, did the ERDF support lead to an upgrading of the absorptive capacity of the firms in the eligible areas allowing them to take advantage of the regional innovation strengths? Given the emphasis of the programming document, the case study focuses on three specific types of measures that have been supported: local innovations, technological services and the development of new tourism products.

The assessment of the effects of the selected ERDF measures aims to highlight the contribution of the Objective 2 programme to structural change in the region, and in doing so tests one of the working hypotheses proposed in the conceptual model developed by the study: *Apart from significant differences among Objective 2 regions in terms of institutional thickness, their innovation system may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms.*

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<sup>1</sup> By measures “supporting structural change and enabling adaptation to globalisation”, the study refers to public intervention to promote the reallocation of resources (labour and capital) towards more efficient ends, either directly (e.g., promoting start ups, or favouring SMEs’ technological intake) and/or indirectly, by minimising possible adverse effects of structural change.

*Especially in old industrial areas, path dependence from existing technological trajectories constraints product and process innovation’.*

### **Regional context and key findings**

Rhône-Alpes is a large region with many important towns and cities that act as engines of the regional economy. The region is amongst the most innovative regions of France and characterised by a strong innovation performance over time. Nonetheless, at the outset of the programming period, many areas within the region faced specific challenges in maintaining living standards and employment. For a variety of reasons, they were in a restructuring phase, following the decline of specific agricultural activities or of traditional industries (e.g. coal, metallurgy, textiles), or the closing or downsizing of important industries. The regional authorities have mobilised different channels over the period 2000-2006 to support these areas in their redeployment.

The priority of the 2000-2006 programming period was to support the development of zones in difficulty to try and close the gap with the more advanced parts of the regional territory. The challenge of structural change and adaptation to globalisation was, therefore, at least implicitly important for the regional authorities. In fact, the issue can be framed as managing structural change of some zones in order to enable the entire region to cope with wider global market trends. The State bodies and the Regional bodies have worked together in a symbiotic manner, even if, on occasions, divergent points of view existed on how to proceed.

The key findings of this case study are the following:

*The programme has allowed for an improvement of the technological capacities of the eligible areas while supporting non-technological innovations in rural areas*

Some ERDF funds have been invested in private and public technological platforms<sup>2</sup> to foster firms’ competitiveness in their core business (Measure 7.2). The projects supported were enough strategic and significant to be expected to modify the technological landscape of Rhône-Alpes region, and in particular of the lagging behind sub-regions. The ERDF support focussed on projects aiming at supporting industries already deeply hit by delocalisation. The technology platforms - building on the basis of the local industrial strengths - have the main effect of increasing the scale of knowledge transfer between academia and industry in the eligible areas. Although the impacts of these platforms on competitiveness and jobs will be produced in the long term, the areas concerned already benefited from greater visibility and technological attractiveness. Measure 7.2 supported 22 projects which consolidated the high-tech regional profile towards two sectors of excellence of the regional economy and their accompanying technologies: materials, especially metallic and plastics/composites, and textile.

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<sup>2</sup> Technology platforms provide access to sophisticated tools to industrial companies that cannot afford such investments for budgetary reasons, a too occasional use, or a too strong uncertainty on the real potential of the equipment in their area of application. These platforms can be used for the finalisation of research projects, technology transfer or service provision by researchers, engineers and technicians. The measure 7.2 supported the creation or development of technological platforms endowed with material resources, notably for studies, trials, characterisation and pilots, specifically dedicated to the realisation of industrial projects on highly technical products, processes or services.

Although the support awarded to local innovative projects (Measures 2.1 and 2.2.) occurred in the form of non-technological innovations and was of a smaller scale, it generated social innovation<sup>3</sup> by replying to local needs (notably low technological endowments). However, due to a lack of clarity about the scope of the Measure and of communication with potential beneficiaries, the full implementation of this Measure has been constrained and the use of an EAGGF (European Agricultural Guidance and Guarantee Fund) measure has been encouraged as an alternative. Job creation or job preservation in rural areas is a crucial issue for a lot of territories, especially in mountain or pre-mountain zones. In these areas transport is more difficult and collective services are disappearing progressively (public services, proximity shops, health professional, etc.). All strategies addressed at developing new activities or new types of organisations in commerce, culture, and tourism are therefore beneficial to maintain an adequate level of activity. The projects implemented through the Measure increased the employability of people and the local experience in managing complex and ambitious projects and they activated synergies between different actors.

*ERDF supported small scale local projects conferring on them a ‘quality label’ that was not always justified*

For the measures studied, ERDF support has given a “quality label” to the projects, facilitating a leverage effect on additional co-funding. A good knowledge of the local needs, together with consultation processes involving actors representative of different local interests, has facilitated the projects selection process by the implementing authorities. It can be, however, questioned whether such a dominant position of the local authorities has not lead to ‘drip funding’ for every local authority area, given the content and marginal effects of some projects supported under the Measures 2.1 and 2.1, or 10.1.

The Measure (10.1) dealing with the establishment and modernisation of enterprises and other tourism service providers aimed to foster the development of new types of products or services in the tourism sector. However, it acted mainly as a kind of “catch-all” used to support projects which did not fit with criteria for other public support. Some projects are consistent with a try to improve the economic situation of the rural areas, frequently in remote situation, while others do not have a clearly defined strategy so that the intervention rationale is not always obvious. Even if some projects are of enough scale to improve the local situation, there is a question about the real interest in terms of structural change, to create such marginal budgetary lines compared to the national, regional and local mainstream budgets.

*A lack of an efficient indicator framework to track the strategic objectives and an effective monitoring of the impact of the programme on the regional economy*

The particularly loose definition of an indicators system able to effectively monitor the implementation of the measures of the Objective 2 programme, and their results and impacts, is a cause for concern. The lack of an efficient monitoring framework undermined the possibility to obtain a precise understanding of the effects of the measures and did not facilitate the capacity of the regional authorities to monitor the evolution of the programme with respect to the initial strategy. Although the mid-term evaluation criticised the

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<sup>3</sup> Social innovation is a form of innovation that can be linked to reforms in various societal structures, which improve the efficiency of the economy and society. Social innovation can change the society’s, the community’s or the individuals’ way of acting, even though it may not be tangible in product and service markets (see for instance STPC, 2006).

indicator system and highlighted in particular its lack of clarity and justification, the system has only been marginally reviewed, the focus being rather on explaining the indicators rather than making any change too difficult to implement. The system has only been changed for the new programming period 2007-2013.

On the one hand, the departments (local authority area) of Drôme, Ain, Ardèche and Isère received a share of Structural Funds lower than their share of population eligible for Objective 2. On the other, the department of the Rhône was ranked fourth in terms of population eligible share but was second in terms of ERDF funds received (after the Loire). This department had also the highest number of applications submitted and projects supported. Since Rhône is the richest 'department' of the region, this suggests that the best placed territories had the major benefits from the public interventions. In order to avoid decommitment of budgetary appropriations the local partnerships were strongly encouraged to submit projects quickly. In these circumstances, the criteria of 'ready-to-fund' took primacy over whether the project was likely to produce a major impact. As a result, interviews conducted in the ERDF zones during the final evaluation underlined that certain priority projects that needed longer time for implementation were not supported as the funds were already exhausted.

### **Main message**

The analysis tends to validate the hypothesis of the conceptual model on innovation potential. The capability of rural areas to integrate or attract technological or process innovations is an exception rather than a rule, and the lack of absorptive capacity remains a barrier to the more innovative projects. On the other hand, these areas saw interesting mini or micro-social innovations which help remote territories to keep their population. Alternative socio-economic projects mixing different types of initiatives (maintenance of local business, reinforcement of social cohesion and local identity through cultural or artistic actions, etc.) were therefore supported by ERDF funds, having their roots in a shared analysis of the local needs and being therefore well suited into the situation of these economically fragile areas. In addition, the programme contributed to 'more traditional' technological innovation through technology transfer actions, showing that many good quality projects exist in the eligible areas. However, only a minority of actors is able to profit from such projects and to fully adapt to the challenges arising from globalisation.

In conclusion, Rhône-Alpes has progressively built up a coherent policy mix concentrating its funding on specific sectors characterised by high-value added and high potential in terms of growth and of employment rather than sprinkling resources too widely. The aim to concentrate financial support on a limited set of sectors and themes where the region has already world-wide or national recognised actors is also reflected in the implementation of the national competitiveness cluster policy since 2006.

## Introduction

Rhône-Alpes is a large region with many important towns and cities that act as engines of the regional economy. The region is amongst the most innovative French regions and is characterised by a strong innovation performance<sup>4</sup>. Nonetheless, at the outset of the programming period, many areas within the region were facing specific challenges in maintaining living standards and employment due to various forms of restructuring: the decline of specific agricultural activities or of traditional industries (e.g. coal, metallurgy, textiles), or the closing or downsizing of important industries. Accordingly, the regional authorities mobilised different funding sources during the 2000-2006 period to support the re-development of these areas. Apart from investments in environmental infrastructure and more classical business support, the authorities made use of funds from the European Regional Development Fund (ERDF) to support different types of innovation in these areas. Such investments, including the development of new services, of new tourism activities and of local innovations,, were undertaken with a view to slowing or reversing population loss to more industrialised cities.

In this context, the case-study aims to test the fourth hypothesis of the conceptual model, namely:

*‘Apart from significant differences among Objective 2 regions in terms of institutional thickness, their innovation system may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms. Especially in old industrial areas, path dependence from existing technological trajectories constraints product and process innovation’.*

The main research question addressed is the extent to which the ERDF co-financed measures supporting structural change and adaptation to globalisation<sup>5</sup> have helped to reinforce the innovation potential of the local economy in each zone. In particular, did the ERDF support lead to an upgrading in the absorptive capacity of the firms in the eligible areas allowing them to profit from the overall strengths of the regional innovation system? Due to the particular focus the programming document put on these aspects, the analysis focuses on three specific areas for innovation that have been supported: local innovations, technological services and the development of new tourism products.

Firstly, in order to understand the structural changes and the process of adaptation to globalisation that took place in Rhône-Alpes during the 2000-2006 period, the situation of the region prior to the launch of the Objective 2 programme is briefly presented. This provides a baseline for determining whether the programme took the issues of structural change and globalisation specifically into account at the time it was designed. Secondly, an analysis of structural changes that occurred during the 2000-2006 period is provided with an emphasis on three main aspects, considered as central for Rhône-Alpes, that is socio-economic change/human capital, the production system and the innovation potential. Against this background, the analysis focuses on the results and outcomes of a set of specific ERDF co-financed measures considered particularly relevant in the context of structural change and adaptation to globalisation: the measures 2 and 2.2 dealing with locally innovative projects, the measure 7.2 supporting technology platforms and the

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<sup>4</sup> The region is ranked third amongst French regions (after Île-deFrance and Midi-Pyrénées) in terms of innovation performance in 2006: European TrendChart on Innovation, Hugo Hollanders, ‘Regional innovation scoreboard’, 2006

<sup>5</sup> By measures “supporting structural change and enabling adaptation to globalisation”, the study refers to public intervention to promote the reallocation of resources (labour and capital) towards more efficient ends, either directly (e.g., promoting start ups, or favouring SMEs’ technological intake) and/or indirectly, by minimising possible adverse effects of structural change.

measure 10.1 dealing with new tourism products. The analysis of the effects of these specific measures in the light of the recent socio-economic trends in Rhône-Alpes provides insights into the relevance and effectiveness of the ERDF interventions in dealing with the challenges arising from structural change and globalisation.

## 1. Structural change and globalisation in perspective

This section provides a profile of the Rhône-Alpes region starting from a broad socio-economic perspective, and subsequently focusing on the relevant dimensions of structural change and the effects of globalisation in the region.

### 1.1 The region at glance

The Rhône-Alpes region (43, 698 km<sup>2</sup>, i.e. 8% of the French territory) is located in southeast France and borders Switzerland and Italy. It is strategically located on the major communication routes of the Rhône valley and Alpine passes. The territory is divided between the valleys of the Rhône and the Saône, on the one hand, and the northern Alps,

Jura and Massif Central, on the other. The region includes eight French ‘departments’ (local authority areas): Ain, Ardèche, Drôme, Isère, Loire, Rhône, Savoie and Haute-Savoie. In terms of economy and demographics (5.6 million inhabitants in 1999), the region ranks second in the country, behind Île-de-France. The diverse topography naturally defines sub-territories with a strong local identity. The influence of Lyon, which has the dynamism of an international metropolis, and of other highly developed areas such as Saint-Étienne and Grenoble, benefits the entire region. The region also includes seven large cities of 50,000 to 110,000 inhabitants and around thirty middle-size cities of 10,000 to



Source:

50,000 inhabitants. The region boasts a population younger than the national average and positive inward flows of populations, except in some rural areas. Finally, the Rhône-Alpes region has considerable natural assets and strong potential for tourism (natural resources and ski resorts).<sup>6</sup>

<sup>6</sup> Programming document, Rhône-Alpes, 2000-2006, 2001

### Searching the roots of change: socio-economic history of the region

In the late 19th century, Rhône-Alpes was dominated by agricultural activities<sup>7</sup>. However, Lyon and Saint Etienne developed as two important sites of the industrial revolution: the first thanks to textiles, the second thanks to metallurgy and metalworking industries. During the decades that followed there was a gradual decline in agricultural activity and a rural exodus in response to demand of expanding industries and services (transportation, banking, commerce, and public). After the Second World War, industrialisation accelerated at the same time as it diversified. Electrical construction developed in Haute-Savoie and plastic production in the Ain. Grenoble hosted its first establishments in electronics and became a leader in new technologies and a centre of scientific and technical importance. These are also the years of major industrial projects. In the fifties, EDF initiated a major programme of hydroelectric equipment in the Alps. Between 1964 and 1967, the petrochemical complex of Feyzin was built. Rhone-Poulenc (chemistry) was established in 1961 and Creusot-Loire (metallurgy) in 1970. From this decade onwards, foreign groups were attracted to the region and traditional industries faced growing international competition. In particular, jobs in the textile sector collapsed and coal mining faced competition from new sources of energy (petroleum, hydropower) and from foreign producers. The Loire was the most affected but metallurgy in the Alps was also hit. Due to mechanisation and the opening to European and global competition, agricultural decline accelerated, accounting by 1975 for only 7% of the active population.

During the crisis of the seventies, the whole industrial fabric began to face challenges. Major groups, internationalised by redeploying some activities to countries with lower wages, when they did not simply close. Industrial employment, more present in Rhône-Alpes than at the national level began to decrease. Between 1975 and 1982 the regional industry lost 80,000 jobs, i.e. 15% of national losses (Rhône-Alpes then accounted for 11% of industrial employment in the country).

With a strong presence of industry and an emphasis on sub-contracting activities that amplified the cyclical movements, the region began the 1990s with a fall in employment levels accompanied by a sharp increase in the number of unemployed. After an increase in the number of job-seekers in the region between 1983 and 1990 (+ 23%), the early 1990s was marked by a surge in unemployment due to the economic crisis and an increase in lay-offs: 46% between 1990 and 1993, i.e. 97,000 additional job seekers. The number of unemployed fell by 6% between 1994 and 1998, however this decrease did not offset the dramatic rise in unemployment that had occurred over the previous decade.

### Structural Funds programmes

In Rhône-Alpes, EU programmes supported, since the end of the 1980's, national interventions in favour of certain rural and mountainous areas and industrial reconversion zones. Following the integrated Mediterranean Programmes of Ardèche and Drôme, the five Objective 5b operational programmes for each department in the region (two for Ain: Bresse and Bugey-Revermont) and an Objective 2 programme for the department of the Loire approved for the period 1994-1999 constituted the first generation of ERDF programmes in Rhône-Alpes. During 1994-1999, the Objective 2 programme covered a third of the regional population. Both the Objective 5b and Objective 2 programmes have been characterised by a high degree of

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<sup>7</sup> INSEE - Tableaux de l'économie Rhône-Alpes 2006/2007

devolution, with the local authorities managing the process of project selection, and a strong emphasis on empowerment of local partnerships. The final evaluations of these programmes highlighted the heterogeneity of the institutional and economic development framework of four types of areas facing specific problems:

- industrialised urban areas: Loire, Valence and Romans whose development strategy focuses on supporting SMEs, economic reconversion and improving the environment.
- impoverished urban areas (Lyon suburbs area, Chambéry-le-Haut) where the challenge relates to urban regeneration, enhancing services to residents, and economic integration of these districts with the more dynamic areas of their metropolitan zone.
- rural industrial areas in crisis that are affected by sectoral trends, such as textiles (Amplepuis - Thizy), nuclear industry (Morestel<sup>8</sup>, Pierrelatte) or medical activities (Bugey). These territories aim at exploiting and diversifying these activities and at developing new opportunities, especially through advanced technologies. In such areas, the environment is also major priority.
- rural areas without an industrial past with a potential development based on tourism, including agri-tourism and the maintenance of a high quality natural environment.

### **Rhône-Alpes at the outset of the 2000-2006 Programming Period**

At the outset of the programming period 2000-2006, the Rhône-Alpes region had a strong industrial image<sup>9</sup>. Industry employed 500,000 people in 1999, i.e. 11.60% of the national workforce. The region was characterised by a strong specialisation in the production of intermediate goods (220,000 employees or 15% of French workforce) in particular electrical and electronic components, metallurgy and metal processing (first region in France), textile, chemical industry, rubber, plastics (ranked first in France), wood, paper (also first). The sector of capital goods gathered 103,000 employees in Rhône-Alpes (15% of national workforce) ranking second in France after the Île-de-France. Rhône-Alpes had a very good level of competitiveness in the field of mechanical equipment and electrical and electronic equipment; and was strongly present on foreign markets. The consumer goods industry (ranked 2nd nationally) occupied 130,000 employees. It had strengths in home equipment, clothing, pharmacy-perfumery, cleaning products and a strong specialisation in sports and entertainment articles and toys. To these three areas should be added the agro-food industry (44,000 employees).

The proportion of jobs dependent on companies with between 20 to 500 employees was higher in Rhône-Alpes than nationally in 1999 and over the last 10 years this was reinforced at the expense of large companies. This strong representation of small to medium sized companies in the industry was linked to the potential importance of subcontracting in Rhône-Alpes: 6,500 enterprises with a workforce of around 160,000 employees (or 31% of the regional industry) were specialised in subcontracting activities. Large companies were also well represented even though their share of total employment was in decline. Most of the production sites of these companies were located near a large city. Some large enterprises (over 1,000 employees) located outside of urban areas played a major role in the labour market. The regional industry exported intensely: 60% of trade was with countries of the EU out of which Germany and Italy were the

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<sup>8</sup> Closing of the fast-breeder reactor of Creys-Malville in 1998.

<sup>9</sup> Région Rhône-Alpes – Docup Objectif 2 2000/2006, version 6 mars 2001

main partners. This openness was reflected by a strong presence of foreign establishments, in which more than 100,000 employees were working in 1999.

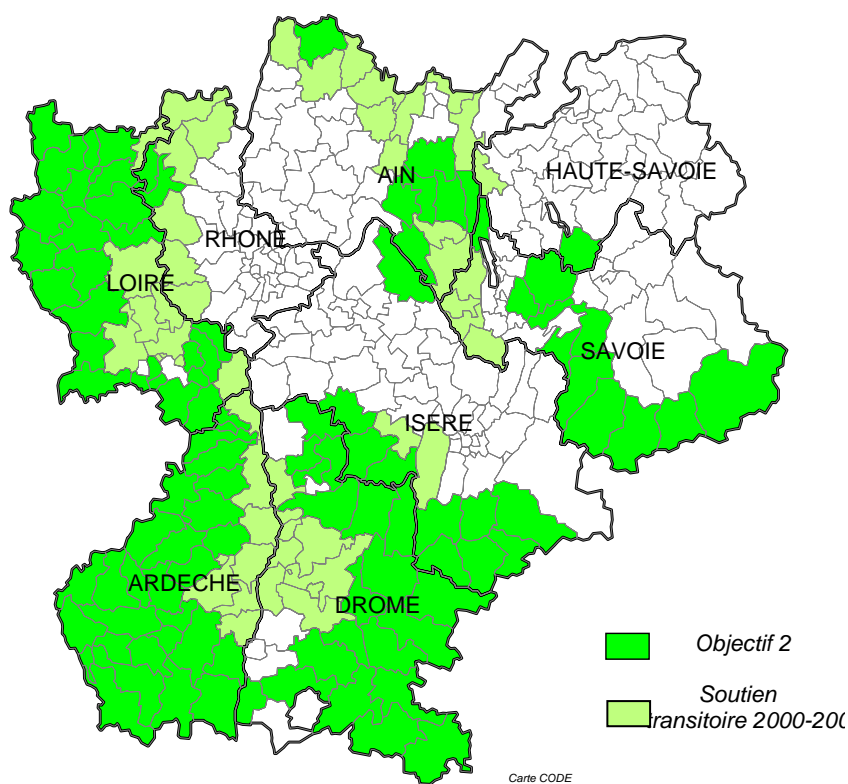
In Rhône-Alpes, the service sector represented about 70% of salaried employment (68.5%) or 1,311,000 salaried jobs in 1999. This regional average hides wide variations: in particular, two departments, the Rhône (73%) and Savoie (75%), by far exceeded the regional average. In the Rhône, the high rate reflects the many functions performed by the Lyon city and their influence beyond the department. In Savoy, the high rate was due to the modest industrial sector and especially the weight of tourism (winter sports, summer tourism, health resorts). In contrast, three departments were below the regional average: Ain (59.8%), Ardèche (62.3%) and Loire (52.9%). The rise in the share of tertiary sector jobs was the result in some cases of the development of specific activities (e.g. tourism in Tarentaise). However, more frequently, the increase in

the relative importance of service jobs corresponded to a decline in industrial employment, without any net gain. This trend affected a large share of the region including the rural foot-hills and mountainous zones.<sup>10</sup>

The population of Rhône-Alpes is younger than the French average (due a high birth rate and a low mortality rate). Due to a relatively strong and diverse economy, the region attracted migrants. The regional population grew faster (0.6% per year) than the national average (0.4%) from 1990 to 1999. Nonetheless, around a strong central axis based on the urban area of Lyon, the ‘alpine corridor’<sup>11</sup> and the Rhone valley, the outlying areas, such as the Ardèche, Loire, hinterland Drôme, the South Jura and the Maurienne valley experienced lower population growth, and in the Loire, even a decline. In several towns in the region, there was a, often severe, economic development gap between social housing neighbourhoods with high unemployment and insecurity and the rest of the town.

