European Union
Regional Policy

EN

Mapping progress

Key findings from the updates of the mid-term evaluations European Cohesion Policy 2000-2006

European Commission Working Document

February 2007

EUROPEAN COMMISSION
DIRECTORATE-GENERAL
REGIONAL POLICY
Thematic development, evaluation, additionality and innovative actions
Evaluation and additionality

Mapping progress

Key findings from the updates of the mid-term evaluations
European Cohesion Policy 2000-2006

The Evaluation Unit,
DG REGIO

February 2007

The update of the mid-term evaluation

Following the successful 2003 mid-term evaluation, in 2005 Cohesion Policy programmes across Europe proceeded to an update of that evaluation. This was a considerable undertaking – the Objective 1 and 2 programmes alone produced more than 250 evaluations. Key results and conclusions are summarised here.

The update is an important opportunity to examine the results and impacts of European Cohesion Policy. The original mid-term evaluations paid less attention to outputs, results, impacts, and future perspectives, since in 2003 most projects were at an early stage and monitoring systems were still in development.

This synthesis report gives an overview of progress in Objective 1 and 2 areas, as well as lessons for the future. There is a particular focus on the Lisbon objectives, with sections covering growth and jobs, transport, the environment, RTD and innovation, SMEs and entrepreneurship, human resources and administrative capacity. These are not an exhaustive list of Cohesion Policy activities, but instead follow the key future priorities as laid out in the Community Strategic Guidelines.

Although this document reports results from across the EU25, the main focus is the EU15, since new Member States were not obliged to perform evaluations at this point. Where new Member States conducted evaluations, they tended to focus on process issues – understandably, since programmes there were at an early stage. Since the updates cover the period to 2004, they could be viewed as snapshots of the performance of Cohesion Policy up to the moment of accession.

Delivering growth and jobs – the economic performance

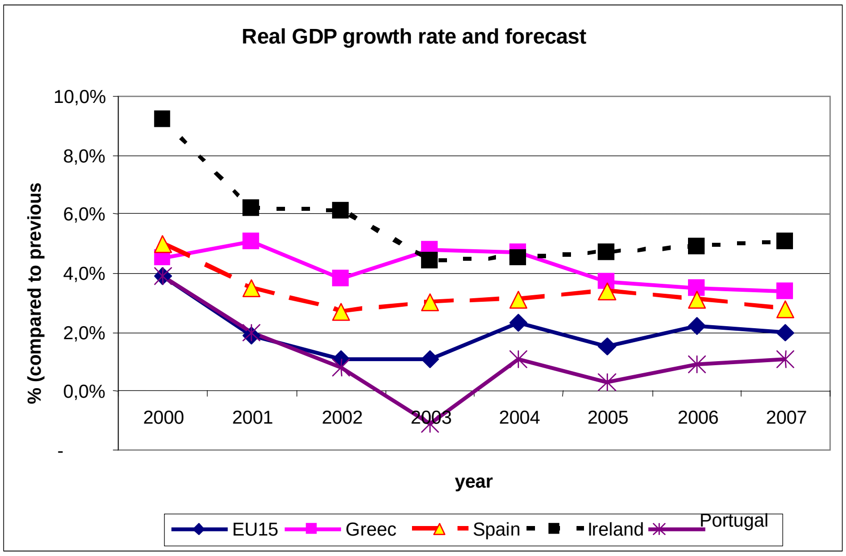
In macro-economic terms, EU15 Objective 1 regions performed well on growth and convergence over both the late 1990s and early 2000s (see figure 1). This was all the more remarkable given the poor economic climate of the early 2000s – in the past, economic slowdowns have tended to fall particularly heavily on the less developed regions of the EU.

Many Objective 1 regions and countries commissioned macro-economic modelling as part of the update exercise. These independent assessments show that European Cohesion Policy has made a significant contribution to the strong economic performance (or, in the case of Portugal, has mitigated a weaker performance).

For Greece, Spain, Portugal and Saxony, macroeconomic modelling suggests GDP was 2% higher in 2004 due to the effects of Structural Funds spending in the current period. Lower than expected results in the Mezzogiorno were ascribed by the evaluators to two factors: the less than favourable macroeconomic climate and slow early implementation.

