



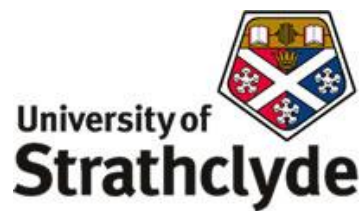
**EVALUATION OF THE MAIN ACHIEVEMENTS OF COHESION  
POLICY PROGRAMMES AND PROJECTS OVER THE LONGER TERM  
IN 15 SELECTED REGIONS**

**(FROM 1989-1993 PROGRAMME PERIOD TO THE PRESENT)**

**(2011.CE.16.B.AT.015)**

**FINAL REPORT  
TO THE EUROPEAN COMMISSION (DG REGIO)**

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## PREFACE

This is the Final Report of the study ‘Evaluation of the main achievements of Cohesion policy programmes and projects over the longer term in 15 selected regions’ (Contract no. 2011.CE.16.B.AT.015) submitted to the European Commission (DG Regio) by EPRC and LSE. The report has been drafted by Professor John Bachtler (EPRC), Professor Iain Begg (LSE), Dr Laura Polverari (EPRC) and Professor David Charles (EPRC), with inputs from Dr Riccardo Crescenzi (LSE), Professor Ugo Fratesi (LSE) and Dr Vassilis Monastiriotis (LSE). Research and administrative support was provided by Stephen Miller (EPRC) and Alyson Ross (EPRC) respectively.

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## EXECUTIVE SUMMARY

Against a background of inconclusive evidence of the results of EU Cohesion policy since 1989, the aim of this study has been to evaluate the main achievements of EU Cohesion policy programmes and projects and their effectiveness and utility over the longer term in 15 selected regions of the EU15. Specifically, the main objectives of the study were twofold: (i) to examine the achievements of all programmes co-financed by the ERDF and, where applicable, the Cohesion Fund, which have been implemented in the 15 selected regions from 1989 to 2012 (regional programmes and national programmes implemented in the regions); and (ii) to assess the relevance of programmes and the effectiveness and utility of programme achievements. The following section summarises the main findings of the study dealing, in turn, with the needs of the regions, the relevance of strategies, then effectiveness and utility of interventions, and the conclusions drawn and policy lessons identified.

### Regional needs and the relevance of strategies

At the end of the 1980s, each of the 15 case study regions faced particular challenges, reflecting their geographical situation and historical background. The main types of needs can be categorised as: major underdevelopment and indicators of disadvantage ranging from a lack of basic infrastructure and services, to skills deficits, often compounded by peripherality or significant internal disparities, in the regions of **Dytiki Ellada, Campania, Norte, Andalucía, Basilicata, Algarve** and **Ireland**; restructuring in regions facing either transition from a centrally planned economy (**Sachsen-Anhalt**) or from an economy dominated by large, declining traditional industries (**Nordrhein-Westfalen, Nord-Pas-de-Calais** and **North East England**); and agricultural modernisation and economic diversification in predominantly rural or peripheral regions - mainly **Aquitaine, Burgenland, Itä-Suomi** and **Galicia**.

All the case study regions were at a relative disadvantage at the start of the period, having significantly lower levels of development relative to either national or EU averages, but with significant differences within the group. Up to 2008, most regions performed worse than the EU average in GVA growth over the period. Only **Ireland** demonstrated a clear virtuous cycle of above-average performance for both output productivity and employment. Others saw some growth based on increased employment or improved productivity, but most struggled to outperform the EU average. Since 2008 many of the regions have seen poorer performance as a result of the recession.

The early ERDF programmes of the case study regions had relatively basic, generic strategies, often with limited assessment of needs; they tried to encompass diverse stakeholder interests with objectives and priorities that were open to interpretation. Initially, there was little pressure to change, and many strategies were remarkably stable during the 1990s. However, programming for 2000-2006 saw substantial strategic reassessments in several regions and even more so for 2007-2013, driven by the Community Strategic Guidelines or changes in eligibility status.

The conceptual basis for programmes has often been weak. Throughout the period since 1989, strategies were not underpinned explicitly by theory or development models, but rather by prevailing assumptions of economic development. Nevertheless, this study found that all the programmes were at least partially relevant to regional needs (in certain periods or for parts of the programme), and almost half the programmes were relevant across the whole period from 1989 to 2012. The main thematic trends over time have involved a greater emphasis on R&D and innovation, more support for entrepreneurship and more sophisticated SME interventions, the mainstreaming of urban regeneration and a specific focus on community development.