The distribution of industrial activity across the region was uneven, given the topography of the mountainous zones, with a concentration in the valleys and near the main communication lines. The areas of Lyon, Grenoble and Saint-Etienne, accounted for half of the regional industrial employment. The first two were still developing, whereas the area of Saint-Etienne, more specialised in traditional sectors (mechanics, metal processing and textile), struggled for several decades with industrial decline and lost a significant

Figure 1.2 - Map of the eligible areas, Rhône-Alpes



Source: Mid-term evaluation, CODE

<sup>10</sup> Programming document Objective 2 Rhône-Alpes, 2000-2006

<sup>11</sup> The ‘Sillon-Alpin’ is a grouping of towns and local authorities of the northern Alps between Geneva, Annecy, Chambéry, Grenoble et Valence. <http://www.sillon-alpin.fr/>

proportion of its industrial jobs. In the south of the region, several lightly industrialised areas located on both sides of the Rhone were facing difficulties due to a reduction of activity in major establishments. Other neighbouring mountain areas were in a difficult situation because of the weakness of their industrial activities, the decline of agriculture and a limited tourism potential.

The north-east of region as a whole enjoyed a more favourable economic situation. However, some areas were experiencing economic difficulties. These included in Savoy the Maurienne valley in which the old basic industries largely ceased their activity. Farther west, the centre of the ‘Jura Massif’ is a sparsely populated area also experiencing difficulties, with mountain farming activities under pressure to restructure, few industries and a modest tertiary activity.

Regarded as a strong region thanks to its population, its economy, its position as a crossroads on the main transport corridors of the EU, Rhône-Alpes is nevertheless characterised by a mix of fast-growing areas and others facing structural difficulties. As a result, the region was also largely divided between eligible and non-eligible areas for the Structural Funds, with only one third of the population being eligible (in 1999), representing 1.887m inhabitants in 1999. In the whole region, 21% of the population was eligible to the Objective 2 programme and 12% to the Phasing-out. This population was distributed between mountain areas in difficulty and urban and inner-city areas of Lyon and Saint-Etienne.

Table 1.1 - Eligible population and area covered by Structural Funds programmes, 1999

	Population 1999		Area	
	Inhabitants (thousands)	%	km2 (thousands)	%
Objective 2	1,202	21.3	18.5	42.4
Phasing-out	685	12.1	7.2	16.5
Total eligible area (ERDF)	1,887	33.4	25.7	58.9
Whole region (CPER)	5,645	100	43.7	100

Source: DATAR, SEGESA, MC2, 2002

Table 1.2 - Eligible population for Objective 2 per ‘department’ in Rhône-Alpes<sup>12</sup>

Rhône-Alpes departments	Objective 2		Objective 2 Phasing out		Type of NUTS 3 region, WP1 taxonomy <sup>13</sup>	
	Population	% Share by department	Population	Share by department	Urban/rural group	Specialisation
Ain	27,485	2.3	75,076	11.6		
Ardèche	179,526	14.8	98,055	15.1	Rural, close to a city	Vulnerable industry
Drôme	169,744	14.0	159,904	24.7	Intermediate rural	Vulnerable industry
Isère	58,431	4.8	32,071	4.9		
Loire	522,695	43.0			Intermediate rural	Vulnerable industry
Rhone	172,917	14.2	43,345	6.7		
Savoie	71,946	5.9	22,296	3.4		
Haute-Savoie	11,821	1.0	5,172	0.8		

<sup>12</sup> Programming document Objective 2 Rhône-Alpes 2000-2006, 2001

<sup>13</sup> WP1 of the ex-post evaluation of Cohesion Policy programmes has classified the NUTS 3 Objective 2 regions according to their urban/rural nature, their sector of specialisation and vulnerability to globalisation, see [here](#).

Rhône-Alpes departments	Objective 2		Objective 2 Phasing out		Type of NUTS 3 region, WP1 taxonomy <sup>13</sup>	
	Population	% Share by department	Population	Share by department	Urban/rural group	Specialisation
<b>Total</b>	<b>1,214,565</b>		<b>648,472</b>			

Source: Programming document Objective 2 Rhône-Alpes 2000-2006, 2001

## 1.2 Regional structural change and globalisation issues in 2000-2006

### 1.2.1 Dimensions of structural change

The conceptual framework of the evaluation has identified a limited number of dimensions to be considered when analysing the structural change in a region and its adaptation to globalisation<sup>14</sup>. The regional structural change that occurred in Rhône-Alpes during the period 2000-2006 is analysed with respect to four main dimensions. These dimensions are considered particularly relevant as regards the key issue tested in the region, namely the extent to which the ERDF co-financed measures supporting structural change and adaptation to globalisation have helped the traditional economic fabric within the eligible areas reinforcing its innovation potential. A first key dimension is the evolution of the innovation potential of the region. Other dimension of importance concerns socio-economic change and human capital since these were important issues identified at the beginning of the programming period. The eligible area was characterised by a particularly uneven distribution of employment and a differentiated level of performance of industry. Another dimension relates to the production system: it was particularly important in the eligible areas to keep population and employment: business creation was therefore a key issue. The last but not least dimension analysed concerns the evolution over the programming period of the region in terms of its international openness. At the outset of the programming period the region was characterised by a particularly high level of exports and a strong presence of foreign establishments.

#### 1.2.1.1 Socio-economic change and human capital

Rhône-Alpes, with a gross domestic product of €165 billion in 2005, is the second region of France in terms of GDP, far behind the Île-de-France, but ahead of Provence-Alpes-Cote d'Azur. It represents 9.8% of the GDP of the country in 2005, which is stable compared to 2000 (9.7% of national GDP).

The region ranks third in France in terms of productivity (GDP per employee), after the Île-de-France and Provence-Alpes-Cote d'Azur. In terms of added value, tertiary activities, with 73% of GDP (69% in 2000) dominating, but it remains lower than at the national level (77%), or Île-de-France (85%). The industrial sectors in the region are characterised by a relatively important output: industry (excluding energy and construction) produces in 2005 17% of regional value added (20% in 2000), against 13% on average nationally. Since 2000, the value added at current prices in the industry has stagnated and was coupled with an increase of 25% in services. The intermediate goods sector is the source of 8% of regional added value

<sup>14</sup> See first intermediate report of the evaluation:

[http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/pdf/expost2006/wp4\\_1st\\_int\\_report.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp4_1st_int_report.pdf)

compared to 5% nationally. The construction sector has grown rapidly in relative terms and generates a little below 7% of regional value added in 2005, an increase of one third in five years.<sup>15</sup>

Between 2000 and 2006, total employment grew by 4.8% in Rhône-Alpes (or 114,000 jobs created in six years) to 2,490,800 jobs, i.e. 10% of the national jobs, ranking second after the Île-de-France. The tertiary sector, in particular, has registered a sustained increase of 8.5% and represented by 2006 66% of the jobs in Rhône-Alpes (63.8% in 2000). In 2007, the tertiary and trade sector represented 70% of total employment, followed by industry (20%), building and public works (6%), and agriculture 3%.<sup>16</sup>

Out of the 12 eligible employment areas of the region of Rhône-Alpes, nine experienced an increase in the number of employed over the same period. However, these increases are quite varied: the largest increases concerned the employment areas of the Maurienne (+ 13.4%), of Drôme-Ardèche North (+11.2%) and South (+8.8%) and the area of Aubenas ( + 9.7%). Three areas have experienced a decrease in salaried private employment: Annonay (-11.2%, a loss of 1,983 jobs), Roanne (-4.4% or 1,922 less jobs) and Saint-Etienne (-0.5%, a decline of 605 jobs).<sup>17</sup>

*Table 1.3 - Evolution of key indicators Rhône-Alpes 2000-2006*

Rhône-Alpes	2000	2001	2002	2003	2004	2005	2006
Real growth rate of regional GDP at market prices - % change on previous year	4.3	2.2	0.1	2.0	3.3	1.8	3.0
Employment rate of the age group 15-64, in %	35.61	37.79	40.26	38.41 (b)	38.81	37.52	40.07
Unemployment rate in %	8.1	7.2	6.9	7.1	8.3	8.2	7.6

*Source: Eurostat, regional statistics, b: break in series*

### 1.2.1.2 Production system

Although business creation in all eligible areas of employment increased by 13.2% between 2002 and 2007, the numbers of companies created by area was quite heterogeneous. The employment areas of Romans - Saint-Marcellin (+34.5%), Drôme - North Ardèche (+22.9%), Drôme - Centre Ardèche (+22.2%) and Drôme - South Ardèche (+19.4%) are the most dynamic while, in contrast, the area of Aubenas created fewer firms in 2007 than in 2002 (-4.5%). The employment area where most of the companies are created remains that of Saint-Etienne ahead of the employment areas of Drôme - Centre Ardèche and Drôme - South Ardèche. Belley, Crest-Die and Annonay are the eligible areas of employment where the lowest number of companies was created. Among the employment areas experiencing the lowest growth rate in terms of business creation, two areas of employment (Aubenas -4.5% Maurienne +4.4%), are, on the contrary, very well placed regionally, in terms of growth in the number of employees.<sup>18</sup>

<sup>15</sup> INSEE - Tableaux de l'économie Rhône-Alpes 2006/2007)

<sup>16</sup> National implementation report, SGAR, 2007

<sup>17</sup> National implementation report, SGAR, 2007

<sup>18</sup> National implementation report, SGAR, 2007

Table 1.4 - Total number of companies created in eligible employment areas

Eligible employment areas	Creations in 2003	Creations in 2007	Creation rate 2003	Creation rate 2007	Women amongst creators 2003	Women amongst creators 2007
	Num.	Num.	%	%	%	%
Annonay	222	253	10.2	10.0	39.4	38.1
Aubenas	665	617	14.6	11.6	36.1	30.6
Belley	166	188	10.0	9.6	28.9	37.4
Crest-Die	222	212	12.6	10.3	34.6	32.2
Drôme-Ardèche	1,138	1,232	12.2	11.2	33.4	31.2
Drôme-Ardèche Nord	363	408	11.2	10.8	35.2	32.5
Drôme-Ardèche Sud	977	1,008	13.6	11.9	31.9	38.3
Loire-centre	319	342	10.2	9.6	35.5	36.4
Maurienne	294	309	10.7	9.2	35.7	34.7
Roanne	726	745	10.4	9.5	34.0	38.4
Romans-Saint-Marcellin	605	682	12.2	11.6	33.4	33.7
Saint-Etienne	2,065	2,231	11.5	11.0	31.8	30.6
<b>Total of eligible employment zones</b>	<b>7,762</b>	<b>8,227</b>	<b>11.8</b>	<b>10.8</b>	<b>33.5</b>	<b>33.5</b>

Source: INSEE-SIRENE, ICS field

Creation rate: share of the total number of companies created over the year N on the number of companies existing on 1st January of this year

### 1.2.1.3 Innovation potential

With 12.3% of national expenditure on R&D (or about €4.5 billion in 2005), Rhône-Alpes is ranked second in absolute terms after Île-de-France; and the region hosted 11.3% of national R&D personnel in 2005. R&D intensity increased more than the national average since 1998, representing 2.5% of regional GDP in 2006, which is higher than the national average (2.1%) but lower than the Île-de-France (3.1%) and Midi-Pyrénées (4.1%). In Rhône-Alpes, 65% of expenditure on R&D is performed by companies and 60% of researchers are in enterprises. According to the Regional Innovation Scoreboard<sup>19</sup>, Rhône-Alpes is ranked third in France in 2006 (33 out of 208 EU regions) for its innovation performance, a performance that has improved since the first regional scoreboard in 2002. In particular, in 2004, the region was ranked eighth amongst European regions for scientific publications and 10th for European patent applications<sup>20</sup>.

Rhône-Alpes is gifted with a strong public research potential: nine universities (out of 83 nationally), 16 engineering schools (out of 224) and seven business schools (out of 220). The R&D structure is in line with the industrial structure since the region has a strong R&D specialisation in computer science, electronics, life science and biotechnologies, chemicals and materials, physics and mathematics<sup>21</sup>. Business expenditure on R&D (BERD) in Rhône-Alpes represented 1.72% of GDP in 2005 against 1.34% nationally<sup>22</sup>. Large enterprises account for a significant share of the regional BERD (45.1%), small enterprises accounting for one fourth.

<sup>19</sup> European TrendChart on Innovation, Hugo Hollanders, 'Regional innovation scoreboard', 2006

<sup>20</sup> latest year of data available for this indicator

<sup>21</sup> see DATAR (2004), *La France puissance industrielle*.

<sup>22</sup> <http://cisad.adc.education.fr/reperes/public/chiffres/france/reg/rhone.htm>

The range of measures for enhancing public and private research is rather comprehensive in Rhône-Alpes. The region has two incubators of innovative companies linked to public research, CREALYS (for Lyon and Saint Etienne) and GRAIn (Grenoble and Chambéry), both created in 1999. More than 120 companies have been created by these two incubators, representing 15% of incubated companies at national level.<sup>23</sup>

In 2004, a first Regional Plan for Higher Education and Research (SRESR) was adopted setting out the basis for support to the 14 research clusters that were identified by the scientific community based on regional scientific strengths. Rhône-Alpes was awarded 10 Competitiveness clusters in 2005<sup>24</sup> of which two are global competitiveness clusters out of seven in total for France (meaning they are competitive at the global level) and one is globally oriented (meaning is intended to become competitive at the global level). So far, the projects promoted via the clusters in Rhône-Alpes have benefited from around 20% of the total funding distributed to all the projects, which underlines the importance of the Competitiveness Clusters programme in the regional strategy.

Table 1.5 - Overview on the evolution of indicators on innovation potential 1995-2006, Rhône-Alpes, France, EU15

Indicator	Regional				National			EU15		
	1995	2000	2006	Δ(%) 00/06	2000	2006	Δ(%) 00/06	2000	2006	Δ(%) 00/06
Business enterprise expenditure on R&D – BERD , % of GDP	1.5	1.6	1.7*	6.2	1.3	1.3	0.0	1.1	1.3	18.2
Gross domestic expenditure on R&D - GERD , % of GDP	2.09	2.4	2.47*	4.2	2.1	2.1	0.0	1.8	2.0	11.1
% of employment in high-tech sectors on total employment	n.a.	5.7	5.6	-1.8	5.3	5.2	-1.9	4.7	4.6	-2.1
Number of total publications, per million inhabitants	n.a.	1193.6	1566.1**	31.2	n.a.	n.a.	-	n.a.	n.a.	-
R&D personnel in all sectors, % on total employment	n.a.	1.8	n.a.	-	1.6	1.7*	6.2	n.a.	n.a.	-

\* Data for 2005 \*\* Data for 2004

Source: Core team processing of Eurostat data

#### 1.2.1.4 Relocation strategies and internationalisation

According to the French Agency for International Investments and as shown in Table 1.6, the Rhône-Alpes region is since many years on the second position after Ile-de-France in terms of the number of jobs created or maintained thanks to Foreign Direct Investments in the region. The region attracts a large spectrum of activities, going from traditional manufacturing to high technologies and services.

<sup>23</sup> DRIRE, 2006 report of the OST

<sup>24</sup> The Competitiveness cluster approach is part of the new national industrial policy decided at the national level in 2005. Competitiveness clusters gather companies, training centres, public and private research organisations around innovative joint projects. Competitiveness clusters are discipline-oriented and each cluster is specialised in a single scientific and technological field. The rationale was to give a new impetus to the industrial policy through a better articulation between the territorial, innovation and industrial policies. This was made at the same time as the development of the devolution process.

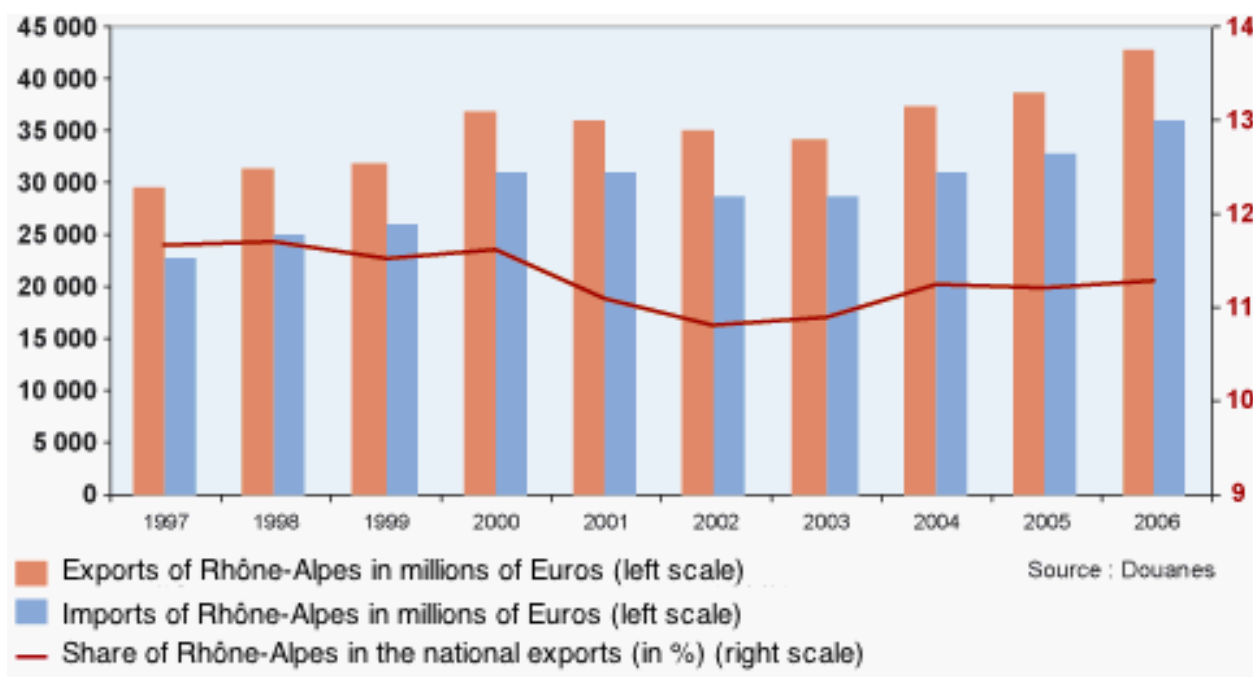
Table 1.6 - Destination of Foreign Direct Investments by French regions, number of jobs created or maintained, five first regions in 2006

Region	2004	2005	2006	2007	2008
Ile-de-France	4,994	8,590	9,001	10,398	8,300
Rhône-Alpes	4,401	3,694	4,179	4,660	3,586
Provence-Alpes-Côte-d'Azur	2,583	1,800	3,742	1,604	926
Nord-Pas-de-Calais	1,645	3,089	2,853	2,810	3,159
Midi-Pyrénées	2,663	2,517	2,759	2,054	2,421
<b>Total for all 23 French regions</b>	<b>29,578</b>	<b>30,146</b>	<b>39,998</b>	<b>34,517</b>	<b>31,932</b>

Source: Agence Française pour les Investissements Internationaux

After three consecutive years of decline since 2001, international trade in goods of Rhône-Alpes started to increase again in 2004. After an increase of 7.8% in value in 2004 and 5% in 2005, the pace accelerated in 2006 with an increase of 9.9%. This recovery occurred in a context of strong exports at the global level: +11% in 2004 and 6% in 2005. In particular, imports grew for about 6% in 2004 and 2005 and 9.2% in 2006. The trade balance of goods remained positive in Rhône-Alpes.