One of the mechanisms underlying the strong growth performance was the contribution of the Structural Funds to maintaining investment in a downturn. Investment as measured by Gross Fixed Capital Formation (GFCF) in Objective 1 regions outperformed the EU as a whole (see table 2). But this positive differential might not have existed or even been reversed in the absence of the Funds. For example, in Spain where GFCF was particularly high, the modellers estimated that 41% of private investment would not have occurred in the absence of the Funds. However, the evaluation also cautions that most of the boost was due to demand effects.

Fig. 1: Real GDP growth rate and forecast



Source: Eurostat. Figures for 2006 and 2007 are Commission forecasts.

Table 1: Macroeconomic models: improved performance in 2004 vs policy-off (baseline) scenario

(Different models were produced using different assumptions and are not strictly comparable)

	Model used	GDP/GNP	Employment
Greece	National	1.9%	88,700 (2)
Spain	HERMIN	2.2%	255,000
Ireland	HERMIN	1.5%	-
Portugal	HERPOR	1.7% (1)	43,000
Mezzogiorno	National evaluation unit	0.25%	-
Saxony	HERMIN Germany	2%	20,000
Hainaut (Belgium)	HELM	0.17%	3,500

(1) 2003
(2) full time man year equivalent

It is not just the big Objective 1 programmes which made a significant contribution to employment. Many of the evaluations of Objective 2 programmes also made estimates for the number of jobs created so far.

These estimates are based on "bottom-up" survey data and count gross jobs, ie (unlike the macro model estimates) they do not attempt to take account of displacement of jobs and activity elsewhere in the region. Moreover, each country has its own methodology for assessing job creation. Nevertheless, with these cautions on board, the results provide an interesting indication of the labour market impacts of Objective 2.

The five countries covered account for some 54% of the Objective 2 allocation and between them estimate the creation of over 400,000 gross jobs. Comparing the figures to estimates for unemployment shows that, in the absence of Cohesion Policy, the number of unemployed would have been significantly higher (although almost certainly not as much as a third higher, as a simple adding of the total figures would suggest).

Structural Fund job creation and unemployment in Objective 2 regions

Objective 2 regions in:	**Gross job creation (1)**	**Number of unemployed (2005)(2)**
DK	5,500	16,800
FR	200,000	787,500
NL	75,000	64,500
SE	25,500	48,900
UK	106,500	359,200
5 country total	412,500	1276,900

Source: mid-term evaluation updates and Eurostat, calculations DG Regio

(1) The exact cut-off date varied from one country to another. Most were around the beginning of 2005. However the cut-off for France was April 2006.

(2) where only part of a NUTS 3 region was covered by Objective 2, estimates were made by pro-rating. The results are therefore approximate.

Even with the statistical cautions, socio-economic data and modelling clearly indicate that the Structural Funds have made a strong contribution to growth, investment and jobs. However, despite the progress there is still a lot of catching up to be done.

Table 2: Key indicators for Objective 1 regions

	EU15	Obj.1 regions	Germany obj.1	Italy obj.1	Spain obj.1
GDP per capita (2003) (EU25=100)	109%	77%	76%	73%	91%
GDP per capita (2003) (EU15=100)	100%	70% (64% in 1995)	70%	67%	74%
GFCF (2003, % of GDP)	19.8%	24%	26%	19%	27%
Unemployment rate (2004)	8.7%	13% (16% in 1995)	19%	16%	13%
Employment rate (2004)	64.6%	57%	60%	46%	57%

Source Eurostat, REGIO database

Investment patterns and progress towards targets

European Cohesion Policy makes three main categories of investment: infrastructure (including transport and the environment), productive investment (including SMEs and RTD) and human resources. A final category (miscellaneous) consists mainly of technical assistance (administrative costs).

These three categories are well-represented in both Objectives 1 and 2. However there is a difference in emphasis. On the one hand, Objective 1 regions tend to focus on basic needs – infrastructure (particularly transport infrastructure) and human resources are the most prominent. On the other hand, Objective 2 regions focus more on soft infrastructure, particularly the productive environment – aid to SMEs and RTD are both prominent.