In the early periods, programme objectives were generally neither specific nor measurable due to a lack of quantified targets and non-existent or inadequate monitoring systems. The attainability of objectives was also questionable: strategies were mostly overambitious and did not recognise the limited potential contribution of the ERDF programmes in the wider economic and policy contexts. Even if quantified, programme targets often required adjustments during the programme period. However, the vagueness of objectives allowed managing authorities to report 'success' or interpret effectiveness in different ways. Programme objectives were usually not timely, in the sense that achievement of objectives was likely to take much longer than the programme period - a factor that was not always acknowledged. While the 'SMART' character of programme objectives improved over time, it is currently still some way from being fully achieved, either because of deficiencies in programme design or delays and difficulties with the operationalisation of monitoring systems.

In the Convergence regions, the ERDF actions usually consisted of a combination of regional and national thematic OPs. Good integration and synergy were facilitated by several factors: the existence in each programme period of an overarching strategy; a dominant role of national government departments in designing the programmes; and/or a comprehensive planning system. However, this was not the case in all countries. Among Regional Competitiveness & Employment (RCE) regions, there was a lack of coordination in the earlier periods between Objective 2 and Objective 5b programmes in adjacent areas, as well as with Community Initiatives (e.g. **Aquitaine**). The latter did have an important role, though, in testing new concepts and types of project that were later mainstreamed in the core ERDF programmes.

Synergies with domestic programmes were largely determined by the need for matching funding. Consequently, ERDF and domestic programmes co-funded projects or business aid schemes. The relationship between EU and domestic policies depended partly on the importance of ERDF funding for economic development. In several less-developed regions, Structural and Cohesion Funds were often the only significant policy support for regional development; domestic regional policies either did not exist or were fully subsumed into Cohesion policy (e.g. **Norte**). In some RCE regions, where EU funding was a minor part of economic development support, the relationship between EU and domestic regional policy was difficult, with tensions during programming because of different objectives, priorities or funding modalities and a lack of coherence.

## Effectiveness

Effectiveness is defined as the extent to which programme objectives were achieved. This was assessed by examining the achievements in relation to the overarching goals of programmes and the targets relating to specific measures and/or priorities.

Over the period from 1989 to the present, more than €145 billion of ERDF are estimated to have been spent in the 15 regions. Infrastructure spending predominated up to 2006 in the Convergence/Objective 1 regions, followed closely by enterprise support and a growing proportion of expenditure on social cohesion and labour market support from 2000 onwards. The situation was similar in the Transition regions at the outset, but with a more diversified profile over time, notably enterprise support, structural adjustment and innovation. The three RCE/Objective 2 regions focused heavily on enterprise support in the first three programme periods, but with a growing shift towards innovation and social cohesion.

In 1989-93, the reporting of achievements was almost non-existent. Over time, programme authorities developed targets and indicators, both of outputs and results, although this not undertaken systematically or comprehensively across all regions. Monitoring processes improved, as did the sophistication of targeting, the attention paid to economic results and choice of output indicators. However, the reliability of indicator data remains problematic due to definitional, recording, aggregation and analytical flaws.

Objectives were often over-optimistic in the early periods, reported achievements were sometimes only a fraction of the targets originally set. In the later programmes, objectives and targets were calibrated more realistically. The study's aggregation of the qualitative assessments undertaken in each of the case study regions suggests that programmes were effective in meeting objectives, even if only defined in terms of outputs.

However, the degree to which needs were met varied considerably across regions and programme periods. It is notable that those objectives which relied on public sector intervention - for example, the development of physical and business infrastructure and services, or environmental improvement - appear to have been more readily achieved. Regions were able to set targets for such spending and largely meet them, although some projects were so large as to run over more than one programme (e.g. **Dytiki Ellada**). Objectives dependent on entrepreneurial activity or funding by the private sector have a mixed record; there were common problems in achieving objectives relating to the business start-up rate, innovation and technology transfer, and employment creation. Success in promoting innovation depended on the development of a regional innovation system rather than just investment in public research (e.g. **North East England**), which some regions were slow to appreciate. Regions also failed to recognise the need for a systemic approach to entrepreneurship, encompassing the promotion of an enterprise culture as well as training, finance and incubators.