Figure 1.3 - Evolution of exports and imports of the Rhône-Alpes region between 1997 and 2006, in value



Source: Panorama Economie Rhône-Alpes, CRCI Rhône-Alpes, data from the customs

In 2006, the following regional sectors were particularly well geared to export: beverages (agro-food industries)(+38%), motors, generators, electric transformers (23%), metallurgy and metalworking (22%) automotive / industrial vehicles (19%), products of woodworking (+17%), measure and control equipment (17%), mechanical equipment (+15%).

Over a longer period, exports from Rhône-Alpes grew from 2004, to exceed the level of 2000. Since then, the trends in trade have remained steady with regional exports 20% higher in value compared to imports.

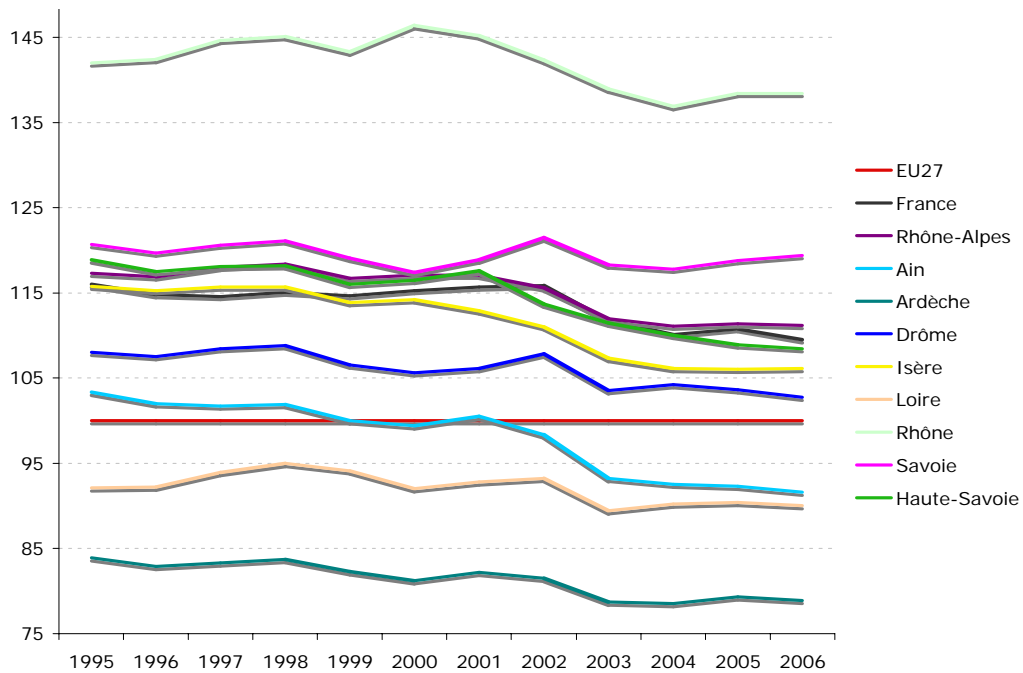
Foreign trade of Rhône-Alpes, however, experienced in recent years important developments which are to be linked with changes in the industrial fabric. For three categories of products, the trade balance showed a large surplus in 2005, strongly increasing since 2000: pharmaceuticals, automotive equipments and medical and surgical equipment. For these three categories of products, Rhône-Alpes increased its exports at a rate significantly higher than its imports. For chemicals and mechanical equipment, the regional trade balance was largely positive, consolidating since 2000 as a result of increased exports. For electronic components, the balance also shows a large surplus in 2005: even if exports started rising again in 2003, at a faster pace than imports, they had not regained in 2005 their level of 2000. For plastics products, metal products, processing of metals and sporting goods and games, the balance became positive over the period, reflecting strong growth in exports. For sports and games goods, however, there has been a downturn since 2003, reflecting faster growth in imports. For household appliances, Rhône-Alpes imports more than it exports, and the balance has deteriorated over the period 2000-2005. Finally, for leather goods / footwear, textiles and clothing, boiler products, office machines and furniture, the coverage rate has declined along with falling exports. For furniture, export orientation, however, is positive since 2004.

In 2006, intermediate goods, that is to say, those that undergo further processing in the production process, figure prominently in exports. In Rhône-Alpes, they represent 47% of export value, significantly higher than at the national level (31%). This preponderance is due to electrical and electronic components as well as chemical products and plastics. Intermediate goods are also more prevalent among the regional imports as well as mechanical equipment, reflecting the exchange of goods within the production process.

### **1.2.2 Understanding the geography of structural change**

During the period 2000-2006, regional development has been very uneven across the ‘departments’ due to the specific challenges arising from natural and industrial endowments. Figure 1.4 depicts the evolution of GDP for each of the departments over the period 1995-2006. Apart from the important gap between the area of Lyon (Rhône department) and the departments of Loire and Ardèche, since 2002, there is a trend for all departments to lose ground against the EU average. In particular, the Ardèche and Loire are not catching up with the EU27 average and the performance of the Ain worsened considerably.

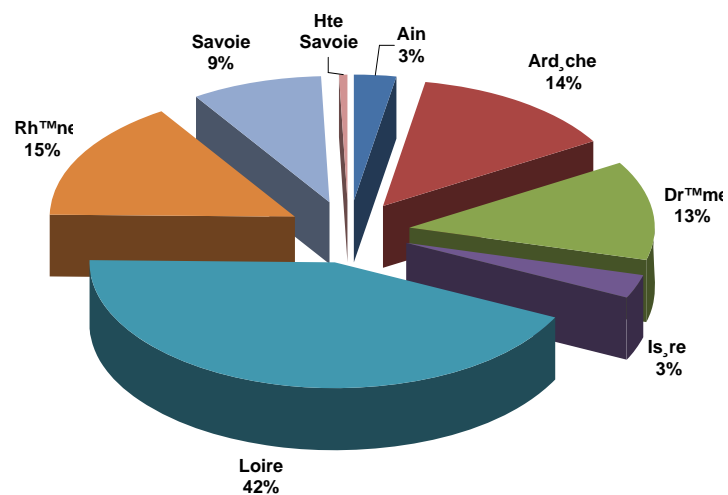
Figure 1.4 - Gross domestic product (GDP) at current market prices, PPS per inhabitant in percentage of the EU average, Rhône-Alpes departments, 1995-2006



Source: Eurostat

The ERDF programming reflected partly the challenges faced by the different territories. The main beneficiary of funds was the Loire (42%) which had a relatively low level of GDP per inhabitant, but followed by Rhône (15%), which is the richest department, Ardèche, the department where the GDP/inhabitant is the lowest (14%) and Drôme (13%).

Figure 1.5 - ERDF programming per department, May 2009



Source: PRESAGE, state of play June 2009

Table 1.7 - Unemployment rate in % Rhône-Alpes departments, 2000-2006

Departments	2000	2006	Δ (%)
Ain	5.2	5.6	7.7
Ardèche	9.5	9.2	-3.2
Drôme	10.6	9.7	-8.5
Isère	8.4	7.4	-11.9
Loire	9.5	8.7	-8.4
Rhône	8.2	8	-2.4
Savoie	8	6.6	-17.5
Haute-Savoie	6.6	6	-9.1

Source: Core team processing of Eurostat data

The table below provides information on the main spatial clusters in Rhône-Alpes as identified by the European Cluster Observatory, which identifies clusters in terms of concentration of employment<sup>25</sup>. The financial sector gathers most of the employment in the region, just before transportation and metal. In these three sectors, the share of employment in the region is higher than at the European level, showing a relative specialisation of Rhône-Alpes. The region is also relatively specialised in terms of employment in lighting, plastics, chemicals, sporting, production technologies, IT, forest, biopharma, heavy machinery and leather as compared to the European average.

As highlighted previously, the region launched a cluster policy in 2004 to reinforce the regional strengths. By 2006 eight clusters were supported by the public authorities with the aim to develop the key sectors of the region (in terms of jobs and regional attractivity). The clusters are public-private partnerships associating enterprises, research centres and universities. They cover the following sectors: aerospace, automotive, organics, eco-energy, image, software edition, mountain industries, sports and leisure.

<sup>25</sup> For more information see <http://www.clusterobservatory.eu>

Table 1.8 - European Cluster Observatory: main clusters in Rhône-Alpes

Cluster category	Employees	Size, % of total EU employment	Specialisation <sup>26</sup>	Focus <sup>27</sup>	Exports <sup>28</sup>
Finance	89,264	1.26	1.20	4.63	Weak
Transportation	77,177	1.25	1.20	4.01	Strong
Metal	69,727	1.78	1.70	3.62	Weak
Food	51,608	1.03	0.99	2.68	Strong
Plastics	20,504	2.51	2.40	1.06	Strong
Chemicals	20,361	2.11	2.02	1.06	Strong
Lighting	15,971	3.09	2.95	0.83	Strong
Production tech.	40,810	1.79	1.71	2.12	Weak
Hospitality	37,182	1.01	0.97	1.93	Strong
IT	28,066	1.37	1.03	0.95	Weak
Automotive	26,345	1.01	0.97	1.37	Strong
Forest	18,223	1.08	1.03	0.95	Strong
Textiles	17,265	0.96	0.91	0.90	Weak
Biopharma	14,077	1.71	1.64	0.73	Very strong
Heavy Machinery	8,350	1.00	0.96	0.43	Strong
Instruments	7,782	1.46	1.39	0.40	Weak
Medical	7,631	1.71	1.63	0.40	Strong
Power	4,947	0.93	0.89	0.26	Strong
Sporting	4,395	2.07	1.97	0.23	Weak
Jewelry	2,555	0.86	0.82	0.13	Weak
Leather	2,308	1.36	1.30	0.12	Strong

Source: [www.clusterobservatory.eu](http://www.clusterobservatory.eu)

<sup>26</sup> Comparison of the share of regional employment in the sector with the share of European employment in this sector

<sup>27</sup> Share of employment in the sector out of the total employment in the region

<sup>28</sup> Data is national export data for the cluster category, regardless of region. Based on International Cluster Competitiveness Project, ISC at HBS

## 2. Regional policy 2000-2006: strategy and objectives

### 2.1 Regional policy mix for structural change and globalisation

The main programme supporting structural change and adaptation to globalisation in the region of Rhône-Alpes over the period 2000-2006 was the Planning Contract between the State and the Region (CPER – Contrat de Plan Etat-Region). The CPER is a document through which the French state and the regional authority commit jointly to a programme of multi-annual funding of major projects such as the creation of infrastructures or support to promising sectors. Every five years, the CPER sets the broad objectives of economic, social and cultural development at the national level. Since the French decentralisation laws of 1982-83, important choices regarding land use are determined at the level of each of the 22 French regions by the regional councils, within a framework defined by the national Government. Each region develops its own regional plan with the purpose setting the economic, social and cultural objectives for a defined period. Since 2000, both the CPER and the SPD (Supporting Programming Document of the Objective 2 programme) apply over the same period (namely 2000-2006 and 2007-2013).

A dynamic region and considered as "rich" by many people, the per capita allocations of Rhône-Alpes for both the SPD and the CPER are below the French average<sup>29</sup>. Indeed, the total forecast expenditure per capita amounts:

- for the SPD at €818 (€933 on average in French regions);
- for the CPER, to €453 (€697 on average in French regions).

The SPD is co-financed up to 30% by the ERDF, 49% by national public contributions and 21% by private contributions. The CPER is funded on an equal 50-50 by the State and the Region. In total more than €4 billion are mobilised through both programmes, of which almost two thirds from the CPER.

In many fields, the two programmes for 2000-2006 complement each other. The CPER focuses on research and higher education, integrated development and transport infrastructure. On the other hand, tourism activities and services (first financial priority of the SPD), business development, environmental protection, natural and cultural heritage and professional training are mainly supported through the SPD. The SPD and the CPER both give a strong emphasis to regeneration of urban and industrial areas, this activity in both programmes receiving more than the double of the French average. Overall, support for economic development is relatively less important in Rhône-Alps than in other French regions, whereas activities concerning the environment and natural and cultural heritage are clearly above the average of other French regions. Both programmes pay attention to the fight against exclusion and equal opportunities, rarely targeted by other French regions.

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<sup>29</sup> DATAR, SEGESA, MC2, Etude sur les objectifs compares des DOCUP et CPER, période 2000-2006, Novembre 2002

Table 2.1 - Comparative overview of financial allocations in the Objective programming document and the CPER per specific objective

Expenses in volume of the two programmes according to their specific objectives	Objective 2 Programming document (€ million)				CPER (€ million)		
	Total	EU	Public national contribution	Private	Total	State	Region
1 - Business Development	258.7	67.6	118.6	72.6	114.1	48.6	65.6
2 - Activities linked to agriculture, forest and sea	86.5	28.6	35.6	29.3	132	62.3	69.7
3 - Tourism, commerce and handcraft activities	300.8	79.3	123.1	99.3	62.7	24.5	38.2
4 - Research, innovation and higher education	96.3	35.8	42.2	18.4	458.3	244.5	213.8
5 - Transport Infrastructure	0	0	0	0	861.9	445.7	416.2
6 - Regional and local culture	16	4.5	10.5	0.9	46.3	19.7	26.5
7 - Supply of habitations (public, social, private)	21.7	6.9	13.7	1.1	0	0	0
8 - Rehabilitation of cultural heritage	163.7	45.1	96.6	22.1	0.2	0.2	0
9 - Urban areas & brownfields	167.2	56.4	99.4	11.4	174.7	102.3	72.4
10 - Health improvement	5.3	0.8	3.1	2.1	36.3	22.4	13.9
11 - Environmental protection	198.1	42.6	111	45.4	96.8	38.2	58.6
12 - Promotion of leisure activities	0	0	0	0	0	0	0
13 - Education, training, professional and social inclusion	88.3	36.6	40.8	11	197.6	91.4	106.2
14 - Social, family and associative services	39.7	17.3	18.1	4.3	74.8	49.8	24.9
15 - Territorial approaches and policies (engineering)	39.2	15.7	20	3.5	73.3	48	25.4
16 - Programme implementation	24.8	12.4	12.4	0	0	0	0
17 - Preparation of the active population for employment	36.9	16	16	7.9	0	0	0
18 - Integrated programmes and not attributable measures	0	0	0	0	230.2	77.7	152.4
<b>Total</b>	<b>1,543</b>	<b>465</b>	<b>761</b>	<b>329</b>	<b>2,559</b>	<b>1,275</b>	<b>1,284</b>

Source: DATAR, SEGESA, MC2, Etude sur les objectifs compares des DOCUP et CPER, période 2000-2006, Novembre 2002

Table 2.1 indicates that even if investments in research, development and innovation are key regional measures to support structural change and to adapt to globalisation challenges, these are almost entirely funded through the CPER. The ERDF addressed these issues to a lesser extent. The analysis of the relative importance of the priorities shows that nearly 35% of ERDF funds are spent on direct aid to businesses and the promotion of new information and communication technologies (ICT), 15% on human resources, 27% on environment and preservation of heritage and 23% on strengthening infrastructure.

## 2.2 Overall strategy of the 2000-2006 Objective 2 programme

According to the managing authorities (SGAR: General Secretary for Regional Affairs, the representative of the national government in the region), the Objective 2 programme is considered as targeting primarily urban and rural regeneration, and not economic development. Innovation was not at the heart of the programme, but the focus was rather on addressing social disparities. As one of the interviewees state, for the regional authorities: 'The objective at the time of preparing the SPD was to organise a balanced territorial

*development, to bring the whole region to the same level. During the current 2007-2013 period, the objective has changed and the aim now is to reinforce the strong areas and to pull the others behind'.*

Beginning in 1998, the regional authorities used the opportunity of the selection of the areas eligible for support to debate the strengths and weaknesses of the different sub-regions in Rhône-Alpes. This led to a zoning proposal that took into account the diverse factors explaining the under-development of certain areas. *'When drafting the programme, there was a clear willingness to take into account the needs of the local authority areas which were differing strongly (e.g. Isère/Ardèche). The policy could not be universal and uniform.'*

The definition of the strategy of the SPD 2000-2006 was inspired not only by this analysis of sub-regional needs and local development issues, but also by broader discussions during the preparation of the CPER. The strategic complementarity between the two programmes is reflected also in the partnership and notably by the co-chairing of the programming and monitoring committees of the Objective 2 SPD by the State and the region, and the involvement of members of the regional conference for planning and territorial development. The linkages with the CPER also facilitate the identification of national counterparts for funding and the implementation of actions coordinated with national policies. As noted by the managing authorities, the aim was to *'start from a common strategy to ensure the whole set of interventions would go faster and further'*.

The ex-ante evaluation of the Objective 2 SPD defined three strategic objectives:

- Assist the zones to take steps to identify their development issues, building tools and policies necessary for economic intervention and benefit from similar efforts in other regional territories to improve the performance of their policies (long-term objective)
- Support the zones to close the gap in terms of "attractiveness" and to raise their level of development closer to those of the regional average
- Support the renewal and development of the local economy, key elements for the consolidation of the economies of these zones.

The Objective 2 programme was built around three main axes (+EAGGF and technical assistance), as presented in Table 2.2. The programme had a total initial budget of €1,706,033,839, out of which €356,203,952 from the ERDF (20.9% of the programme). Professional orientation, vocational training and employment are a priority across the CPER and SPD Objective 2, reflected by the integration of human resources aspects in the investment projects financed by the ERDF and the EAGGF. The idea of linking each ERDF action to an ESF action underlined the emphasis on 'people' through the whole scheme. As stated by one representative of the Regional Authority: *'Not the machine for the machine, but the machine for the human-being'*. Nonetheless, this did not work out as initially expected according to the managing authorities that faced in particular difficulties to comply with the national rules from the Ministry of Employment for committing ESF funds and had to face a de-commitment of ESF funds at mid-term.

Job creation was a particular objective of the Objective 2 programme, which seeks to achieve this by relying mainly on economic innovation, development of new activities or support for the creation of businesses and micro-firms. Beyond the effect on employment in the eligible area, which is a quantitative objective, the SPD clearly aims at fostering sustainable development, in which a balanced distribution of people and activities throughout the region is a qualitative objective of equal importance. At stake is the capacity of the zones to achieve a sustainable development and retain population by attracting new businesses or by facilitating the development of already present activities. In particular, the development of services was considered as a factor of attractiveness and, as such, was fostered by the programme. Concerning rural areas, the strategy

according to the SGAR in the 2000-2006 programme was to open them and increase their attractiveness in order to stem further loss of population. To this end, a strong focus has been put on the measures dedicated to tourism (development of self-catering cottages and agro-tourism).

Despite the efforts to consult on the most appropriate measures during the programme preparation, the regional authorities recognise that *'they had to go back to the drawing-board when they realised that there was little demand for some measures'*. *'It transpired rapidly that the eligibility criteria in the programming complement were too tight and were excluding many potential beneficiaries'*. In particular the local authorities, which were co-financing most of the measures, found the criteria too severe. It was agreed to revise them but based only on consolidated comments from all local authorities, which had to reach a common agreement first. With regard to the ERDF one of the changes concerns the creation of the Sub-Measure 2.3 in 2004, which opens the measure wider to the fragile, urban and rural territories. The ICT aspects that were initially spread across various measures of the SPD were combined into a specific measure in 2003, at the request of the Regional Council, who then took over the management of ICT support under a global grant.