In terms of the distribution between categories, actual expenditure (as reported in certified expenditure) has tended to closely follow planned expenditure (as set out in the first programme complements). The main differences are relatively minor and concern:

- Transport in Objective 1 regions: 22% outturn as against plans of 20%. Although (as noted below) large capital projects can be challenging to launch and keep to timetable, once going they have a certain momentum and can be reliable "spenders". This essentially administrative consideration should not be allowed to outweigh the considerable potential benefits of softer investments.

- Environmental spending in Objective 1, where outturn is slightly lower than planned expenditure (6% vs 7% of total investment). This can be attributed the fact – noted below – that much of the work is done on hard environmental infrastructure such as water and waste water treatment facilities. The emphasis must now shift to gap-filling, softer actions (including awareness-raising and other preventative approaches) and renewable energy.

- Aid to SMEs in Objective 2 regions. Outturn is lower than planned expenditure (32% vs 35% of total investment). Some of the evaluation updates noted that aid to SMEs is often demand-driven and as such tends to reduce in economic downturns.

Fig. 2: Distribution of Structural Funds, Objective 1, 2000 to mid-2006 (ie latest figures)

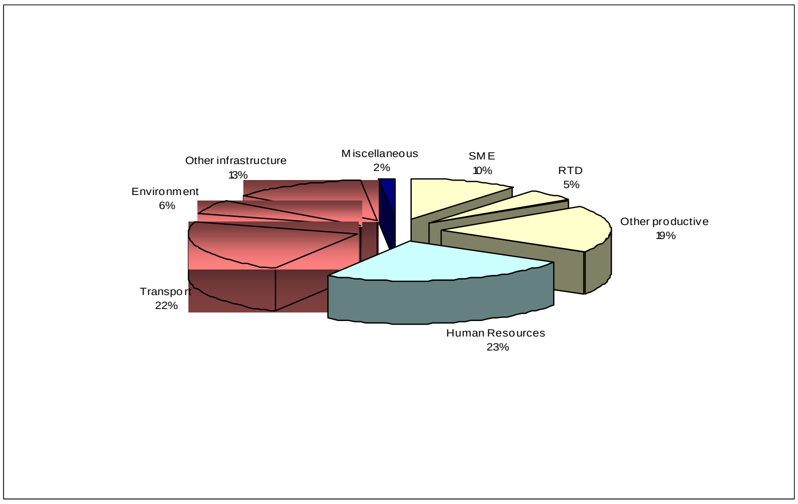
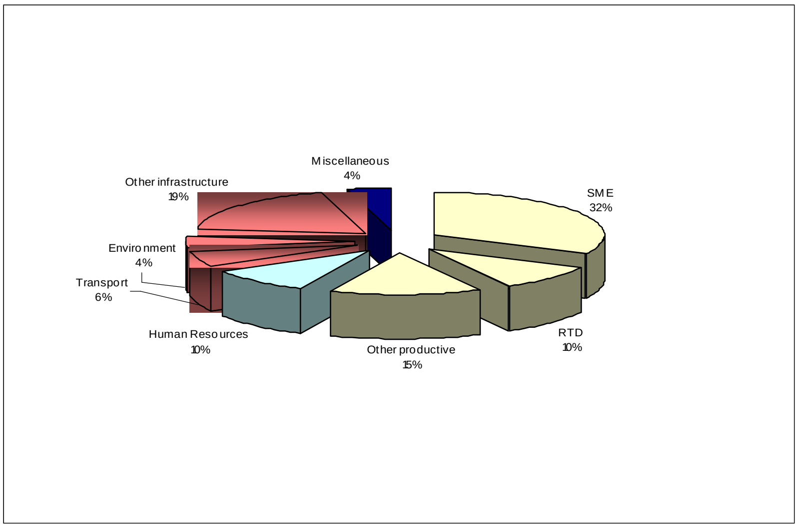


Fig. 3: Distribution of Structural Funds, Objective 2, 2000 to mid-2006 (ie latest figures)



Source: declarations of certified expenditure, calculations DG REGIO

In terms of **progress against targets**, the mid-term updates generally found most programmes to be on course on most indicators, including job creation, SMEs assisted, km of road or railway constructed, etc. Some programmes have in fact considerably exceeded targets, although this may say as much about the need to set more ambitious targets in future as it does about performance.