Table 2.2 - Synoptic view of the Objective 2 programme

	Brief description and objective	Budget (€ and % of total budget), 2004
<b>Overall programme in total costs (ESF, EAGGF, ERDF, Private and national funding included)</b> <b>€1,706,033,839</b> (ERDF contribution: €356,203,952)		
<b>Priority area 1</b> Support local development and innovation	Funds will be used to encourage project development by supporting innovation in urban and rural areas. Planned measures cover training for local development participants and management, small business start-ups and business initiatives by women, and development of or support for local initiatives.	€71,983,202 or 4% of the programme in total costs (ERDF contribution: €16,947,501)
<b>Priority area 2</b> Improve the environment and the living environment	Territorial conversion and development will be given support within the framework of sustainable development actions. Measures are more specifically meant to provide assistance for public authorities' pursuit of regional development policy and will aim to rehabilitate urban industrial/rural derelict sites, improve the management of fragile nature areas, strengthen the region's appeal in terms of tourism and cultural activities and increase services for businesses and the public.	€990,884,935 or 58% of the programme in total costs (ERDF contribution: €269,717,071)
<b>Priority area 3</b> Bolster the dynamism of business to consolidate the economic base	To make the regional economy more competitive, measures will concentrate on different sectors of activity (industry, commerce, artisan activities and services) and on the different stages of the life cycle of a business, from creation to transfer, providing support for adaptation, modernisation and diversification of activities. SME/SMIs will be the principal beneficiaries of measures. Particular attention will also be given to the environment, new technologies, human resources and women's presence in the business world.	€448,964,076 or 26% of the programme in total costs (ERDF contribution: €61,523,008)
<b>Priority area 4</b> Strengthen rural development	This priority groups the different regional measures of the programme for rural society. It will support the restoration and development of rural and agricultural areas, village improvement projects, enhancement of the rural heritage and the stimulation of agriculture and food processing.	€ 175,629,450 or 10% of the programme in total costs (no ERDF funding)
<b>Priority area 5</b> Technical assistance	Measures will be equally provided to assist with the management of, information on, implementation of, control and evaluation of all aspects of the programme.	€18,572,176 or 1% of the programme in total costs (ERDF contribution: €8,016,372)

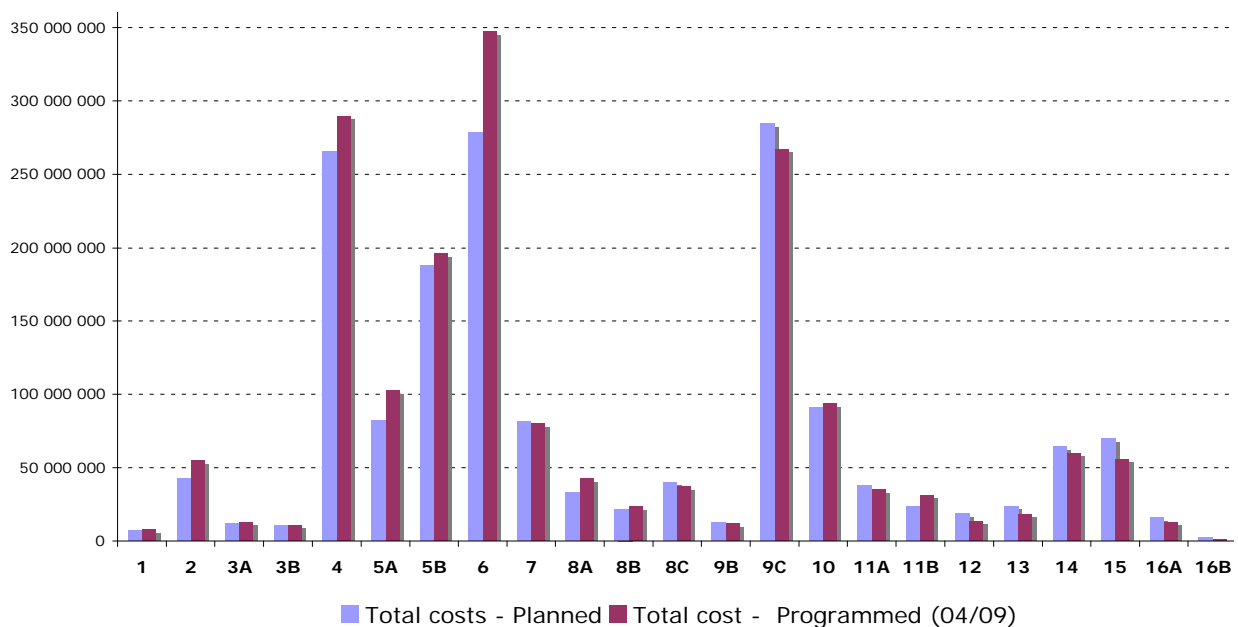
NB: the budgets provided are the initial financial allocations.

## 2.3 Selected fields of intervention and measures

### 2.3.1 Selection logic

As highlighted previously, Rhône-Alpes is amongst the most innovative regions of France and characterised by a strong innovation performance. Nonetheless at the outset of the programming period, many areas within the region were still facing specific challenges in maintaining living standards and employment. The regional authorities mobilised different funding sources over the period 2000-2006 to support these areas in their redeployment (see annex for an overview of the measures implemented through the Objective 2 programme). In particular, by April 2009, commitments had been made for a total of 7,486 operations representing a total EU contribution of €453.8 million (95.9% of the budget), out of which €351 million from ERDF, €52.9 million from ESF and €49.4 million from the EAGGF.

Figure 2.1 - Planned/programmed costs per measure, 2004-2009



Source: PRESAGE

Apart from investments in environmental infrastructure and more classical business support, the authorities made use of ERDF funds to support different forms of innovation (both technological and non-technological) in the eligible zones, to avoid a further loss of population to the industrial cities. This includes the development of new services, of new tourism activities and of local innovations. Three main measures were used to pursue this objective and are the basis for the analysis of the impact of the programme on structural change and adaptation to globalisation:

- Measure 2: the support to innovation and town/countryside relationships
  - 2.1: Support to the creation of locally innovative micro-firms
  - 2.2: Innovative collective projects
- Measure 7: The reinforcement and improvement of the provision of services to companies and individuals with a view of economic development

- 7.2: Foster the emergence of technology competence poles and the transfer of technology towards companies, notably through ICT use, through demonstration activities
- Measure 10: The reinforcement of the dynamism of the tourism and culture agents and actors:
  - 10.1: Creation of companies or structures of provision of tourist activities
    - development, commercialisation of new products exploiting the natural, cultural and scientific heritage
    - support the tourism companies in their professionalisation, qualification (management, firm management, quality plan) and the development of their strategy

Through the analysis of these measures, the case-study focuses in particular on the test of the fourth hypothesis developed in the conceptual model, namely:

*'Apart from significant differences among Objective 2 regions in terms of institutional thickness, their innovation system may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms. Especially in old industrial areas, path dependence from existing technological trajectories constraints product and process innovation'.*

The main research question addressed is the extent to which the ERDF co-financed measures supporting structural change and adaptation to globalisation<sup>30</sup> have helped the traditional economic fabric within the eligible areas reinforcing its innovation potential. In particular, did the ERDF support allow for an upgrading of the absorptive capacity of the firms in the eligible areas allowing them to take advantage of the regional innovation strengths?

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<sup>30</sup> By measures "supporting structural change and enabling adaptation to globalisation", the study refers to public intervention to promote the reallocation of resources (labour and capital) towards more efficient ends, either directly (e.g., promoting start ups, or favouring SMEs' technological intake) and/or indirectly, by minimising possible adverse effects of structural change.

Table 2.3 - Measures relevant with respect to structural change and globalisation: main features

Measures	Brief description	Financial weight		N° of projects / beneficiaries	Type of intervention	Structural change dimension	Relevance with structural change and globalisation**
		% tot. budget	% expenditure				
2 Support innovation and town/countryside relationships	<ul style="list-style-type: none"> <li>Support to the creation of locally innovative VSEs</li> <li>Innovative collective projects</li> </ul>	3	95	153	Business support Other (support to rural activities)	Innovation potential	***
4 Requalification, attractiveness and development of the territories	<ul style="list-style-type: none"> <li>Damaged and polluted industrial areas</li> <li>Damaged urban areas</li> <li>Business parks</li> </ul>	16	98.8	476	Infrastructure investments	Production system	***
5A Reinforce the quality of the environment and of the living conditions in the fields of energy, fight against air and noise pollution and wastes	<ul style="list-style-type: none"> <li>Renewable energies and energy savings</li> <li>Waste-air</li> <li>Global subsidy to ADEME</li> </ul>	5.7	99.1	481	Infrastructure investments	Production system	**
5B Reinforce the quality of the environment and of the living conditions in the fields of water and natural areas	<ul style="list-style-type: none"> <li>Water quality and resources - engineering</li> <li>Natural resources</li> </ul>	10.8	99.5	367	Infrastructure investments	Production system	**
6 Develop and reinforce the cultural and tourist appeal of the territory	<ul style="list-style-type: none"> <li>Territorialised policies for tourism supply</li> <li>Promotion of the natural, cultural and tourism heritage</li> <li>Support to quality cultural actions around suited equipments</li> </ul>	19.2	99.5	772	Other - tourism	Regional specialisation	**
7 Reinforce and improve the provisions of services to companies and individuals with a view of economic development	<ul style="list-style-type: none"> <li>Foster companies to request services (collective actions, feasibility studies, business support to use advisory services)</li> <li>Technology supply: poles and agencies</li> <li>Develop services to individuals</li> <li>Modernisation of professional training centres</li> </ul>	4.4	96.5	156	Innovation and technology	Innovation potential Production system	***

Measures	Brief description	Financial weight		N° of projects / beneficiaries	Type of intervention	Structural change dimension	Relevance with structural change and globalisation**
		% tot. budget	% expenditure				
9B Reinforce the dynamism of the economic actors in industry, commerce, handcraft and services -Innovation with ANVAR	<ul style="list-style-type: none"> <li>Device for research exploitation of ANVAR</li> <li>Global subsidy to ANVAR</li> </ul>	0.6	97.2	187		Innovation potential	***
9C Reinforce the dynamism of the economic actors in industry, commerce, handcraft and services	<ul style="list-style-type: none"> <li>Support the creation, transmission and take-up of companies</li> <li>Support to business real estate</li> <li>Consolidate companies: adapt, modernise: support to the CPER scheme</li> <li>Support the management of the environment of the company</li> <li>Develop ICT in businesses</li> <li>Foster the clustering of companies around networks</li> <li>Develop tertiary activities within companies</li> <li>Upgrade the handcraft and commercial fabric</li> <li>Specific support to VSEs</li> </ul>	14.8	99.2	723	Business support	Production system	***
10 Reinforce the dynamism of the tourism and culture agents and actors	<ul style="list-style-type: none"> <li>Creation of companies or structures of provision of tourist activities</li> <li>Modernisation of diffused tourist housing</li> <li>Modernisation of collective tourist housing</li> </ul>	5.2	97.6	561	Other - Tourism	Regional specialisation	***

Source: Programming Document Objective 2 Rhône-Alpes, 2000-2006 and PRESAGE data

\* Legend: \* marginally relevant, \*\* relevant, \*\*\* extremely relevant

### 2.3.2 Detailed description of the selected measures

#### Measure 2: ‘Support innovation and in particular town-countryside relationships’

The rationale behind the launch of Measure 2 is that the creation of activities in the eligible rural territories but also urban areas (low-income neighbourhoods...) is a major issue for preventing out-migration. These areas are threatened by demographic decline and a decrease in the number of enterprises due to a weak diversity of the economy. This interaction justifies support for the creation of new activities. The successful operation in support of rural innovative enterprises under the previous Objective 5b programme led to the extension of this instrument to the whole eligible area. It was considered that innovative projects are not lacking in these areas, but they are often isolated and do not fit with the eligibility criteria of the existing funding schemes because of their atypical nature. This measure aimed to provide an open and flexible framework to encourage the creation of activity, for individual or collective innovative projects, at all phases of their implementation, but also follow-up beyond the creation phase. It was foreseen to put a special effort on strengthening business links between urban and rural areas.

This measure relies on different types of actions, including<sup>31</sup>:

- Encouragement and support for the creation of micro innovative enterprises (**ELI = locally innovative companies, measure 2.1**). The pipeline of support offered to applicants is the following: feasibility study, investment, post-creation follow-up.
- Encouragement and support for **collective innovative projects (measure 2.2)**. Projects can be innovative in terms of the association of activities or partners, of the nature of the activity, of the process or of the objectives pursued and can cover all topics as long as they allow a creation of activities or improve territorial attractiveness.

#### Measure 7.2: ‘Encourage the establishment and development of technology competence poles’

The aim of measure 7 is to improve the socio-economic environment by making it more dynamic, more suited to the needs of enterprises and individuals and more favourable to new business investments. The need for favour the emergence and growth of enterprises is particularly relevant in areas of Objective 2:

- In industrial zones (including the defence industry), the successive changes have challenged an organisation anchored on a principal player, and multiple subcontractors, and resulted in the disappearance of structuring elements in the economic environment (example of defence-related industries). This has profoundly changed the economic environment without recreating an environment conducive to the development of these enterprises, especially SMEs,

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<sup>31</sup> – At the outset, a specific sub-measure was dedicated to the creation of activities by women (former 2.3) which was discontinued at the launch of the programme following an external study having shown that the need for such specific measure was not significant enough to maintain it. In 2004, a new sub-measure called ‘Support of actions to develop impoverished urban or rural areas’ has been created. This new sub-measure supports the restructuring of impoverished areas and participates in the change of image of the districts and improves their attractiveness, with a view of economic and social regeneration.

- In rural areas, the low level of economic activity coupled with a low population density prevents the emergence of new economic activities, especially activities of personal services, essential to the maintenance of populations in these territories,
- In urban areas, the environment is degraded and often not conducive to economic development. It is also necessary to strengthen it, in particular by fostering the emergence of structured activities (services for individuals and businesses).

Support could be awarded under different forms for the measure 7: preliminary studies, collective actions, support for advisory services, support for material investment, adaptation and establishment of training centres.

In order to strengthen and structure that environment, actions do notably include the promotion of the emergence of technology clusters, and of technology transfer to enterprises, particularly through the use of ICT and demonstration actions. The **measure 7. 2** specifically deals with the **support to technology competence poles**.

#### **Measure 10.1: 'Support the establishment and modernisation of enterprises and other tourism service providers'**

The development of tourism in less-favoured, especially rural and mountain areas is a strategic priority that was accompanied by tailored support to the stakeholders of tourism and culture. The sector of tourist and cultural services is an important source of employment and activities for less-favoured areas. These activities are often single-person initiatives (self-employed, etc.) and require in particular support for the organisation of the sector and collective actions. In these areas, tourism is often widely dispersed and does not favour the attainment of an appropriate quality level. A qualitative and quantitative improvement of tourism (accommodation and services) is required to ensure greater attractiveness of the areas, allowing an extension of the tourist season and increased accommodation occupation rates.

This measure relies on three types of actions, this study focussing on actions promoting innovation in the tourism sector. This mainly relates to service and organisation innovations, and not technological innovation. The **measure 10.1** should support the creation and modernisation of tourism enterprises and establishments with the following sub-objectives:

- Create new and attractive products (discovery activities, leisure and sports), responding to customer demands in order to highlight the diversity of the natural, cultural and science heritage while ensuring its proper management.
- Promote and market these products.
- Support tourism businesses in their efforts to professionalise, to qualify (management, organisation, and quality plan) and to develop their activities (commercial strategy) in enabling them to use advisory services and to acquire the necessary skills.

### **3. Effects of the selected ERDF measures on the process of structural change and adaptation to globalisation**

This section analyses the extent to which the ERDF measures supported the structural change that took place in the eligible areas of the region and enabled regional firms to face challenges arising from globalisation. After considering the available evidence on the implementation of the measure, evidence on the impact is presented as a result of fieldwork. The influence of the implementation of this programme on policy learning is another key aspect that is considered.

#### **3.1 Assessment of the structural and socio-economic effects**

Table 3.1 provides summary indicators for the whole programme by department. The department of Loire had almost 40% of the eligible population and received 36% of the ERDF funds (43% of the total). Interestingly, the department of the Rhône which is ranked fourth in terms of the share of population eligible for Structural Funds is second in terms of ERDF funds received and for the total amount of Structural Funds received. This department has also the highest number of applications submitted and projects supported. At the opposite extreme, the departments of Drôme, Ain, Ardèche and Isère received a lower share of Structural Funds than their share in the eligible population. Since Rhône is the richest department of the region, this suggests that the best placed territories are also those that benefitted most from the public intervention.

The geographic distribution of the actions is influenced by development policies in each of the zones. It is also shaped by the flow of projects that the zones were able to present for approval at the time the funding available was still abundant. In addition, since the programme started late, the local partnerships were strongly encouraged to act quickly to submit projects to avoid de-commitments of credits. In these circumstances, it is not necessarily the priority projects for the territories, nor the most productive that have been submitted for approval. Interviews conducted in the zones during the final evaluation showed that some of them saw the programme ending without being able to finance projects considered as priorities, these projects only being mature when the funds were exhausted.

Particularly noteworthy is the loose definition of indicators to monitor the implementation of the measures of the Objective 2 programme in the region and their eventual impact. As highlighted in the 2007 implementation report, the targets set for some indicators were wrongly estimated at the time of drafting the programming complement, if they were estimated at all. The mid-term evaluation has criticised the indicator system, highlighting in particular the lack of clarity and relevance. According to the managing authorities (SGAR), even if they were conscious about the need to review the indicator system, the programme was already too advanced for this (2003). The choice has therefore been made to merely clarify the definition of the indicators. The system has only been changed for the new programming period 2007-2013. This lack of a coherent monitoring on the implementation and effects of the measures did not allow the authorities to keep an eye on the effectiveness of with respect to the objectives and strategy.

Table 3.1 - General overview of the Objective 2 programme 2000-2006 per department

	Ain	Ardèche	Drôme	Isère	Loire	Rhône	Savoie	Hte Savoie	Total Dep
Eligible population	6%	15%	18%	5%	39%	12%	5%	1%	100%
ERDF funds committed - in € mln	9.88	47.59	45.30	10.05	151.66	54.38	30.29	2.41	351.55
Share of ERDF funds committed per department	2.8%	13.5%	12.9%	2.9%	43.1%	15.5%	8.6%	0.7%	100%
EAGF funds committed - in mln €	5.53	11.26	9.26	2.02	8.26	6.58	6.17	0.31	49.41
Share of EAGGF funds committed per department	11.2%	22.8%	18.7%	4.1%	16.7%	13.3%	12.5%	0.6%	100%
ESF funds committed - in € million	0.12	3.23	2.28	0.62	3.78	40.09	2.52	0.30	52.93
Share of ESF funds committed per department	0.2%	6.1%	4.3%	1.2%	7.1%	75.7%	4.8%	0.6%	100%
Structural Funds committed - Total in € million	15.54	62.08	56.84	12.69	163.70	101.05	38.98	3.02	453.89
Total Structural Funds committed - % per department	3.4	13.7	12.5	2.8	36.1	22.3	8.6	0.7	100
Total cost committed in € million	60.02	230.16	272.07	55.25	647.17	388.62	138.71	12.17	1,804.18
% of total cost committed per department	3.3	12.8	15.1	3.1	35.9	21.5	7.7	0.7	100
Number of applications reviewed by 68 Regional Programming Committees	693	1,877	1,086	411	2,276	2,623	849	101	9,916
Number of files committed	530	1,421	860	322	1,837	2,312	617	65	7,964
Files still under instruction in April 2009	3	2	1	2	8	7	0	0	23

Source: PRESAGE, June 2009

### 3.1.1 Performance of selected measures

#### Measure 2: 'Support innovation and in particular town-countryside relationships'

Depending on the stakeholders interviewed, the points of views on the effectiveness of measure 2 differs significantly. The representatives of the State in the region considered it as a minor aspect of the programme arising from the influence of an agricultural lobby. However, according to the regional Directorate for Agriculture and Forest (former DRAF) which was in charge of the measure, there was a clear need for measures such as Locally Innovative Companies (ELI) and Collective Innovative Projects. In rural areas projects are often complex involving social, training, cultural aspects at the same time. These are often refused since they do not fit with the existing schemes despite their potential: they cover many activities, are often innovative in their approach and they generate employment in rural areas. Hence, this scheme was explicitly designed for rural stakeholders that faced difficulties in attracting interest from other funding bodies. At mid-term, it was considered that the measure over-endowed compared to the size of the projects, which were mainly micro-projects. Even if the measure has the specific objective of linking urban and rural areas, no project involving town-country partnerships has been supported under the measure over the

period 2000-2003. According to the managing authorities (DRAF), they were too ambitious when designing the measure and no significant project of this kind was presented.

No projects were selected under the measure 2.1 (Locally Innovative Companies ) as of 2003 and as of 2005 for the measure 2.2 (Collective Innovative Projects). As of end 2005, 98 files were funded under the measures 2.1 and 2.2: 21 studies, 25 investment projects and 52 animation projects. This represent €6.9 million in total cost and a ERDF contribution of €1.8 million. According to the 2005 annual implementation report, around 40 direct jobs were created in the framework of these projects. Comparing the total costs of the projects to the number of direct jobs created, the cost per job created was €172,500, which appears particularly high. The same report highlights that many indirect jobs have also been created, most notably in the cultural area (mainly show business intermittent workers) without any more details. Indeed the monitoring tools did not allow for tracking the exact impact of the measures on indirect employment.

### *Locally Innovative Companies*

The action called ‘Locally innovative companies’ (so-called ELI) already existed over the period 1995-1999 under the Objective 5B programme under the name ‘Rural innovative companies’. This action was extended for the Objective 2 programme to include also companies located in impoverished urban areas. This scheme supports the creation and diversification of companies in rural areas. Every project holder within this framework can receive financial assistance for conducting a feasibility study; the investment when the feasibility study shows the viability of the project; and a post-creation follow-up to accompany the young company for two years.

This measure is complemented by the measure 12.1 (financed by the EAGGF) for the project holders having some agricultural activities and the measures 15.7b for agriculture and agro-food.

The ELI scheme has worked through a network of local partnerships providing support for the entrepreneurs: business chambers, various associations, technicians from inter-municipalities agencies, vocational training centres. In particular, a monthly technical group for the measures 2.1 and 2.2 (advice on 6.2 as well) was established with the primary role of assessing the local innovative projects. It was composed of technicians from different State services, regional services, the three consular chambers. This tool was highly appreciated by the implementing authorities since this allowed them to gather other points of views on these atypical multidisciplinary projects in an informal way. The technical group gave it’s oral opinion on the eligibility of the project, notably on their sustainability. The group is still in place for the ELI in the new programme and this has used for the implementation of the Strategic Action Programme of the State in the Region (PASER Mountain) as a good practice.

In 2003, the implementation of this measure was stopped. As compared to the previous success of the ELI measure, under the Objective 5b programme, the launch of the measure went rather slowly. By 2003, the eligible expenditure were lower than expected due to a number of reasons, the first being essential:

- The ERDF intervention rates were strongly decreased in comparison to the former Objective 5b programme and were not a strong enough incentive. In particular support for ELI without agricultural activities has been reduced. The number of applications has dropped, representing two-thirds of projects

over the period 1995-1999 and only a fifth over 2000-2006<sup>32</sup>. In addition, the share of projects supported in urban areas was considerably lower in comparison to the ones in rural areas:

- ERDF rate in the former Objective 5b programme and in the EAGGF measure 12.1 of the Objective 2 programme<sup>33</sup>: 50% for the investments, 80% for the feasibility studies, 100% for the post creation follow-up
- ERDF rate in the Objective 2 programme: 15% for the investments, 50% for the feasibility studies, 50% for the post creation follow-up
- Problems of information and communication due to a difficulty in the interpretation of the measure fiche in the programming complement at the launch of the programme. The organisations managing the measure at the local level felt that the opportunities opened up by the sub-measure were different from the previous ELI, and therefore did less promotion towards project holders about this aid to business creation. A communication campaign on the programme was conducted only as of 2002 and, hence, information available during the years 2000 and 2001 suggested that the scheme no longer existed.
- Zoning: early in the programme, phasing-out areas were not eligible to the first priority area. This has led to confusion in the minds of the local structures, amplifying the "fuzzy" feeling about the eligibility criteria.

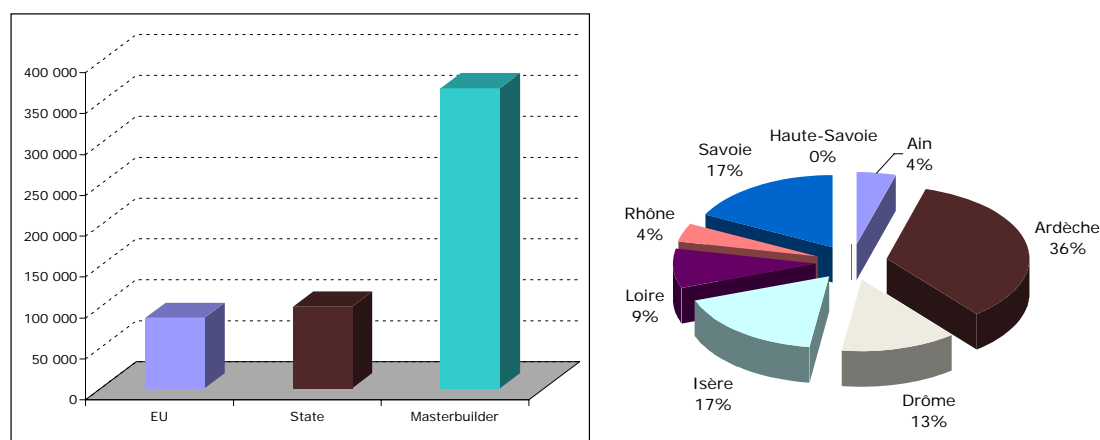
Through the ELI scheme, 23 projects have been supported under the measure 2.1, representing a total amount of €552,846, i.e. an average amount per project of €24,036. The biggest project had a total cost of €76,225 and 39% of the ELI projects under the measure 2.1 had a total budget of less than €5,000 underlining the relatively low financial scale of these projects.. ERDF funds represent 15.6% of the total budget, the highest amount of Structural Fund committed for one project under this measure being €7,680, The departments of Ardèche (36%), Isère (17%) and Savoie (17%) benefited the most from this measure, accounting for 70% of the projects. According to the representative of the DRAF (implementing body), without any public support, the projects would not have been launched since the ERDF support was acting as a kind of quality label to unblock other co-financing.

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<sup>32</sup> The fact that these rural enterprises can be helped again at the same rate as agri-rural companies under the EAFRD (European Agricultural Fund for Rural Development) 2007-2013 is welcome by the authorities.

<sup>33</sup> The sub-measure 12.1: "Encourage and support the creation of innovative agri-rural VSEs' (so-called EARLI) is the equivalent of the measure 2.1 for agriculture, except that the intervention rate in EAGGF were identical to those practiced in the ancient 5b, i.e. 50% for the investments. This explains the success of this measure as contrary to the sub-measure 2.1.

Figure 3.1 - Funding of projects by type of partner, June 2009, measure 2.1 Locally Innovative Companies and Programmation of the measure per department (number of projects supported)



Source: PRESAGE, June 2009, data extraction and processing: Technopolis Group

Over the 483 applications received over the period 2000-2006 for the three ELI schemes (including the measures 15.7 and 12.1), 314 have been retained for support, out of which 186 studies (164 agri-rural, 22 rural) and 124 investment projects (98 agri-rural, 26 rural). 14% of the ELI are the result of a diversification of existing companies for which the scheme provides an identical support when the new locally innovative activity allows the company to become truly viable.

To better understand the real impact of the measure ELI the managing authority sent a survey questionnaire to all persons who have benefited from this measure over the period 2000-2006 to make the necessary investments for the creation or diversification of their (s) activity (is) under Objective 2. 108 questionnaires were sent to the creators of ELI activities with a response rate of 59%.

Table 3.2 - Locally innovative company: Status of the beneficiary before creation

Employee	Entrepreneur	Farmer	Jobseeker	Other (i.e. parental leave, housewife, disabled person)
24%	3%	4%	63%	6%

Source: DRAF

The ELI scheme has in two-thirds of the cases supported people creating their own job and for 7% of the respondents to consolidate an already existing activity. Those who changed from being an employee to a self-employed or small-business owner represent a quarter of the responses.

Table 3.3 - Locally innovative company: Starting domain of activity

Agriculture	Crafts	Industry/Commerce	Services	Tourism	Culture
41%	11%	5%	13%	25%	6%

Source: DRAF

40% of the respondents declared working in two different domains of activity. None of the respondents declared they stopped their activity, even if some do were facing difficulties. 82% of the respondents still had the same activity at the end of the programming period.

76% of the ELI do not have an employee, 10% have only 0.5 employee and 10% one employee. A bit more than two third of them make use of family members to provide a workforce and this on an occasional basis for most of them (70%). The ELI are generally created as single-person firms (88%).

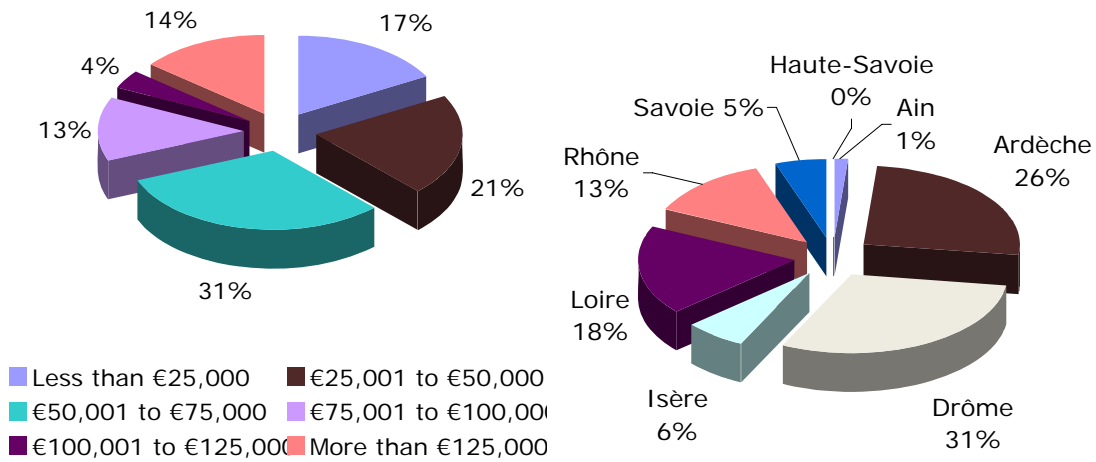
### *Collective Innovative Projects*

The 'Collective innovative projects' were the collective equivalent of the ELI. The scheme was established in 1995 (Objective 5b for the period 1995-1999), at the initiative of the DRAF (Regional Direction of Agriculture and Forestry) and the Rhône-Alpes Region. The creation of this scheme stems from an identified need at local level where many project holders did not have the know-how to build their business alone. The projects supported must be collective (involving several partners in the project) and must lead to the creation of activity. The structures which can benefit from this scheme can be associations, local authorities, public establishments, groups of companies or producers. The innovative character of the project is assessed on a case by case basis, but must meet an unmet need, either in the association of activities (individual and / or complementary) in the association of partners or in the process. The themes of creation are varied and may include actions to develop city-countryside relationships, integration and employment, ICT, new tourism products, new cultural products, the exploitation of agricultural production, environmental protection. The scheme can operate at different levels of the project: a feasibility study, communication, investment in equipment, counselling or initial operations as part of a start-up aid for the activity.

Promotion of the scheme was made through the distribution of brochures to the local authorities and information meetings in the three CRDR (Regional Resource Centre for Rural Development). For the first phase, 1995-1999, 148 projects were presented: 120 applications were supported, 24 were refused, and four were abandoned. For the new programming period 2007-2013, the collective innovative projects have not been pursued. According to the DRAF (implementing body) *'The co-funders have opened their mind and such projects can now be more or less financed through existing schemes'*.

Over the period 2000-2006, 77 projects were supported by this measure for a total cost of €6.4 million (ERDF contribution of €1.8 million). The vast majority of projects were located in the Ardèche or in Drôme. More than 40% of the projects supported dealt with cultural issues (for instance purchase of a brownfield site to attract a new provider of cultural services to locate to an area). 76% of 'Collective innovation projects' had a total cost less than €75,000. Only 14% had a total cost exceeding €125,000.

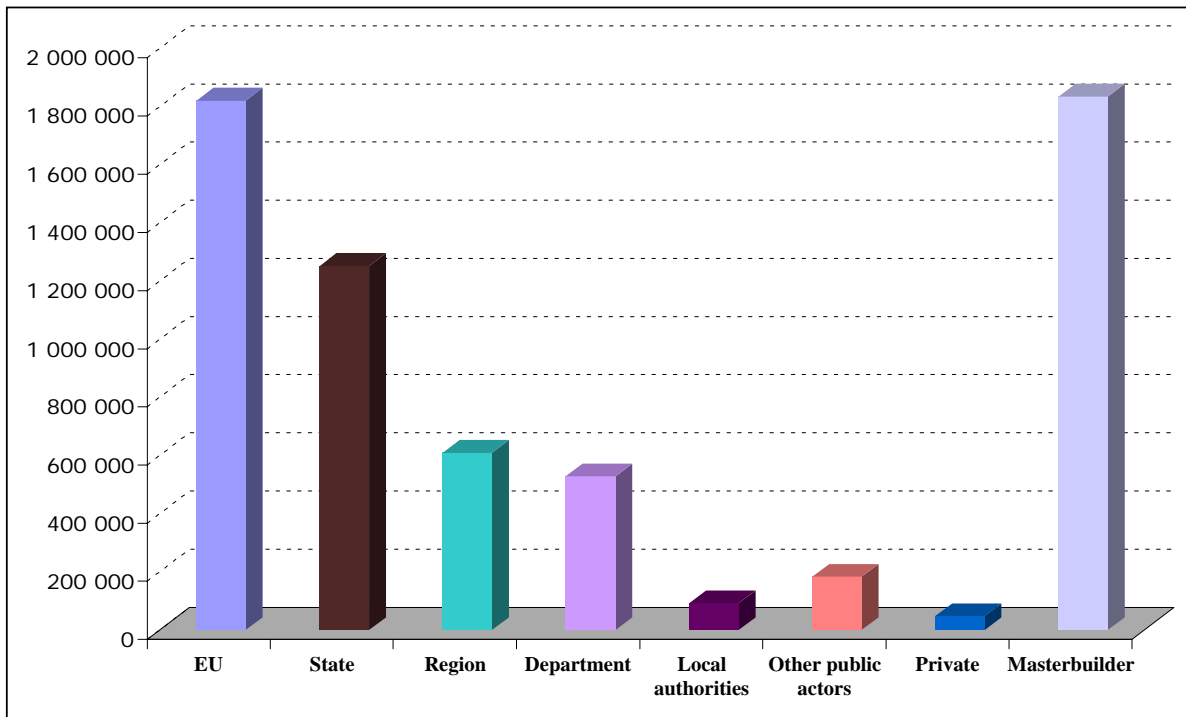
Figure 3.2 - Economic size of the projects (depending on total costs) and geographic origin per department (number of projects) - Collective Innovative Projects - June 2009



Source: PRESAGE, June 2009, data extraction and processing: Technopolis Group

The chart below shows that the projects of the sub-measure 2.2 are mainly financed by the EU (28.6%), and the State (19.7%). The region participates for 9.6% and the departments for 8.3%. The project promoters fund 28.8% of the projects. The remaining funding (5.1%) is shared between local authorities, other public and private actors.

Figure 3.3 - Source of funding, June 2009, Measure 2.2, 'Collective Innovative Projects'



Source: PRESAGE, June 2009, data extraction: Technopolis Group

### Measure 7.2: 'Encourage the establishment and development of technology competence poles'

Given the specific structure and typology of the industrial fabric in the areas concerned, it was felt important to improve the mechanisms and means of access to technology. The competitiveness of the industrial fabric being in fact based mainly on medium or low-technology SMEs, it was a priority to boost industrial demand by publicising and making accessible to the greatest number the technological resources available in the eligible areas. The concrete objectives of the measure were to:

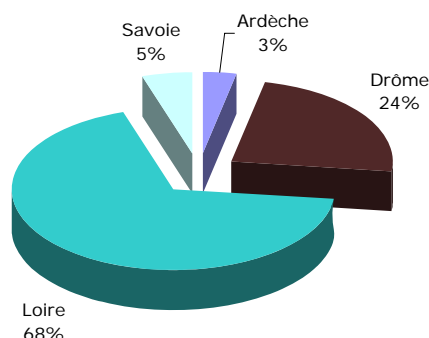
- promote the development of local enterprises by providing them with technological platforms, with R&D technical resources and expertise from regional higher education and research institutions to conduct work with a high technological content on products, processes or services to industry;
- promote, in the zoned areas, the emergence and development of actions aiming at facilitating the match between the potential technology supply and industrial demand by mobilising, organising and coordinating skills centres (laboratories, technological platforms, poles) through animation actions and specific networking tools.

Support was awarded for the creation or development of technological platforms endowed with material resources, notably for studies, trials, characterisation and pilots, specifically dedicated to the realisation of industrial projects on highly technical products, processes or services (measure 7.2A). Technology awareness actions towards the business sector (monitoring and dissemination of scientific and technical information, technical expertise, collective programmes for the introduction of enabling technologies in SMEs, orientation and connection with skills supply) were supposed to be supported through a specific sub-measure 7.2B. However, the latter measure was finally not launched.

The technology platforms had to be identified on a specific theme and be characterised by a combination of means and resources from several public actors or technical centres and enterprises. The creation of a new platform had to also demonstrate a clear industrial need and be based on a preliminary technical-marketing study.

Over the programming period, 22 projects were supported representing a total cost of €30.7 million; out of which €7.7 million from the ERDF. Almost 55% of them originated from the department of Loire and 36% from Drôme. One project came from the Ardèche and one from Savoie. Other departments are not concerned with these operations either because they are only partly eligible (Rhône, Haute-Savoie) or because of their rural character.

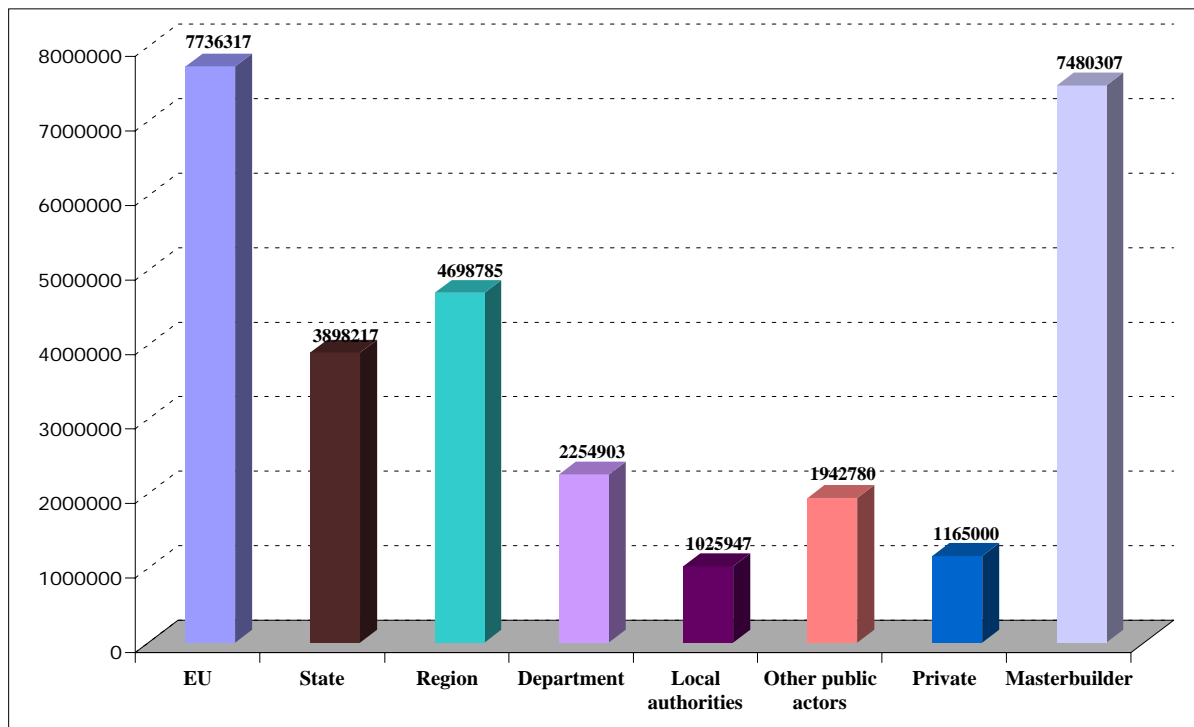
Figure 3.4 - Geographic origin of the projects (share of total budget), Measure 7.2



Source: PRESAGE, June 2009, data extraction: Technopolis Group

In terms of total costs per department, the Loire department predominated with 68% of the funds (€20.6m), followed by the Drôme (€7.1m). In the Loire department where mechanical-engineering activities play a significant role, both in a regional and a national context, there are innovative SMI with high technological capacities. According to the implementing bodies, i.e. the DRIRE and the DRRT (Regional Directorate for Industry, Research and Equipment and Regional Director for Research and Technology), *‘The problem of a fragile territory is not that it is lacking in means, but of viable project champions’*.

Figure 3.5 - Source of funding of the projects (share of total budget), Measure 7.2



Source: PRESAGE, June 2009, data extraction: Technopolis Group

The measure 7.2 targeted mainly large projects and according to the implementing bodies (DRIRE and DRRT), the authorities were very critical in their selection. The authorities still wanted to *‘be selective and not shoot at everything moving’*. *‘It is not because you are lagging behind that we are not going to help you play in the first division’*. The ERDF funds have been used as a support measure in synchronisation with the technology policy (supporting other phases). In particular, there was a clear willingness to avoid using the ERDF without following the national R&D strategy (mainly implemented through the CPER as discussed previously). In general, the implementing bodies welcomed the use of ERDF funds for these projects. *‘It is the ERDF that gives me degrees of freedom in comparison to national policies’* according to the DRIRE and the DRRT. The regional authorities could support what they considered as relevant, knowing that putting ERDF funds into the project unlocked the rest of the funding chain. *‘There are few ‘free budgets’ available except the Structural Funds’*. *‘ERDF funds are flexible even if complex. If what is creative has to undergo three administrative barriers before implementation, it is annihilated’*. The ERDF support gave the authorities the financial and psychological means to make things better, since there were less costs to be borne by the local authorities. *‘These were means that allowed to shake up the most reluctant actors’*. In some cases the ERDF funds have

substituted regional resources, leaving more financial resources to be used under the CPER. In very specific cases, this has nonetheless consisted in *'having more to do instead'*<sup>34</sup>.

There was no formal follow-up of the projects, even if the managing authorities are informally kept abreast of progress. According to the authorities, there was no monitoring culture and no specific objective nor indicator was specified at the launch of the programme.