The main exception is Greece, where a strong performance in business creation and rural development has been offset by a weaker performance in infrastructure and some training measures. Some other programmes have however, been slow to spend or achieve targets in specific areas, notably infrastructure projects or research. The evaluations sometimes refer to the need to improve administrative capacity, a theme which returns in the sections that follow.

Expanding and improving transport infrastructure

Efficient, flexible, safe and clean transport infrastructure is one of the preconditions for regional competitiveness, growth and jobs. Correspondingly this is one of the main areas of Structural Funds investment. Roads or motorways are the main target (56% of transport investment), but a growing proportion is spent on rail (22%).

Many of the evaluation updates note significant achievements. For example, in Spain the 2000-2006 round of the Structural Funds has co-financed over 1200 km of roads and motorways – 60% of the national increase in major roads. The evaluators found that nearly 1.2 million hours of travel time savings for roads per year have been achieved. Attention is now shifting to rail – almost 400 km of high speed trains are already in service, linking Seville with Madrid.

However, rebalancing between road and rail can be a longer term process. In Sicily for example, despite significant rail investments and the existence of ambitious objectives for re-balancing, the evaluators found that short-term impacts in terms of mobility and accessibility were related to the road and motorway network rather than rail.

Many programmes sought to bring a stronger focus on sustainability. In Ireland, for example, Dublin's port tunnel was financed at the same time as its tramway system. In Greece, road and motorway investments in Attica were balanced by the building of the Athens Metro. Further investment in the Athens metro has reduced traffic congestion and pollution. Eight new stations, including four transit stations, have been financed together with 17 trains. By mid-2005, 17,200 passengers were using them at peak hours compared to the 15,500 initially foreseen.

Administrative capacity can be a particular challenge in the field of transport, where projects tend to be large, long term and require a high degree of co-ordination. Evaluations often noted features such as the lack of a shared strategy between relevant actors and project selection and management issues, especially delay. Project delays usually stem from prolonged negotiations on contracts and planning issues, the scale of the projects concerned, and difficulties in securing adequate finance.

In terms of lessons for the future, the successes of European Cohesion Policy in this area over the last decade or more mean that the job is now done in many places. Emerging priorities are:

- Instead of the creation of additional transport capacity, a shift in emphasis to gap filling, modernisation and the rationalisation of infrastructures (including institutional reorganisations, deregulation and market access).

- Increasing emphasis on sustainable transport – including rail, port projects ("motorways of the sea") and improvements in urban transport and cycle paths.

- The need to improve the management and administration of transport projects. Solutions include: a long term coherent plan, with co-ordination and "buy-in" from the various levels of government and all the relevant public agencies; creation of or outsourcing to agencies with sufficient expertise, staffing, resources and continuity.

Improving environmental sustainability

In the field of the environment, investment has tended to concentrate on the infrastructure necessary to deal with issues such as water, waste water treatment and general waste. Consequently, Objective 1 regions in the EU15 have in the majority of cases closed the gap with the richer regions in terms of quality of environmental infrastructure. The shortcomings and gaps remaining are generally confined to certain fields or certain regions.

For example, in line with investment, it is in the field of water supply that most progress has been made. In Spain, 2000 km of water pipelines have been renovated and 600 km of new pipelines constructed, covering 2.6 million people. 57 water treatment works and 13 desalination plants have been built, serving 1.8 million inhabitants. In Eastern Germany however, although the evaluators noted substantial progress, the water connection rate remains low, especially in Thuringia (64%).

The success of such investments means that the focus should in future shift to softer and smarter measures, such as awareness-raising and user charges. For example, in the field of waste collection and disposal, evaluations find that the situation is now quite satisfactory in most of the old Member States (with the exception of Greece). However, evaluations for some countries (eg Portugal, Spain and Ireland) note that success in this field is somewhat counterbalanced by a sharp growth in waste production as they become richer. This highlights the need for preventative measures, including awareness-raising in the population at large.

Evaluations also note the significant growth of Structural Fund support for renewable energy over the last few years. The Funds have supported a wide range of activities, with priorities (wind, biomass, solar energy) differing substantially between Member States. This growth has been particularly marked since 2004 in Portugal where the ERDF has supported the national "MAPE" programme. The German CSF evaluation underlines that the high technological content of renewable energy is in itself beneficial to regional innovation and development. Greece has significant potential for wind energy – growth in this sector has been high in the last few years, with ERDF support.

The evaluators therefore tend to conclude that:

- Support for environmental infrastructure projects should continue, but only on a selective basis, with less automatic project selection and more recourse to methods such as cost benefit analysis.

- The focus should shift to newer, "softer" environmental needs. These include the development of renewable energies, preventative approaches, soil protection, integrated pollution control and awareness-raising.

- The main remaining hard infrastructure challenge is the enhancement of waste water collection and treatment, especially in Objective 1 regions. Like the rest of the Union, Objective 1 regions need to undertake substantial efforts to meet the high requirements of the Urban Waste Water Treatment directive.

- Infrastructure projects should be based on demand analyses that take account of future demographic changes. In some cases, such as Eastern Germany, a decrease in population is a major factor at the regional level. In other cases, such as Portugal and Spain, urban-rural migration means growing pressure in urban centres and decreasing population in rural areas.

Knowledge and innovation for growth

A key issue in terms of growth, competitiveness and employment is innovation and Research and Development (R&D). Despite its importance, R&D expenditure in the EU tends to be lower than in the other major economies – 1.9% of EU25 GDP in 2004 as compared to 2.6% in the US and 3.2% in Japan.

Moreover, there is a clear innovation gap between Member States. In 2004, R&D accounted for 3.7% of GDP in Sweden and 3.5% in Finland, an order of magnitude higher than in Malta (0.3%), Cyprus and Latvia (0.4%), and Slovakia (0.5%).

If the innovation gap is striking in terms of input indicators, such as spending, it is doubly so in terms of output indicators, such as patent applications. The EU25 average was 134 applications per million inhabitants[1]. This varied from 312 (Sweden), 311 (Finland) and 301 (Germany) to 3 (Poland), 4 (Portugal and 9 (Greece).

It can therefore be said that, while in terms of R&D spending there is roughly a factor of 10 between leading and lagging countries, in terms of results as measured by patent applications there is a factor of roughly 100.

The updates found clear evidence that European Cohesion Policy contributes to the innovative capacity of regions. For example, in Catalonia, the Objective 2 programme will, over the current period, involve 21% of the region's researchers and represent 37% of private sector investment in the information society. Correspondingly, estimates suggest that the programme will have increased regional gross value added by 4% by the end of the period. In the meantime, unemployment has fallen to, and productivity overtaken, the EU25 average.

Objective 2 programmes tend to be demand-led, focussing on technology transfer, networking and clustering initiatives. In Objective 1, the main focus is on building basic capacity, combining education, training, technological modernisation and awareness-raising, although some of the money also goes to networking.

Governance is a crucial issue in mobilising R&D spending. Evaluations in both Italy and Spain noted the importance of co-ordination between and commitment from the key players. The evaluation of the Västra Objective 2 programme (Sweden) found that clear prioritisation of Structural Funds actions noticeably improved programme implementation. However they also found that it is not enough to set the priorities. To achieve real impacts it is essential that the implementing authorities demonstrate strong and sustained support.

Intelligent and well targeted actions are crucial. For example, Finland undertook a thematic evaluation of its Objective 2 areas on innovation, expertise, and networking in the business sector. The evaluators recommend that product development grants (from which leverage achieved has been good) be geared more towards joint public/private sector initiatives. Efforts need to be made to involve the private sector more and to further develop networking. Certain strategic clusters are highlighted as ready for further development, including environmental services, welfare services, energy, technology, and logistics.

Lessons from the update to the mid-term evaluation include:

- The possibility of increasing the proportion of the Structural Funds invested in R&D. However, it is important to avoid over-capacity. In many cases the best strategy is to invest in networking and technology transfer, rather than concentrating exclusively on building research capacity. Similarly, it is often a good aim to promote flexibility and adaptation to changes rather than to create a unique specialisation.

- The importance of starting with a good diagnosis of the situation. Particularly since innovation tends to cluster and different regions have different potential strengths – the best strategies are regionally differentiated and build on local strengths. Resources should be concentrated on a limited number of priorities linked to the Lisbon strategy, in order to achieve critical mass in these areas.

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[1] « European Innovation Scoreboard » figures, 2005.

- The importance of achieving critical mass. One of the keys to this is networks and clustering. This includes bringing together all the relevant public and private players, including universities. Moreover links outside the region and technology transfer both have a crucial role to play.