### Measure 10.1: 'Support the establishment and modernisation of enterprises and other tourism service providers'

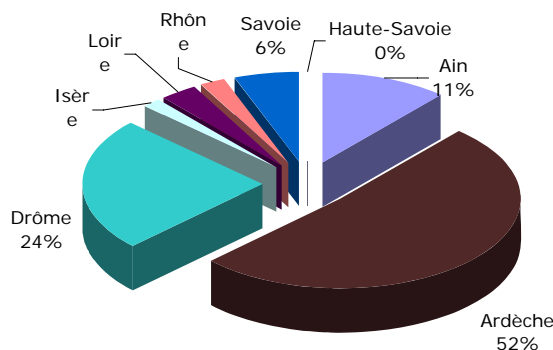
Considering the inexistence or lack of tourism service providers on some territories, a lack of organisation of these companies and of professionalism of the actors of the tourism sector, the objectives of this measure were to :

- Encourage the creation of tourism businesses;
- Help tourism businesses to continue their efforts to professionalise, qualify and develop their activities by enabling them to resort to advisory services and to acquire the necessary skills;
- Exploit the wealth of natural and cultural heritage by offering a wide range of discovery, playing and sports activities, while ensuring the proper management of this heritage.

Support could be awarded to material investments (activity-related investments and material for identification, networking and dissemination through ICT, material for tourism promotion, documentation, product brochures) and immaterial investments covering all consulting and engineering interventions (general organisation of the company or company policy). Acquisition of land or premises were not eligible for support.

Under the measure 10.1, 63 operations were supported for a total cost of €6.5m and an ERDF contribution of €2m. A first analysis of the distribution of these funds available by department shows the importance of the Drôme and the Ardèche, mobilising more than 75% of ERDF funds programmed since the beginning of the programme. According to the authorities, the type of projects supported by the measure 10 are no longer supported by the Structural Funds. They are now mainly supported by local authorities.

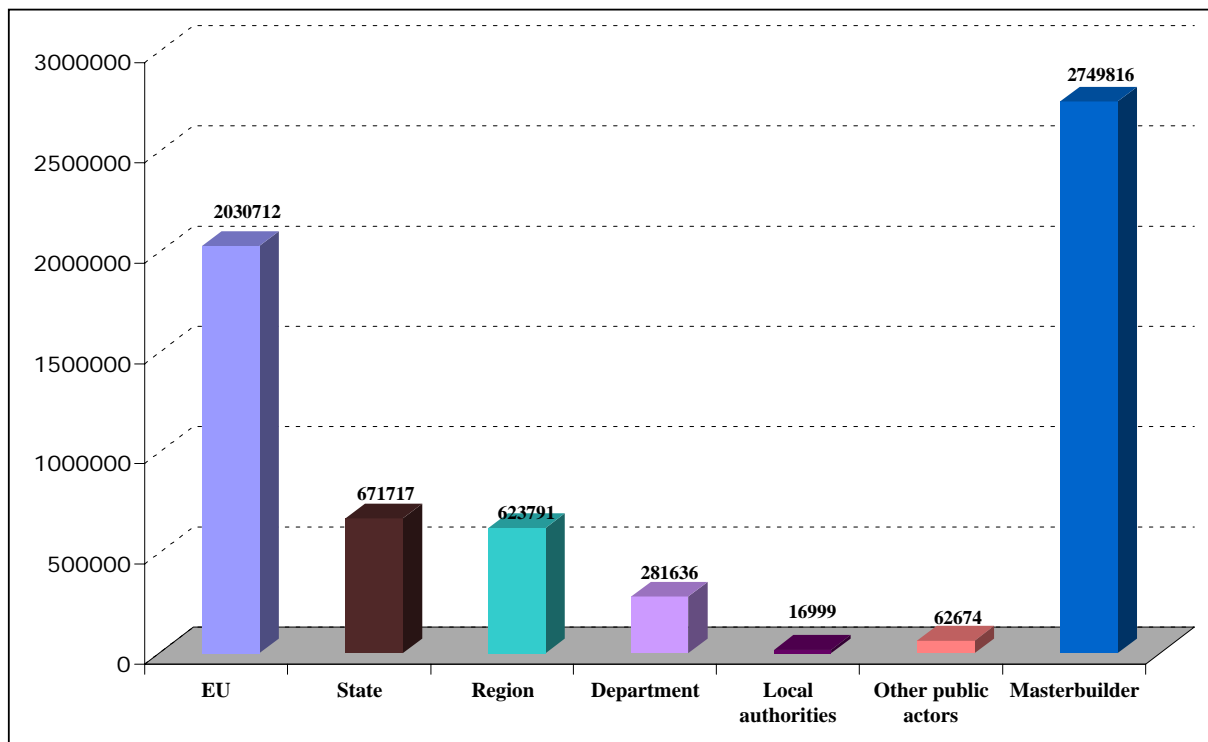
Figure 3.6 - Geographic origin of the projects (share of total budget), Measure 10.1



Source: PRESAGE, June 2009, data extraction: Technopolis Group

<sup>34</sup> For one specific case, a legal procedure was launched and the ERDF funds had to be reimbursed by the Ministry of Industry.

Figure 3.7 - Source of funding, June 2009, Measure 10.1



Source: PRESAGE, June 2009, data extraction: Technopolis Group

### 3.1.2 Contribution of selected measures to structural change and globalisation

Interviews with beneficiaries of the measures were conducted as part of the fieldwork. The main outcomes of these interviews are presented hereafter.<sup>35</sup>

#### Measure 2.1: 'Locally Innovative Companies'

Two projects have been analysed: Archeolab TL (dating of ancient pieces of pottery by thermal-luminescence) and Solid'Art Maurienne (art and economy as means to support socially-excluded people to reintegrate the job market).

The general impression from the in-depths interviews is that the projects financed by ERDF under the measure 2.1 supported small local projects matching local concerns. Few projects modified clearly the regional competitiveness in business terms (even if in the case of Archeolab TL, half of the revenue is generated from foreign visitors). Nonetheless, social innovation<sup>36</sup> has certainly been promoted (mobilisation of actors, involvement of the population). The ERDF funds have been determinant in these projects. Without

<sup>35</sup> Ten interviews have been made to explore the selected measures. It has been decided to interview two representatives of projects supported by the measure 2.1, two supported by the measure 2.2, three supported by the measure 7.2 and three supported by the measure 10.1. The main concerns to select interviewees have been: the project must still exist; the people interviewed must have been in charge of the initiation of the project or master the history enough; the people must be available in the period of interview (July 2009).

<sup>36</sup> Social innovation is a form of innovation that can be linked to reforms in various societal structures, which improve the efficiency of the economy and society. Social innovation can change the society's, the community's or the individuals' way of acting, even though it may not be tangible in product and service markets (see for instance STPC, 2006).

them, a large number of projects would not have existed, according to interviews with managing authorities. The EU financing has been a quality label for convincing other stakeholders to enter the partnership or to request other sources of funding from French contributors. In the case of Solid'Art Maurienne, the ERDF financing had an impulse effect during the period 2000-2006 (by-projects) or after (private projects). Some of the projects supported have been oriented to feasibility studies which are an interesting way to explore the real potential of a project before making the investment. In this case, small financial commitments allowed assessing the potential sustainability of these new types of projects before further public or private investments.

As far as regional specialisation is concerned, in some cases, according to the interviews, the projects modified the regional profile in terms of employability of people, in terms of local experience to manage complex and ambitious projects and in terms of building synergies between actors from various horizons. These types of projects could be said to contribute to the creation or the increase of a 'local pride'.

**Box 1 - Solid'Art Maurienne, <http://www.solidart.net>**

*Total budget: €37,076; Solid'Art Maurienne: €12,003; French contribution: €18,703; ERDF: €6,368*

The project Solid'Art Maurienne has been initiated in 1993 with two main ambitions: art and solidarity. This consisted in the creation of a monumental piece of art of 42,000 unitary unique pieces of engraved aluminium (42,000 being the symbol of the 42,000 inhabitants of this Alps valley in 1993) in the upper Arc river valley (Vallée de la Maurienne). This piece of art, named Laura (double meaning as a feminine name and as an aura which surrounds a person) was constructed by people facing social exclusion (long term jobseekers, homeless, people in bad health, alcoholics and/or drug addicts) with the help of professionals and of the local population.

Following an international competition of artists (supported by a French cultural magazine and artists of international reputation) an artist from Lyon was selected. As early as 1996, an economic activity started around the engraving of aluminium pieces for various applications (signposts, touristic information...). Part-time artists have been hired in parallel with the coaching of the targeted people for which many actions had to be undertaken to improve their individual situations. The artists trained this specific group in aluminium engraving. In 1997, the project was presented to a large public (10,000 participants) and the profits of the exhibition supported the functioning of the association until 2000.

In 2001, the works were launched for a planned duration of seven years. The ERDF co-financed the investment in an engraving machine to replace the former method of etching, which was difficult to master and had a non negligible impact on environment. The ERDF funding convinced municipalities to be more involved in the projects.

In terms of social impact on the targeted population, the turnover in the association is important and organised. After six months of activity, out of three persons involved in the project, one is ready to continue on his/her own (thanks to financing of driving licence, housing, improved self esteem...), one needs additional support for a longer period and one will not succeed.

In 2006, Solid'Art Maurienne, still under the status of a non-for-profit association, entered the field of art aluminium casting in partnership with the Museum of Aluminium located in the Valley (the only museum of aluminium in the world).

In 2008, the association diversified itself and launched a wine activity from indigenous grape varieties. According to DNA investigations, one of both varieties could have its origins as far as the Gallo-roman period. More recently, Solid'Art has been solicited to support a private initiative of saffron production in the Valley. Historically, the valley used to produce tons of saffron but it disappeared at the end of the 19<sup>th</sup> century with the industrial revolution.

According to the interviewee, the ERDF funding has been crucial in the capacity of Solid'Art Maurienne to reach its initial goals: to help people back to a 'normal life', to create jobs locally, to help other projects emerge. Not only did the ERDF funding allow the investment in a production machine, but it gave the project and its leaders legitimacy in the eyes of municipalities and other organisations. The interviewee considers that the EU financing contributed to reinforce the dynamism of the territory in terms of tourism at international level (Laura is integrated in touristic tours).



Picture 1: Laura (dimension about 100 m in diameter), Maurienne Valley, France

### Measure 2.2: ‘Collective Innovative Projects’

Two project’s representatives have been interviewed for this measure. This concerns the projects ‘Return trips’ (‘Aller-et-Retours’: organisation of short visits to the city of Grenoble for young people living in a rural area to avoid future integration clashes) and Bistrot de Pays (creation of diverse complementary business activities in rural pubs).

The project promoters of the ‘Collective Innovative Projects’ are either non-profit organisations or public or semi-public bodies in charge of local development. The projects analysed support initiatives aimed at preventing rural emigration towards large urban centres or to create better conditions for the integration of young rural population in the large cities and if possible prepare the return home of educated people. Social innovation is at the heart of these projects which address new situations and must be fine-tuned to the local conditions, cultures and habits. The question of job creation or job preservation in rural areas is crucial for a lot of territories especially in mountain or pre-mountain sectors where transport may be difficult and where general services disappear progressively (public services, local shops, health-care professionals). All attempts either to maintain a certain level of activity in commerce, cultural sector, tourism, etc. are welcome for these territories. For the same reason, improving the interaction between urban areas and rural areas modifies behaviour and facilitates their joint development.

According to the interviews carried out, the ‘effect’ of the ERDF funding has been to confirm the reliability and the interest of the project for other often local potential funders. It facilitated the implication of other public bodies which considered the ERDF funding as a quality label.

Nonetheless, this measure appears to be a catch-all where the selectivity and the long term sustainability of the project were not really taken into account<sup>37</sup>. However, since many projects supported under this measure

<sup>37</sup> For instance, according to its website, the Cercle international des grands fleuves – International circle of Large Rivers (Total budget of €124k, out of which €100k from public contributions (50% ERDF/50% National) did not really go outside of the local borders and seems to have had no activity at all for the last two years.

were focusing on cultural aspects (theatre, local traditions, image, local museums), the business models of these projects are difficult to validate. These organisations tend to depend on the energy of a limited number of persons (sometimes voluntary worker) and to be fragile.

**Box 2 - 'Bistrots de Pays' – County Pubs, <http://www.bistrotdepays.com/>**

*Total costs (2003): €45,455, out of which €18,182 came from ERDF, €12,283 from the Regional authority and €14,989 from the Chamber of Commerce and from the 'Bistrots' themselves.*

The initiative 'Bistrots de Pays' was undertaken in the Drôme South area (60,000 inhab, density from 150 inha/km<sup>2</sup> to 5 inha/km<sup>2</sup>). It was inspired by an experience made in the neighbouring region (Provence-Alpes Côte d'Azur). It consists in supporting the last rural pub (Bistrot) existing in a village in the creation of diverse complementary business activities: i) initial activities (bar/restaurant); ii) tourist information (provision of multimedia devices and information materials); iii) promotion of typical local products (display windows).

Out of 50 identified possible Bistrots in the area, 30 were invited to follow the initiative (after an audit) and 17 decided to participate in the initiative. Notwithstanding the provision of public services by these bistrots was not supported by the policy maker in charge, which rather wanted to maintain as long as possible the presence of these services in dedicated institutions.

The impact of this project relates essentially to tourism but also concerns job maintenance or creation (with sometimes difficulties due to the remote position of the villages – transport, housing, etc.). It gives other sources of income for the bistrots and maintains a common meeting place in villages. Farmers also take advantage of these bistrots which represent an outlet of their products (honey, fruit, wines, etc.).

Bistrots de pays® is a now registered brand and has spread to 40 territories in France. The Chamber of Commerce and Industry of Drôme spends currently every year around €35,000 to finance a person to manage and animate the project and to train the bistrots managers (local gastronomy, vacuum cooking, olives and olive oils...) and build a network of local sponsors (local handicraft brewery, mills, etc.).

**Measure 7.2: 'Encourage the establishment and development of technology competence poles'.**

While the preceding measures concerned mainly small economic projects with micro-economic effects, the projects supported by the measure 7.2 were significant enough to have meso effects at regional and national levels. Most of these projects have built public-private partnerships for the identification and support of investments, the development of common action plans and the economic exploitation of the results.

The 'smallest' project supported through the measure 7.2 had a budget of €263,000, the second smallest a budget greater than €1m and the largest one a budget in excess of €3.6m. Among the 22 ERDF supported projects, three have been interviewed: the project High Speed Tooling and Forging (CETIM – National Technical Centre of Mechanical Industries), Saint-Etienne; Implementation of a National Digital Centre for Innovation in Textile and Clothing (IFTH – French Institute for Textile and Clothing), Roanne; Project ISIS – Technological Platform for vacuum coatings processes (HEF RD – limited company), Andrezieux-Bouthéon. These projects and the other projects supported by the Measure 7.2 correspond to investments in private and public technological platforms with the aim to increase the competitiveness of the beneficiaries in their core business. The Rhône-Alpes territory was globally strong in these domains which match the historical industrial fabric. Other projects such as ARATEM: Creation of a Pole for Measurement and Traceability in Valence complete the panoply of processes connected to the manufacturing activities in Rhône-Alpes. All these projects contribute to the improvement of the regional competences in materials (especially metallic).

According to the project promoters, the ERDF support had clearly a key role for the generation of the projects and their developments. The level of ERDF funding in the projects supported by this measure represented between 20 and 35/40% of the total costs. Other contributors, especially those called 'others' in the financing table, consider ERDF financing as a quality label and as a way to use less of their own resources in the project.

The projects supported by the measure 7.2 are linked to a strategic vision at the regional level. Some of the projects clearly complement each other. For instance, the Optic-vision pole, the High Speed Forging and Tooling, the Technologies for measurements and traceability or ISIS, are all clearly oriented towards the mechanical industry which is an historical sector in the Saint-Etienne area, in the Lyons area or in Grenoble area. These projects improve the competitiveness of the companies through the innovation potential crystallised in these platforms, the invitation to share projects together with other companies or with academics located close to the platforms. The French industrial fabric is also reinforced by these projects, especially when they are implemented by national technical centres such as CETIM or IFTH. The proximity to the client is of course important but in general large industrial or trade groups tend not to consider the distance as an obstacle (e.g.: Airbus or Trois Suisses for IFTH).

A common outcome of the different projects interviewed, confirmed by the project participants interviewed, is the difficulty to identify and demonstrate their economic and job effects. Almost all projects have training activities as a core output of the projects, training for their own staff and also training for their clients. At best the interviewees declare that the projects preserved jobs in their companies or centres. The downstream effects in the industrial sectors concerned are considered as potentially important (especially in the metal sector) but will take more time. Considering the three projects interviewed, the delay between the actual investment in large equipments and the economic/jobs effects would be visible only after eight to 12 years. According to the President of HEF RD, the market penetration of the technology developed could be improved by a more severe position of the EU regarding the impact on the environment of older technologies.

An increase in R&D activity is not demonstrated by the three projects interviewed. Actually, the projects arose from holders of ideas or discoveries and emerged at the right moment to be supported by the ERDF. However, without the ERDF, the projects would not have been implemented as early, as rapidly, with as many resources and the level of risk would have been higher and might not have been accepted by the boards of the organisations. Moreover, what is systematically reported by the interviewees is the increase in the intensity of co-operation with the academic bodies with which they did not work before. Two reasons are provided for this phenomenon: the visibility of their projects attracted academic researchers; the importance of such projects (thanks to the Structural Fund financing) facilitated external participation from high level people.

The competitiveness of the regional companies is directly impacted by the research and innovation made in the different related platforms but cannot be demonstrated at this time horizon, only marginally (example of Lejaby for IFTH).

To sum up, the projects supported by ERDF over 2000-2006 were strategically chosen by the regional authorities as significant enough (22 projects with a total cost of €30.7 million; out of which €7.7 million from the ERDF) to modify the technological landscape and were supposed to modify the competitiveness of Rhône-Alpes globally and of its sub-regional territories specifically. The projects supported correspond either to economic sectors in difficulty, where only few jobs remained in Rhône-Alpes or in France and

where it was felt necessary to maintain the high value added activities in France (e.g. in the textile sector). A set of projects supported concerned the technological activities related to materials (metal and plastics and composites) which were an historical asset of Rhône-Alpes, and still gathering an important share of the workforce. The creation of technological platforms to improve the regional specialisation in metal working impacted directly the hard core of this important industrial sector. However, other projects such as the Pole of Measurement Technologies concerned sub-disciplines which concretely complement the metal or polymers industries.

**Box 3 - Institut Francais du Textile et de l'Habillement (French Institute for Textile and Clothing),**

<http://www.ifth.org/institut-textile/home.html>

*Total budget: €2.24 million, out of which €0.67 million from ERDF, €0.82 million from the Regional authority, €0.92 million from the Department, €0.18 million from other public bodies and €0.47 million as self-financing.*

The project started in 2003 and the last payment has been made in 2009. IFTH employs 270 people of which 100 in Lyon-Ecully and five in Roanne, the latter being focused on the digital applications.

At the end of the 1990s, a strategic exercise showed that digital technologies did not enter the production facilities of the clothing industry in the Roanne's area. Following a proposal of the IFTH to a group of companies manufacturing lingerie, a project supporting the creation of a digital platform in Roanne has been launched. The investment programme has been realised over the period 2000-2005. Thanks to the ERDF, existing tools have been adapted to the specific needs of this industrial sector and a roll-out programme has been designed in three phases: awareness raising (training, tools ...), stimulation (support to projects using digital tools), demonstration (virtual collection).

The potential applications of the projects outside of the clothing sector concern the transport sector (automotives, aircrafts, boats), health, building, image (animation). An external survey made by telephone interviews of 27 companies showed that:

- i) the digital platform delivers concrete and packaged products and services, which match the needs of the clothing sector;
- ii) the digital platform is an integrator of solutions and knows how to implement digital simulation technology in companies;
- iii) the digital platform impacts all the value chain of the textile/clothing sector.

After the initial period of investment, various results have been registered: successful demonstration for Airbus on the principle of the virtual collection; simplified less expensive modules have been developed for SMEs (€2,500), applications using open source software have been developed; cross fertilisation happened with aeronautic and automotive industries (ergonomic applications) as with video games for instance. The digital platform currently facilitate the relations between creation and production.

It is too early to demonstrate the job effects of this project. The textile sector is deeply hit by foreign competition, but some French manufacturers did react fast and adapt their production thanks to the digital applications and maintain their fabrication in France (e.g.: Lejaby middle-high lingerie).