- The need to reinforcing governance through: a strong and long term institutional commitment; strategic co-ordination, involving all the various competent authorities as well as the key private actors. For example, enterprises should participate in the definition of regional strategies.

SMEs and entrepreneurship – the motor of job creation

Small and medium-sized enterprises are a vital part of any economy. However, SMEs – especially new start-ups – face market failures in terms of accessing capital, knowledge and experience. European Cohesion Policy is successfully filling these gaps with a combination of hard measures (such as direct investment) as well as soft measures (notably the provision of services to business and the creation of networks and clusters).

The evaluations found many success stories and the Funds have helped a large number of SMEs. The Spanish CSF alone gave 227,000 SMEs financial assistance, advice and coaching in managerial and organisational skills. The evaluation of the Steiermark programme (Austria) found that 75% of all business-related projects were implemented by SMEs. The interest and participation of SMEs in these measures has exceeded expectations and an initiative has been recently launched to mobilise the potential of SMEs in the R&D and innovation sector.

However, in many cases, the evaluators found that direct investment could benefit from more selectivity and better targeting. In order to minimise deadweight they also recommend intelligent instruments, including soft support and loan instruments. For example, in France the national synthesis of all evaluation reports reveals that financial engineering measures have hardly been used.

Where used, loan instruments have demonstrated their potential. The East of Scotland Objective 2 evaluation shows that in risk capital the programme has had some notable successes in a range of complementary and very successful risk capital products. They range from the Scottish Co-Investment Fund with its novel and innovative co-investment model, to highly successful funds supporting proof of concept and early proto-businesses, particularly in the bio-technology and life sciences sector.

Moreover, in Bornholm, Storstrøm, Fyn, Viborg, Ringkøbing, Aarhus and North Jutland Objective 2 programme (Denmark) the evaluators found that projects with network elements and “bridge building projects” (i.e. projects that prioritise bridge building between knowledge institutions and enterprises) had much greater effects than other types of projects.

Specifically, the Danish evaluators found that such projects create more jobs per project, more jobs compared to the resources spent, and more lasting and sustainable jobs. They also found a range of other, more qualitative benefits. The evaluator believes that these results point to a need for a closer coupling between "hard" investments and "soft" investments (such as competence and organisational development) in the future work of the Funds.

Lessons from the update include:

- Wide-ranging investment support measures tend to be indiscriminate and risk generating significant deadweight. Direct support measures should be targeted and subject to rigorous testing, including cost-benefit analysis.

- "Soft" measures such as provision of services and the creation of networks/clusters can be very effective. A carefully crafted and targeted combination of this with direct investment probably represents the optimum strategy. However, service provision and networking/clustering should not be wish-driven, but based on something which is happening in the real economy.

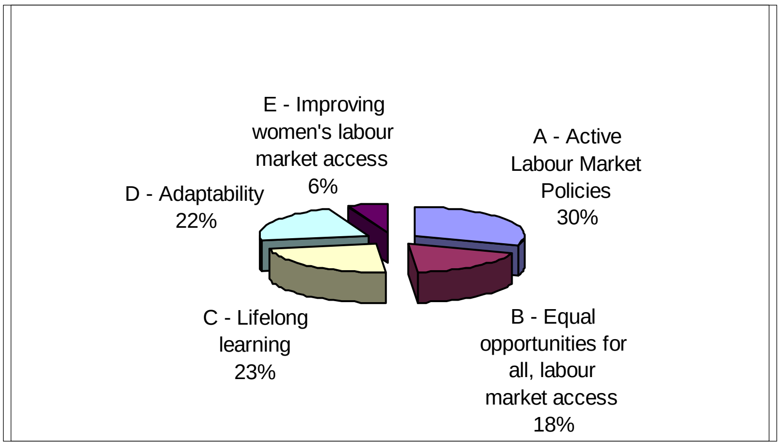
- Finance is a crucial issue for SMEs, but any scheme for this needs to be user-friendly enough for firms to access.

- Measures to support entrepreneurship are proving effective. However there is a need to reinforce measures aiming to promote entrepreneurship among disadvantaged population groups.