### Measure 10.1: 'Support the establishment and modernisation of enterprises and other tourism service providers'

The 63 projects supported through the measure 10.1 concern a wide range of activities, dealing, in some cases, with organisational or service innovations, but to a lesser extent than what could have been expected: from the creation of a website (total budget €10,000), to a set of five projects concerning the same tourist area gathering together many open air activities ('Plaine Tonique' (Tonic Plain) – total budget €434,000), passing by different projects supporting specific individual touristic poles of interest ('Aven d'Orgnac' (Cave of Orgnac), 'Palais idéal du facteur Cheval' (Ideal Palace of the Postman Cheval), etc. with total budgets ranging from €100,000 to more than €400,000), or the creation of tourism projects ('Via Cordata', 'Rope Adventure Route', 'Forest Journey', etc. with total budgets starting from €15,000 for a feasibility study to more than €100,000). Among these projects representatives of the projects 'Aven d'Orgnac' ('targeted tourism infrastructure promotion), 'Plaine Tonique' (set of complementary measures) and 'Editions de Randonnée' (support for the publication of a hiking guide) have been interviewed. The specific case of 'Aven d'Orgnac' is presented in the box below.

This measure acts as kind of catch-all support for projects which did not fit in other public procedures (e.g.: creation of a website). Some projects are consistent with a search for improvement of the economic situation of the rural areas, frequently in remote situation. However, some other projects did not appear to follow a clearly defined strategy supported for not readily apparent reasons, for instance as a pretext for satisfying a local important individual. Even if projects such as the Aven d'Orgnac are significant enough to improve the local situation, it can be questioned if it is really in interest of structural change to adopt such marginal budgetary lines (ERDF: €2 million for a total budget for the measure 10.1 of €6.5 million) compared to the national, regional and local mainstream budgets

#### **Box 4 - Aven d'Orgnac, <http://www.orgnac.com/>**

*Total budget: €413 thousand, out of which €203 thousand from ERDF, and €105 thousand from national authorities and €104 thousand from the project promoter*

The Aven d'Orgnac is a cave located in south Ardèche, which represents an important tourism equipment of this area. The site, belonging to the Municipality of Orgnac, encompasses the Cave itself and the Regional Prehistoric Museum. 15 people full time equivalent work for this site. The number of visitors reaches 140,000 per year in 2009 (70% being French, 30% non-French, and 90% of the visitors being tourists staying at least one night in a local accommodation) for a turnover of €1million/year. It is the 3<sup>rd</sup> most visited natural site in France and it is ranked first amongst the not-free ones.

In 2001-2002, the national authorities invested €5.5 million to improve the main tourism equipment of this rural area. The ERDF came as an accompanying measures of the initial public investment. Support from the Structural funds dates from 2002 and aimed at the reinforcement of a preceding labelling action called Grand Sites de France<sup>38</sup> (Great Sites of France), for which only six tourism sites (mostly natural sites) did belong in 2002. The EU money supported the rejuvenation of the communication policy (strategy redefinition: 3mx4m posters and their spreading at regional and national levels; website, leaflets, graphic charter...).

<sup>38</sup> Great Sites of France, <http://www.grandsitedefrance.com/>

According to the director of the site, public spending allowed for an increase of 15% in the number of visitors when globally the same kind of sites in France were facing a decrease of activity around 6%. In terms of skills, the people working in this site have to speak several languages (currently, the guides can speak not only French and English but also Dutch and German). The label 'Grands Sites' helps them to become conscious of the value of the site and 'they consider they have to be up to it'.

Even if the effects of the EU financing cannot be isolated from the effects of the other public financing, globally, this label 'Grands Sites' associated with the increase of visitors comforted the local image and the territorial pride of the citizens. The political bodies also became more interested in this tourism site impacting the whole area, followed by satellite bodies (Tourism Offices, Regional and Departmental Tourism Committees). The global improvement of the visibility of the site attracts new suppliers for the shop and a specific shop has been devoted to local products which meets the demand of the visitors to get typical genuine products.

Beyond these aspects, it is difficult to appreciate the impact of the improvement of the visibility and of the activity of this touristic site in terms of local job creation. According to the statistics it is however plausible that the number of nights spent in the local accommodation facilities has increased of more than 13,000/year. This should have impacted the provision of other services: restaurants, gifts... and other touristic equipments, having an indirect impact on the provision of seasonal jobs.

### **3.2 Assessment of the effects on institutional capacity and policy learning**

The Tables 5.2 and 5.3 in Annex present the financial situation of the measures, depicting in particular the potential leverage effect of the European funds. For measure 2, the private contributions have been considerably lower than planned: the total programmed costs of the measure has increased by €12 million (from €42 million to €54 million) but this has been completely covered by national contributions while the private contributions have been four times lower than planned (€6 million less than initially planned). In terms of programming, 26% of the costs have been covered by ERDF, 69% by national public contributions and 5% by private funds. As regards measure 7, the implementation went more or less as planned but the share of private contributions has considerably reduced (from 29.8% of the total costs to 11.2%). This has been covered by national public contributions (60% of the total costs of the measure). The ERDF contribution represented 29% of the total costs. As regards measure 10, 20% of the funds came from ERDF, 36% from national public contributions and 44% from private sources. With respect to the whole programme, the Structural Funds have financed 25% of the total cost by April 2009, while national public contributions covered 57% and private funds 18%.

The late approval of the SPD (26 March 2001), and the over-work of the managing authorities with the closure of the previous programmes partly explain the late start of the 2000-2006 programme. Faced with a record of under consumption of the programme and a risk of de-commitment of funds, a significant effort was made to raise awareness and communicate towards project promoters from late 2002-early 2003, to boost the number of projects being put forward. This fear of de-commitment was shared by other French regions benefiting from Objective 2 and was the source of the simplification measures adopted in 2002 by the Government to revive the programming round<sup>39</sup>. Meetings were conducted on the ground, led by regional and departmental authorities, to increase the interest of project promoters. This search for ready to support

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<sup>39</sup> Final evaluation Programme Objective 2, ACT consultants, October 2005

projects favoured the well prepared territories (the Rhône, the richest department, was the second beneficiary in terms of funds after the Loire and before Ardèche and Drôme which had a higher eligible population) and the most easy-to-handle projects (business support, tourism and environmental infrastructure projects). The stop and go policy was considered as difficult to handle for the persons in charge of the management, for the elected local representatives and for the beneficiaries. In particular, many measures were closed as of 2003 or 2004, all funds being already committed.

The MIDIC (Mission Départementale d'Information et de Conseil; Departmental Mission for Information and Advice) was specifically created in Rhône-Alpes during the 2000-2006 programming period on the request of the local authorities, which did not want the management of the Structural Funds to be done purely at regional level. In the framework of the MIDIC, socio-economic stakeholders and representatives from the local and state authorities, under the presidency of the Prefect of Department, came together to analyse opportunities for projects that could be supported. The members of this body then relayed the information to the potentially interested project promoters and supported them to prepare applications. This partnership structure enabled advice to be delivered at the local level to the project promoters. The applications were received at the end of the process by the programming committee in charge of the final decision. The MIDIC does not exist in the new programming period, since all decisions are now taken at the regional level. Even if such process allowed a better understanding of local needs, it can be questioned if such a strong involvement of the local authorities in decision making has not lead to drip funding for every local territory, when considering the content and potential effect of some projects supported under the measures 2 or 10.1 (creation of a local website for instance).

In general, the support awarded through ERDF was focussed on projects particularly easy to monitor (as opposite to loans, guarantees or R&D funding for instance) like infrastructure, environmental measures, material investments. The authorities therefore declare not having experienced specific difficulties in implementing the programme and therefore regard it as a ‘success’.. Since the SGAR wanted all actors to have the same understanding of the programme and the same approach, they prepared a procedures guide directed towards the beneficiaries and the implementing authorities. In addition, the authorities have managed the funds with a view to receiving the reserve of performance and received around €2.5 million.

One issue during the programming period was that the reliance on an open call procedure did not facilitate mastering the inflow of applications. The monitoring software PRESAGE has improved over the period and allowed for improved knowledge on the beneficiaries of the programme (nature of the projects, sorting by measure, by territory). The system of indicators was nonetheless criticised in the mid-term evaluation. This has been only slightly reviewed, the focus being rather on explaining the indicators rather than making any change too difficult to implement. This lack of an efficient monitoring system do not allow for a precise understanding of the effect of the measures and one can imagine did not allow the authorities to monitor the evolution of the programme according to the initial strategy. In the new programming period, the region has implemented a new version of the monitoring tool PRESAGE together with a new system of indicators. This allows for the joint monitoring of national and Structural Fund programmes and reinforces the possibilities for control and coherence. This allows an homogenisation of the management of the project files and will make easier a cross-programme evaluation including the support from the CPER.

*‘The European regional policy has evolved a lot. It is a tool that brought extraordinary things. The European Commission had prepared well for 2000-2006. It was also a phase of maturity where the European Commission knew what it wanted. There were specific steps to follow, a true reflection on the economic strategy and on the choices since*

*we had to follow the guidelines. Above all, a culture of evaluation has arrived which was not present in France and it is mainly through the European programmes that the regional authorities began to undertake the full-evaluation cycle: ex-ante, mid-term, final and ex-post evaluations. This has enabled us to rely on tangible elements in the discussions, to understand the leverage effect of the interventions.'*

According to the managing authorities, the beneficiaries know that they have been supported by the Structural funds and are in general satisfied. *'The convictions have been sufficient to complete the work till the end. If one takes an administrative approach on this kind of projects, the results will not be impressive'*. The managing authorities were giving more technical assistance and working more on the development of strategy in the 2000-2006 programme than in the new one. Their work has evolved towards procedures: *'There is no need to reflect anymore in a strategic way, we are just implementing measures.'* *'We used to be in the field, to know what was happening on the ground in the projects, but we do not have the time anymore'*.

## 4. Conclusions: key findings and main message

### Key findings

Rhône-Alpes is regarded as an innovative region with a strong economy. As highlighted in this study, the priority of the 2000-2006 programming period was to support the development of the areas in difficulties to try and close the gap with the more advanced territories of the region. The challenge of structural change and adaptation to globalisation was, therefore, at least implicitly important for the regional authorities. In fact, the issue can be framed as managing structural change of some zones in order to enable the entire region to cope with wider global market trends. The State bodies and the Regional bodies have worked together in a symbiotic manner, even if, on occasions, divergent points of view existed on how to proceed.

The main programme supporting structural change and adaptation to globalisation in the region of Rhône-Alpes over the period 2000-2006 was the Planning Contract between the State and the Region (CPER – Contrat de Plan Etat-Region), which covered most of the public investments in research, development and innovation in the region. The Objective 2 programme addressed these issues to a lesser extent and through a different approach. Apart from environmental and business support measures, ERDF support has focussed on local innovation, development of services and development of tourism.

The main research question addressed was the extent to which the ERDF co-financed measures supporting structural change and adaptation to globalisation have helped the traditional economic fabric within the eligible areas of Rhône-Alpes reinforce its innovation potential. In particular, did the ERDF support allow for an upgrading of the absorptive capacity of the firms in the eligible areas allowing them to take profit of the regional innovation strengths? Due to the particular focus of the programming document put on these aspects, the study focuses on three specific areas for innovation that have been supported: local innovations, technological services and the development of new tourism products.

#### *1. The programme has allowed for an improvement of the technological capacities of the eligible areas while supporting non-technological innovations in rural areas*

ERDF funds have been partly used for investments in private and public technological platforms<sup>40</sup> to increase the competitiveness of the beneficiaries in their core business (measure 7.2). The projects supported by ERDF were strategically significant enough to modify the technological landscape and were expected to improve the competitiveness of the Rhône-Alpes region, as a whole, and of the sub-regions lagging behind specifically. The ERDF support focussed on two main aspects: support already strong activities and projects aiming at addressing crucial concerns of industries already deeply hit by delocalisation. The technology platforms, building on local industrial strengths, have increased the scale of knowledge transfer between

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<sup>40</sup> Technology platforms provide access to sophisticated tools to industrial companies that cannot afford such investments for budgetary reasons, a too occasional use, or a too strong uncertainty on the real potential of the equipment in their area of application. These platforms can be used for the finalisation of research projects, technology transfer or service provision by researchers, engineers and technicians. The measure 7.2 supported the creation or development of technological platforms endowed with material resources, notably for studies, trials, characterisation and pilots, specifically dedicated to the realisation of industrial projects on highly technical products, processes or services.

academia and industry in the eligible areas. Even if the long term impacts on competitiveness and jobs need more time to occur, these platforms have had an impact on the visibility and technological attractiveness of the areas. Thanks to the 22 projects supported by this measure, there has been a consolidation of the high tech regional profile towards two already existing fields of excellence of Rhône-Alpes and their accompanying technologies (materials, especially metallic and plastics/composites; textile).

As regards the support awarded to local innovative projects, they have generated social innovation<sup>41</sup>, replying to local needs and realities (notably low technological endowments), even if this happened in the form of non-technological innovations and on a small-scale. However, a lack of clarification on the scope of the measure and of communication with potential beneficiaries have impeded the full implementation of this measure and encouraged the use of an EAGGF (European Agricultural Guidance and Guarantee Fund) measure as an alternative. The question of job creation or job preservation in rural areas is crucial for a lot of the territories especially in mountain or pre-mountain zones where transport is difficult and where collective services disappear progressively (public services, proximity shops, health professionals...). All attempts to maintain a certain level of activity through the development of new activities or the deployment of new types of organisations in commerce, culture, tourism, etc. are welcome. The projects modified the sub-regional potential in terms of employability of people, in terms of local experience in managing complex and ambitious projects and in terms of building synergies between actors from various horizons. They contributed to the creation or the increase of a 'local pride'.

## *2. ERDF supported small scale local projects conferring on them a 'quality label' that was not always justified*

For the measures studied, ERDF support has given a quality label to the projects, facilitating leveraging of additional co-funding. The implementing bodies relied on a good knowledge of the regional realities to select projects. In addition, the regional authorities put in a place a consultation process involving local actors in order to get a better understanding of local needs for the selection of projects. It can be questioned whether such a dominant position of the local authorities has not lead to 'drip funding' for every local authority area, given the content and marginal effects of some projects supported under the measures 2 or 10.1.

The measure dealing with the support and the establishment and modernisation of enterprises and other tourism service providers aimed to foster the development of new types of products or services in the tourism sector. However, the measure has acted mainly as a kind of a catch-all used to support projects which did not fit with criteria for other public support measures. Some projects are consistent with a search for improvement of the economic situation of the rural areas, frequently in remote situation. However, some other projects do not follow a clearly defined strategy and the intervention rationale is not always obvious. Even if some projects are significant enough in scale to modify the local situation for the better, there is a question about the real interest in terms of structural change to create such marginal budgetary lines compared to the national, regional and local mainstream budgets.

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<sup>41</sup> Social innovation is a form of innovation that can be linked to reforms in various societal structures, which improve the efficiency of the economy and society. Social innovation can change the society's, the community's or the individuals' way of acting, even though it may not be tangible in product and service markets (see for instance STPC, 2006).

### *3. A lack of an efficient indicator framework to track the strategic objectives and an effective monitoring of the impact of the programme on the regional economy*

The particularly loose definition of indicators to monitor the implementation of the measures of the Objective 2 programme and their eventual impact is a cause for concern. The lack of an efficient monitoring framework undermined the possibility to obtain a precise understanding of the effect of the measures and did not facilitate the capacity of the regional authorities to monitor the evolution of the programme with respect to the initial strategy. The mid-term evaluation criticised the indicator system, highlighting in particular its lack of clarity and justification. The system has only been marginally reviewed as a result of this evaluation, the focus being rather on explaining the indicators rather than making any change too difficult to implement. The system has only been changed for the new programming period 2007-2013.

In particular, the ‘department’ (local authority area) of the Rhône was ranked fourth in terms of the share of population eligible for Structural Funds but was second in terms of ERDF funds received (after the Loire) and for the total amount of Structural Funds received. This department had also the highest number of applications submitted and projects supported. At the opposite extreme, the departments of Drôme, Ain, Ardèche and Isère received a lower share of Structural Funds than their share in the eligible population. Since Rhône is the richest ‘department’ of the region, this tends to suggest that the best placed territories benefited most from the public intervention. As the programme started late, the local partnerships were strongly encouraged to submit projects quickly to avoid de-commitment of budgetary appropriations. In these circumstances, the criteria of ‘ready-to-fund’ took primacy over whether the project was likely to produce a major impact. As result, interviews conducted in the ERDF zones, by the final evaluation, underlined that certain priority projects that took longer to ‘mature’ were not supported as the funds were already exhausted.

#### **Main message**

Apart from significant differences among Objective 2 zones in terms of ‘institutional thickness’, their innovation system may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms. Especially in old industrial areas, path dependence from existing technological trajectories constraints product and process innovation.

The analysis tends to validate the hypothesis of the conceptual model. In particular it shows that the capability of rural areas to integrate or attract technological or process innovations is the exception rather than the rule. The lack of absorptive capacity remains a barrier to ‘classical’ innovative projects. On the other hand, these areas could be the cradle of interesting mini or micro-social innovations which help remote territories keep their population through alternative socio-economic projects mixing different types of initiatives: maintenance of local business, reinforcement of social cohesion, reinforcement of the local identity and pride through cultural or artistic actions. These projects, supported by ERDF funds, take their roots in a shared analysis of the local realities and needs and are well suited to the situation of these economically fragile areas, allowing the development or maintenance of activity.

In addition, the evaluation of the contribution of the programme to ‘more traditional’ technological innovation through notably technology transfer actions has shown that many good quality projects exist in the eligible areas. However, only a minority of actors is able to profit from such projects and to fully adapt to the challenges arising from globalisation.

From a future perspective, Rhône-Alpes has progressively built up a coherent policy mix based on the idea that the region should concentrate its funding on specific sectors characterised by high-value added and high potential in terms of growth and of employment rather than sprinkling resources too widely. The implementation of the national competitiveness cluster policy since 2006 is fully coherent with the regional aim to concentrate financial support on a limited set of sectors and themes where the region has already world-wide or national recognised actors either on the research side or on the industrial side<sup>42</sup>.

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<sup>42</sup> In 2007, the Regional Court of Auditors of Rhône-Alpes (Regional Court of Auditors of Rhône-Alpes (2007), Policy measures in favour of economic development in the Region Rhône-Alpes) underlined that in spite of the success of the clusters policy and more generally of its support to the new technologies, the Region still has progress to do in order to reinforce the complementary among the different instruments oriented towards the development of the Regional economy. But the Court also emphasised that the Clusters' policies has already been a good mean to reinforce the coherence of State, Regional and Departmental policies.