Employment and the labour market

The European Social Fund accounts for approximately €62 billion or nearly one third of the budget of the Structural Funds. The proportion of ESF in public spending on labour market policies varies considerably across the Member States (from a couple of percent in Denmark to 15% or more in some Member States such as Italy).

Fig. 4: Main categories of ESF expenditure in the EU15 (2000-2006)



Source: DG EMPL. These figures give broad patterns only – there are considerable overlaps between categories and the same intervention can be classified differently from one programme to another. Moreover, these figures understate the priority given to gender equality, since the principle is present in all programming documents. In fact, the Danish and the Dutch approach to gender equality in Objective 3 relies exclusively on mainstreaming. Other Member States follow the dual track approach of gender mainstreaming plus specific measures, in varying proportions.

There is evidence that such measures work and that the benefits are long lasting. For example, the evaluators of the Italian objective 3 CSF used statistical modelling to estimate the impact of training on employment. Depending on the model used, they found that those successfully completing training were 26-31% more likely to be in employment twelve months later.

In England a survey tracked beneficiaries starting from 12 months before a training project until approximately six months after leaving. The overall levels of employment increased by 14%. Moreover, the data suggests that these effects are persistent: a follow-up survey of ESF leavers indicated a substantial long-term increase in employment rates.

The evaluators of the Flemish Objective 3 programme found that participation in training resulted in a faster exit from unemployment in 4 out of 10 cases. They also observed that this is very dependent on the length of unemployment spell prior to the course, the type of training received and the particular target group to which the beneficiary belongs. They therefore recommended that this type of intervention focus tightly on those target groups most likely to benefit from them.

In Greece, the impact of ESF co-funded childcare facilities on women's employability was the subject of a thematic evaluation. The findings are considered crucial in the design of actions in the period 2007-13. Overall, the evaluation showed positive results, confirming that the provision of care facilities is a very important factor enabling women's participation in the labour market.

However, the Greek evaluators found plenty of room for further action and improvement. Selection procedures should be improved in order to better reach specific target populations most likely to benefit from the interventions. Other findings include the need for institutional changes, for example in setting the framework for more part-time work. The percentage of part-time employment in Greece is very low, yet many interviewed beneficiaries still in unemployment expressed willingness to take up a part-time job.

Since the labour market situation and institutions vary widely between Member States, the evaluations allow for few general conclusions which are applicable across the EU. However, the following two points do seem to apply generally:

- the importance of an agreed definition of clear objectives
- the proper identification of and focus on the target groups to be reached

Strengthening institutional and administrative capacity

A sound institutional and administrative capacity within Member States and regions is an obvious precondition for the success of Structural Funds investment, as well as an important factor in economic growth more generally. Previous sections have already given examples where the evaluators commented on a specific sector, eg the need for expert management and long-term commitment and co-ordination in the field of transport. This section reviews cases where the evaluators commented on administrative capacity more generally.

Evaluations found that the new Member States have successfully established the Structural Funds management framework. Moreover, there is already evidence of a learning cycle in terms of management. For example, in Estonia and the Czech republic, evaluators noted how much has been learned in terms of gathering monitoring data and defining indicators, baselines and targets.

For the EU15 the evaluators have also noted improvements in the governance of European Cohesion Policy programmes in the current period. Examples include Italy with better project appraisal, audit and monitoring. Austria has experimented with an original approach to evaluation, involving the collection of detailed information on inputs and outputs considered critical by stakeholders: this has enabled the identification of core causal mechanisms with very little effort.

Moreover, such improvements have often had positive spillovers for other sectors of public intervention – for example, the Irish evaluators noted the effect on national programmes in terms of strategic planning, monitoring and project evaluation.

Various evaluations drew the following lessons for the future:

- Partnership development. More and better partnerships are needed, which reinforce the participation and institutional capacity of local and regional authorities, socio-economic partners, and non-governmental organisations. For example, in Hungary evaluators noted the desirability of involving stakeholders both in the setting and implementation of objectives. For this, clear and regular communication is essential. Following their evaluation, the Czechs are working to make public/private partnership easier.

- More investment in human capital is needed, particularly in the new Member States. The evaluators noted that Cyprus and Malta, as small administrations, face a particular challenge in this respect. However, the issue is a more general one. Training would reduce staff turnover and achieve the numbers and standards needed to satisfactorily implement substantially increased amounts of funding in 2007-2013. Training is needed in all aspects of programme management, in project preparation for potential beneficiaries, and for external bodies involved in, for example, monitoring committees.

- Simplifying and streamlining is needed in respect of public procurement, the development of public/private partnership, clarification of the roles of different bodies implementing Structural Funds, monitoring and evaluation, and data collection and transmission. Poland for example, has already acted on evaluation recommendations along these lines, making application and procurement procedures more simple and transparent.

Conclusions and lessons for the future

The updates to the mid-term evaluations offer a key opportunity to examine results and impacts of European Cohesion Policy programmes. This overview report brings together some of the main findings, with a particular focus on the Lisbon objectives.

In general, the evaluations found many strong positive achievements. Most programmes are on course, achieving their targets. Objective 1 regions are generating growth, investment and jobs. There is strong evidence of Structural Fund success across the whole spectrum of interventions: transport, the environment, knowledge and innovation, SMEs and entrepreneurship, human resources and administrative capacity.

For **transport**, the achievements to date in terms of major roads and motorway mean that much of the work is now done. The priority is now shifting to sustainable transport and filling gaps in the network. Priorities include rail, port projects ("motorways of the sea") and improvements in urban transport and cycle paths.

Management can be a particular challenge in the field of transport, where projects tend to be large, long term and require a high degree of co-ordination. Delays usually stem from prolonged negotiations on contracts and planning issues, the scale of the projects concerned, and difficulties in securing adequate finance. Successful management of transport projects requires agencies with high levels of resources and expertise, plus the long term commitment and co-ordination of all the relevant partners.

The success of past and current investments in **environmental infrastructure**, (particularly water supply and waste collection) paves the way for a greater emphasis in future on "soft" environmental investment. This includes the development of renewable energies, preventative approaches, soil protection, integrated pollution control and awareness-raising.

Such measures are often a natural complement to hard infrastructure. An example is the combination of investment in waste collection with awareness-raising and preventative measures, to manage the rising production of waste across the EU.

The striking gap in **innovation and knowledge** between EU countries underlines the potential for increasing investment in this field in the coming period. Evaluation evidence argues strongly for an "intelligent" approach to R&D: a clear diagnosis of the situation, based on regional strengths, concentrating on a limited number of priorities.

A key to the success of such an approach is mobilising all the relevant players in the long term, including public actors, private firms and universities. In fact, in many cases the best strategy is to invest in networking and technology transfer, rather than concentrating exclusively on building research capacity. Similarly, it is often a good aim to promote flexibility and adaptation to changes rather than to create a unique specialisation.

Support for **SMEs and entrepreneurship** is another priority for the future. However, many evaluations argue against indiscriminate direct support. To avoid deadweight, direct grants need to be tightly targeted and subject to rigorous testing, including cost-benefit analysis.

Moreover, some evaluations found other forms of SME support to be more effective than direct grants – notably access to loan finance and softer measures such as networking and service provision. However, other evaluations noted that existing financial engineering measures are often underused, pointing to the importance of making loan instruments user-friendly.

Investment in training and other **human resources** measures have a clear impact on employability. Moreover the increased probability of employment was found to be long lasting. However, various actions can have quite different impacts and effectiveness according to the individual assisted. It is therefore important to clearly identify the target groups to be reached and to focus on these groups.

There is good evidence of progress in **administrative capacity** in managing the Funds, both in the old and new Member States. Moreover, in some cases, improvements in Structural Fund management have had positive spillovers for other public interventions. For the future, evaluations recommend investment in staffing and human capital, streamlining of administrative procedures and efforts to broaden partnerships to include all the relevant stakeholders.

In sum therefore, the updates to the mid-term evaluations found many positive achievements. If there can be said to be one over-arching **lesson for the future**, it is that European Cohesion Policy programmes need to further increase the focus on softer and more "intelligent" instruments. This includes:

- Soft environmental investment, including prevention and awareness raising;
- Investments in innovation which promote networking, technology transfer, flexibility and adaptation to changes;
- Intelligent, often softer business support (eg networking, service provision and user-friendly loans) rather than direct grants;
- Increasingly well-targeted training actions.

For more information on evaluation, please consult the internet site:

http://ec.europa.eu/regional_policy/index_en.htm