## **5. Annexes**

### **5.1 Additional data**

Table 5.1 - Structure of the Objective 2 programme 2000-2006

<b>Priority area 1</b> Support local development and innovation	(1) Foster project approaches ERDF	<ul style="list-style-type: none"> <li>• Definition of territorial projects</li> <li>• Information and awareness-raising amongst local actors and decision-makers</li> <li>• Professionalisation of the actors of local development</li> <li>• Proximity actions in favour of employment</li> <li>• Integrated approach men/women</li> </ul>
	(2) Support innovation and town/countryside relationships ERDF	<ul style="list-style-type: none"> <li>• Support to the creation of locally innovative VSEs</li> <li>• Innovative collective projects</li> <li>• Awareness-raising activities and animation to foster business creation by women (in SPD but not maintained)</li> <li>• Support of actions to reconquere fragile urban or rural areas (created in 2004)</li> </ul>
	(3A) Support local development and innovation through training actions ESF	
	(3B) Animation of the local development of human resources ESF (global subvention to the region)	
<b>Priority area 2</b> Improve the environment and the living environment	(4) Requalification and development of the territories ERDF	<ul style="list-style-type: none"> <li>• Damaged and polluted industrial areas</li> <li>• Damaged urban areas</li> <li>• Business parks</li> </ul>
	(5A) Reinforce the quality of the environment ERDF (global subvention to ADEME)	<ul style="list-style-type: none"> <li>• Renewable energies and energy savings</li> <li>• Waste-air</li> </ul>
	(5B) Monitor the water quality and resources ERDF	<ul style="list-style-type: none"> <li>• Water quality and resources - engineering</li> <li>• Natural resources</li> </ul>
	(6) Cultural and tourist appeal of the territory ERDF	<ul style="list-style-type: none"> <li>• Territorialised policies for tourism supply</li> <li>• Promotion of the natural, cultural and tourism heritage</li> <li>• Support to quality cultural actions around suited equipments</li> </ul>
	(7) Reinforce and improve the provisions of services to companies and individuals with a view of economic development ERDF	<ul style="list-style-type: none"> <li>• Foster companies to request services (collective actions, feasibility studies, business support to use advisory services)</li> <li>• Technology supply: poles and agencies</li> <li>• Develop services to individuals</li> <li>• Modernisation of professional training centres</li> </ul>
	(8A) Support to actions aiming at increasing the attractivity of the territory and the qualification of the population ESF	

	(8B) Support policies aiming at developing proximity services and the personal qualifications ESF	
<b>Priority area 3</b> Reinforce the dynamism of economic actors and consolidate the economic fabric - collective actions/direct actions	(9A) Local initiative platforms ERDF (global subvention to the Region)	<ul style="list-style-type: none"> <li>Local initiative platforms and 1001 talents (measure cancelled in 2003)</li> </ul>
	(9B) Innovation and research ERDF (global subsidy to ANVAR)	<ul style="list-style-type: none"> <li>Device for research exploitation of ANVAR</li> </ul>
	(9C) Industry - Commerce - Handcraft - Services ERDF	<ul style="list-style-type: none"> <li>Support the creation, transmission and take-up of companies</li> <li>Support to business real estate</li> <li>Consolidate companies: adapt, modernise: support to the CPER scheme</li> <li>Support the management of the environment of the company</li> <li>Develop ICT in businesses</li> <li>Foster the clustering of companies around networks</li> <li>Develop tertiary activities within companies</li> <li>Upgrade the handcraft and commercial fabric</li> <li>Specific support to VSEs</li> </ul>
	(10) Reinforce the dynamism of the tourism and culture agents and actors ERDF	<ul style="list-style-type: none"> <li>Creation of companies or structures of provision of tourist activities</li> <li>Modernisation of diffused tourist housing</li> <li>Modernisation of collective tourist housing</li> </ul>
	(11A) Support in the field of human resources of the actions aiming at reinforcing the dynamism of companies and other economic actors ESF	
	(11B) Globally acting on the adaptation of human resources in terms of business creation in sectors such as commerce, handcraft, tourism, agriculture or services ESF (global subvention to the region)	
<b>Priority area 4</b> Support rural development EAGGF	(12) Support innovation and the information of local actors	
	(13) Improve the environment in rural areas	
	(14) Reconquere the centres of villages	
	(15) Agriculture and agro-food	
<b>Priority area 5</b> Technical assistance	(16A) Technical assistance ERDF	
	(16B) Technical assistance ESF	

Table 5.2 - Monitoring of the advancement of the measures, state of play May 2009

		Financial plan				Programmation						Paid					
		Total (1)	EU (2)	Public Nat (3)	Private (4)	Total (5)	% (5/1)	EU (6)	% (6/2)	Public Nat (7)	Private (8)	Invoices (9)	% (9/5)	% (9/1)	EU paid (10)	% (10/6)	% (10/2)
<b>Priority area 1</b>																	
Measure 1	FRDF	7 304 330	2 547 994	4 093 638	662 698	7 798 722	106,8%	2 355 226	92,4%	4 946 537	496 959	7 798 722	100,0%	106,8%	2 327 751	98,8%	91,4%
Measure 2	ERDF	42 346 749	14 399 507	19 245 297	8 701 945	54 441 417	128,6%	13 993 583	97,2%	37 705 240	2 742 593	51 726 817	95,0%	122,2%	11 618 465	83,0%	80,7%
Measure 3A	ESF	11 597 887	5 438 878	5 258 973	800 036	12 991 815	112,0%	5 217 166	95,9%	6 562 815	1 211 835	12 589 918	96,9%	108,6%	4 936 185	94,6%	90,8%
Measure 3D	ESF	10 734 236	4 716 532	4 896 437	1 121 267	10 686 729	99,6%	3 033 056	64,3%	6 779 728	873 945	10 686 729	100,0%	99,6%	3 033 056	100,0%	64,3%
<b>Total Priority area 1</b>		<b>71 983 202</b>	<b>27 102 911</b>	<b>33 494 345</b>	<b>11 385 946</b>	<b>85 918 682</b>	<b>119,4%</b>	<b>24 599 030</b>	<b>90,8%</b>	<b>55 994 320</b>	<b>5 325 332</b>	<b>82 802 185</b>	<b>96,4%</b>	<b>115,0%</b>	<b>21 915 467</b>	<b>89,1%</b>	<b>80,9%</b>
<b>Priority area 2</b>																	
Measure 4	ERDF	265 747 760	88 305 701	164 911 899	12 530 160	289 531 078	108,9%	88 006 908	99,7%	189 089 108	12 435 062	286 195 749	98,8%	107,7%	83 355 571	94,7%	94,4%
Measure 5A	ERDF	82 430 706	13 567 961	42 864 090	25 998 655	102 394 833	124,2%	13 224 215	97,5%	64 273 027	24 897 592	101 424 700	99,1%	123,0%	13 098 080	99,0%	96,5%
Measure 5D	ERDF	187 968 846	50 935 979	135 944 106	1 088 761	195 764 085	104,1%	51 066 532	100,3%	144 034 315	663 238	194 779 014	99,5%	103,6%	42 472 003	83,2%	83,4%
Measure 6	ERDF	278 727 178	83 031 467	173 505 952	22 189 759	347 240 366	124,6%	84 546 982	101,8%	250 143 178	12 550 206	345 552 673	99,5%	124,0%	75 654 337	89,5%	91,1%
Measure 7	ERDF	81 340 600	23 855 963	33 227 114	24 257 523	79 858 443	98,2%	23 058 807	96,7%	47 835 403	8 964 233	77 040 001	96,5%	94,7%	21 535 031	93,4%	90,3%
Measure 8A	ESF	33 153 530	14 849 531	15 222 957	3 081 042	42 566 932	128,4%	13 951 881	94,0%	23 683 976	4 931 075	41 427 303	97,3%	125,0%	13 636 632	99,2%	93,2%
Measure 8B	ESF	21 436 315	9 797 747	9 298 880	2 338 708	23 444 548	108,4%	9 368 160	85,8%	11 729 835	2 346 454	23 444 548	100,0%	109,4%	9 368 160	100,0%	95,6%
Measure 8C	ERDF	40 080 000	10 020 000	26 733 360	3 326 640	37 193 096	92,8%	8 835 822	88,2%	28 286 459	70 815	37 158 171	99,9%	92,7%	8 827 059	99,9%	88,1%
<b>Total Priority area 2</b>		<b>990 804 935</b>	<b>294 364 349</b>	<b>601 708 338</b>	<b>94 812 248</b>	<b>1 117 993 381</b>	<b>112,8%</b>	<b>292 059 305</b>	<b>99,2%</b>	<b>759 075 401</b>	<b>66 858 675</b>	<b>1 107 022 159</b>	<b>99,0%</b>	<b>111,7%</b>	<b>268 146 873</b>	<b>91,0%</b>	<b>91,1%</b>
<b>Priority area 3</b>																	
Measure 9B	ERDF	12 195 924	3 048 981	3 048 981	6 097 962	11 671 917	95,7%	2 471 817	81,1%	2 547 825	6 652 275	11 348 689	97,2%	93,1%	2 416 293	97,8%	79,2%
Measure 9C	ERDF	284 585 377	40 042 380	52 803 358	191 738 629	287 352 800	93,9%	38 858 740	97,0%	58 388 581	170 097 478	285 169 520	99,2%	93,2%	37 490 185	96,5%	93,6%
Measure 10	ERDF	91 075 582	18 431 637	30 203 963	42 439 982	93 489 731	102,7%	19 064 079	103,4%	33 614 159	40 811 493	91 228 518	97,6%	100,2%	18 770 143	98,5%	101,8%
Measure 11A	ESF	37 709 302	14 435 633	13 979 141	9 294 528	34 902 034	92,6%	12 473 407	86,4%	12 087 631	10 340 996	32 045 245	91,8%	85,0%	11 382 965	91,3%	78,9%
Measure 11B	ESF	23 397 891	10 016 534	9 812 005	3 508 352	31 308 419	133,8%	8 353 182	83,1%	18 600 664	4 354 602	31 308 419	100,0%	133,8%	8 353 182	100,0%	83,1%
<b>Total Priority area 3</b>		<b>448 964 076</b>	<b>86 005 175</b>	<b>109 877 448</b>	<b>253 081 453</b>	<b>438 724 931</b>	<b>97,7%</b>	<b>81 221 226</b>	<b>94,4%</b>	<b>125 246 860</b>	<b>232 256 844</b>	<b>431 100 421</b>	<b>99,3%</b>	<b>96,0%</b>	<b>78 412 769</b>	<b>96,5%</b>	<b>91,2%</b>
<b>Priority area 4</b>																	
Measure 12	EAGGF	18 428 068	7 000 000	6 660 069	4 767 999	13 388 478	72,7%	5 169 893	73,9%	5 212 679	3 005 906	13 296 310	99,3%	72,2%	5 136 692	99,4%	73,4%
Measure 13	EAGGF	23 748 933	9 518 000	10 965 637	3 265 296	18 210 374	76,7%	7 105 268	74,7%	8 337 149	2 767 956	18 137 756	99,6%	76,4%	7 081 256	99,7%	74,4%
Measure 14	EAGGF	64 000 000	20 000 000	44 000 000	0	59 662 077	93,2%	19 199 635	96,0%	40 183 010	279 433	59 494 826	99,7%	93,0%	19 175 891	99,9%	95,9%
Measure 15	EAGGF	69 452 449	19 931 000	22 457 879	27 063 570	55 906 371	80,5%	17 933 226	90,0%	19 063 868	18 909 277	55 666 288	99,6%	80,2%	17 841 985	99,5%	89,5%
<b>Total Priority area 4</b>		<b>175 629 450</b>	<b>56 449 000</b>	<b>84 083 585</b>	<b>35 096 865</b>	<b>147 167 301</b>	<b>83,8%</b>	<b>49 408 022</b>	<b>87,5%</b>	<b>72 798 707</b>	<b>24 962 572</b>	<b>146 595 180</b>	<b>99,6%</b>	<b>83,5%</b>	<b>49 235 824</b>	<b>99,7%</b>	<b>87,2%</b>
<b>Priority area 5</b>																	
Measure 16A	ERDF	16 032 744	8 016 372	8 016 372	0	12 762 483	79,6%	6 038 375	75,3%	6 724 108	0	12 455 574	97,6%	77,7%	5 728 456	94,9%	71,5%
Measure 16B	ESF	2 539 432	1 228 183	1 311 249	0	1 267 877	49,9%	505 263	41,1%	762 614	0	1 229 975	97,0%	48,4%	467 438	92,5%	36,1%
<b>Total Priority area 5</b>		<b>18 572 176</b>	<b>9 244 555</b>	<b>9 327 621</b>	<b>0</b>	<b>14 030 360</b>	<b>75,5%</b>	<b>6 543 638</b>	<b>70,8%</b>	<b>7 486 722</b>	<b>0</b>	<b>13 685 549</b>	<b>97,5%</b>	<b>73,7%</b>	<b>6 195 894</b>	<b>94,7%</b>	<b>67,0%</b>
<b>Total</b>		<b>1 706 033 839</b>	<b>473 165 990</b>	<b>838 491 337</b>	<b>394 376 512</b>	<b>1 803 834 655</b>	<b>105,7%</b>	<b>453 831 222</b>	<b>95,9%</b>	<b>1 020 600 010</b>	<b>329 403 424</b>	<b>1 781 205 494</b>	<b>98,7%</b>	<b>104,4%</b>	<b>423 906 828</b>	<b>93,4%</b>	<b>89,6%</b>

Source: PRESAGE, May 2009

Table 5.3 - Financial equilibrium of the measures - Leverage effect - state of play May 2009

		Financial plan							Programming						
		Total (1)	EU (2)	% (2/1)	Public Nat (3)	% (3/1)	Private (4)	% (4/1)	Total (5)	EU (6)	% (6/5)	Public Nat (7)	% (7/5)	Private (8)	% (8/5)
<b>Priority area 1</b>															
Measure 1	ERDF	7 304 330	2 547 994	34,9%	4 093 638	56,0%	662 698	9,1%	7 798 722	2 356 226	30,2%	4 946 537	63,4%	496 959	6,4%
Measure 2	ERDF	42 346 749	14 399 507	34,0%	19 245 297	45,4%	8 701 945	20,5%	54 441 417	13 993 583	25,7%	37 705 240	69,3%	2 742 593	5,0%
Measure 3A	ESF	11 597 887	5 438 878	46,9%	5 258 973	45,3%	900 036	7,8%	12 991 815	5 217 166	40,2%	6 562 815	50,5%	1 211 835	9,3%
Measure 3B	ESF	10 734 236	4 716 532	43,9%	4 896 437	45,6%	1 121 267	10,4%	10 686 729	3 033 056	28,4%	6 779 728	63,4%	873 945	8,2%
<b>Total Priority area 1</b>		<b>71 983 202</b>	<b>27 102 911</b>	<b>37,7%</b>	<b>33 494 345</b>	<b>46,5%</b>	<b>11 385 946</b>	<b>15,8%</b>	<b>85 918 682</b>	<b>24 599 030</b>	<b>28,6%</b>	<b>55 994 320</b>	<b>65,2%</b>	<b>5 325 332</b>	<b>6,2%</b>
<b>Priority area 2</b>															
Measure 4	ERDF	265 747 760	88 305 701	33,2%	164 911 899	62,1%	12 530 160	4,7%	289 531 078	88 006 908	30,4%	189 089 108	65,3%	12 435 062	4,3%
Measure 5A	ERDF	82 430 706	13 587 961	16,5%	42 864 090	52,0%	25 998 655	31,5%	102 394 833	13 224 215	12,9%	64 273 027	62,8%	24 897 592	24,3%
Measure 5B	ERDF	187 960 840	50 935 979	27,1%	135 944 100	72,3%	1 000 701	0,6%	195 764 085	51 066 532	26,1%	144 034 315	73,6%	663 236	0,3%
Measure 6	ERDF	278 727 178	83 031 467	29,8%	173 506 952	62,2%	22 189 759	8,0%	347 240 366	84 546 982	24,3%	260 143 178	72,0%	12 550 206	3,6%
Measure 7	ERDF	81 340 800	23 855 963	29,3%	39 227 114	48,0%	24 257 523	29,8%	79 858 443	23 058 807	28,9%	47 835 403	59,9%	8 984 233	11,2%
Measure 8A	ESF	33 153 530	14 849 531	44,8%	15 222 957	45,9%	3 081 042	9,3%	42 566 932	13 951 881	32,8%	23 683 976	55,6%	4 931 075	11,6%
Measure 8B	ESF	21 436 315	9 797 747	45,7%	9 298 860	43,4%	2 339 708	10,9%	23 444 548	9 368 160	40,0%	11 729 935	50,0%	2 346 454	10,0%
Measure 8C	ERDF	40 080 000	10 020 000	25,0%	26 733 360	66,7%	3 326 640	8,3%	37 193 096	8 835 822	23,8%	28 286 459	76,1%	70 815	0,2%
<b>Total Priority area 2</b>		<b>990 884 935</b>	<b>294 364 349</b>	<b>29,7%</b>	<b>601 708 338</b>	<b>60,7%</b>	<b>94 812 248</b>	<b>9,6%</b>	<b>1 117 993 381</b>	<b>292 059 305</b>	<b>26,1%</b>	<b>759 075 401</b>	<b>67,9%</b>	<b>66 858 675</b>	<b>6,0%</b>
<b>Priority area 3</b>															
Measure 9B	ERDF	12 195 924	3 048 981	25,0%	3 048 981	25,0%	6 097 962	50,0%	11 671 917	2 471 817	21,2%	2 547 825	21,8%	6 652 275	57,0%
Measure 9C	ERDF	284 585 377	40 042 390	14,1%	52 803 358	18,6%	191 739 629	67,4%	267 352 800	38 858 740	14,5%	58 396 581	21,8%	170 097 478	63,6%
Measure 10	ERDF	91 075 582	18 431 637	20,2%	30 203 963	33,2%	42 439 982	46,6%	93 489 731	19 064 079	20,4%	33 614 159	36,0%	40 811 493	43,7%
Measure 11A	ESF	37 709 302	14 435 633	38,3%	13 979 141	37,1%	9 294 528	24,8%	34 902 034	12 473 407	35,7%	12 087 631	34,6%	10 340 996	29,6%
Measure 11B	ESF	23 397 091	10 040 534	42,9%	9 842 005	42,1%	3 509 352	15,0%	31 308 449	8 353 182	26,7%	10 600 604	33,8%	4 354 602	13,9%
<b>Total Priority area 3</b>		<b>448 964 076</b>	<b>86 005 175</b>	<b>19,2%</b>	<b>109 877 448</b>	<b>24,5%</b>	<b>253 081 453</b>	<b>56,4%</b>	<b>438 724 931</b>	<b>81 221 226</b>	<b>18,5%</b>	<b>125 248 860</b>	<b>28,5%</b>	<b>232 256 844</b>	<b>52,9%</b>
<b>Priority area 4</b>															
Measure 12	EAGGF	18 428 068	7 000 000	38,0%	6 660 069	36,1%	4 767 999	25,9%	13 388 478	5 169 893	38,6%	5 212 679	38,9%	3 005 906	22,5%
Measure 13	EAGGF	23 748 933	9 518 000	40,1%	10 965 637	46,2%	3 265 266	13,7%	18 210 374	7 105 268	39,0%	8 337 149	45,8%	2 767 956	15,2%
Measure 14	EAGGF	64 000 000	20 000 000	31,3%	44 000 000	68,8%	0	0,0%	59 662 077	19 199 635	32,2%	40 183 010	67,4%	279 433	0,5%
Measure 15	EAGGF	69 452 449	19 931 000	28,7%	22 457 879	32,3%	27 063 570	39,0%	55 906 371	17 933 226	32,1%	19 063 868	34,1%	18 909 277	33,8%
<b>Total Priority area 4</b>		<b>175 629 450</b>	<b>56 449 000</b>	<b>32,1%</b>	<b>84 083 585</b>	<b>47,9%</b>	<b>35 096 865</b>	<b>20,0%</b>	<b>147 167 301</b>	<b>49 408 022</b>	<b>33,6%</b>	<b>72 796 707</b>	<b>49,5%</b>	<b>24 962 572</b>	<b>17,0%</b>
<b>Priority area 5</b>															
Measure 16A	ERDF	16 032 744	8 016 372	50,0%	8 016 372	50,0%	0	0,0%	12 762 483	6 038 375	47,3%	6 724 108	52,7%	0	0,0%
Measure 16B	ESF	2 539 432	1 228 183	48,4%	1 311 249	51,6%	0	0,0%	1 267 877	505 263	39,9%	762 614	60,1%	0	0,0%
<b>Total Priority area 5</b>		<b>18 572 176</b>	<b>9 244 555</b>	<b>49,8%</b>	<b>9 327 621</b>	<b>50,2%</b>	<b>0</b>	<b>0,0%</b>	<b>14 030 360</b>	<b>6 543 638</b>	<b>46,6%</b>	<b>7 486 722</b>	<b>53,4%</b>	<b>0</b>	<b>0,0%</b>
<b>Total</b>		<b>1 706 033 839</b>	<b>473 165 990</b>	<b>27,7%</b>	<b>838 491 337</b>	<b>49,1%</b>	<b>394 376 512</b>	<b>23,1%</b>	<b>1 803 834 655</b>	<b>453 831 222</b>	<b>25,2%</b>	<b>1 020 600 010</b>	<b>56,6%</b>	<b>329 403 424</b>	<b>18,3%</b>

Source: PRESAGE, May 2009

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## 5.3 List of persons interviewed

### *Persons interviewed on-site, Lyon, 2-3 July 2009*

- Patrick Métral, Direction Régionale de l'Industrie, de la Recherche et de l'Environnement de Rhône-Alpes (Regional Directorate for Industry, Research and Environment of Rhône-Alpes)
- Henri Montes, Directeur Régional de la Recherche et de la Technologie de Rhône-Alpes (Regional Director for Research and Technology of Rhône-Alpes)
- Pascale Preveirault, Secrétariat Général aux Affaires Régionales de Rhône-Alpes (General Secretary for Regional Affairs of Rhône-Alpes)
- Danièle Toussaint: Secrétariat Général aux Affaires Régionales de Rhône-Alpes (General Secretary for Regional Affairs of Rhône-Alpes)
- Mylène Volle, Direction Régionale de l'Alimentation, de l'Agriculture et de la Forêt de Rhône-Alpes (Regional Directorate for Food, Agriculture and Forestry of Rhône-Alpes)

### *Phone interviews, July 2009*

- M. Beyet, Regional Chambre of Commerce and Industry of Rhône-Alpes, Delegate Director of CCI International
- M. Cazeneuve, General Council of the Drôme department Head of the Service Plein air, Jeunesse (Open Air, Youth), interviewed on the project 'Editions de randonnée (Topo Guides)'
- M. Chevet, French Institute of Textile and Clothing (IFTH), Responsible R&D
- M. Crapart, Technical Centre of Mechanical Industries (CETIM), Saint-Etienne, director
- Mrs Girard, Communauté de Communes de Monestier de Clermont
- M. Lamy, Chamber of Commerce of Drôme, Technical Advisor for Commerce and Tourism
- M. Langevin and M. Dormoy, Project promoters of ArcheoLabs TL
- M. Maurin-Perrier, HEF RD, President
- M. Pasquier, Solid'Art Maurienne, initiator of the project and director of the Association
- M. Ughetto, Aven d'Orgnac, Director of the site