## Utility

Utility is defined as the extent to which programmes led to impacts that are in line with 'society's needs and the socio-economic problems to be solved', which may differ from the

goals explicitly stated in the programmes or which may not have been stated explicitly in the programmes.

Four regions classed as undergoing transition/restructuring were able to counter the legacies of their industrial past, but achieved less in relation to social goals (**Sachsen-Anhalt, Nordrhein-Westfalen, Nord-Pas-de-Calais and North East England**). In rural regions, there was undoubted improvement in connectivity within and between regions, but also tensions between agglomeration in urban centres and the continuing needs of rural areas (**Aquitaine, Burgenland, Itä-Suomi and Galicia**). There were more differences in the results among the regions that had followed broad-based strategies to deal with diverse needs, partly because of the exceptional performance of **Ireland**. In the other regions (**Dytiki Ellada, Campania, Norte, Andalucía, Basilicata, and Algarve**), a key finding is that the utility of interventions can often be fragile, emphasising the long time-scales involved in profound transformation and the need for perseverance.

The case studies demonstrate that ERDF has made a significant contribution to regional development; quality of life is better, certainly in the regions which invested massively in basic infrastructure and services (e.g. **Andalucía**). However, in virtually all regions, the success in addressing certain needs and problems were only steps on a longer journey of transformation. Most commonly, the regional research found that restructuring was incomplete, and employment creation was insufficient. Also, specific problems remain, such as demographic challenges, low innovation, poverty and organised crime (e.g. **Campania**). Further, it should be noted that changes in regional needs and problems were sometimes territorially uneven. A major concern is that maintaining the capital investment and institutions established with Cohesion policy support is a challenge for some regions, and that the economic crisis and fiscal constraints are undoing some of gains. Finally, there is evidence that ERDF played a part in changing the culture and mentality of regions, particularly their internal and external image (e.g. **Nord-Pas-de-Calais**).

## Conclusions and lessons

The research demonstrated improvements in the sophistication of strategies (evidence base, analysis and strategic focus) and programme management (project selection, monitoring, evaluation) over the study period, with considerable learning over time, albeit unevenly across the 15 regions. All of the regional case studies cited examples of successful interventions or projects, collectively spanning the spectrum of economic development support. However, there were also many examples of poor practices where regions were slow to learn from what was happening elsewhere. A major difficulty, reported in almost all regions, was the fragmentation of funding across too many interventions or small projects. Over time, there was greater recognition of the need to concentrate funding on fewer and larger projects.

The most important lesson is the benefit of sound and rigorous strategic planning. The research also highlighted the importance of a development model which recognises that structural adjustment is a societal as well as an economic process, the need for realism about the long-term timescale required for structural change, and the need for strategies to be flexible.

A further important factor is an enabling domestic policy framework and the existence or development of institutional capacity and leadership, crucial to successful programming and implementation. Capacity deficits were particularly evident in project generation, appraisal and selection, the monitoring of physical outcomes and the development of an evaluation culture.



## 1. INTRODUCTION

The context for this study is that, after more than 20 years of implementing EU Cohesion policy in the EU15, the evidence for the effectiveness of the policy is inconclusive. Academic research and evaluation studies have reached widely differing conclusions on the results of interventions through Structural and Cohesion Funds. At the same time, public debate on the performance of the policy has increased, most evidently in the discussions on the reforms of Cohesion policy in 2005-06 and 2012-13. Against this background, the aim of this study has been to evaluate the main achievements of Cohesion policy programmes and projects and their effectiveness and utility over the longer term in 15 selected regions of the EU15, from 1989 to 2012. For twelve of the regions, the research covers the three full programme periods following the 1988 reform of Cohesion policy (1989-1994, 1994-1999 and 2000-2006) and much of the current (2007-2013) programme period. Of the three remaining regions, the time period for one (in East Germany) is from 1991, and for the other two (in Austria and Finland respectively) is from 1995.

Specifically, the objectives of the study were twofold:

- to examine the achievements of all programmes co-financed by the ERDF and, where applicable, the Cohesion Fund, which have been implemented in the 15 selected regions from 1989 to 2012 (regional programmes and national programmes implemented in the regions); and
- to assess the relevance of programmes and the effectiveness and utility of programme achievements.

In line with the Terms of Reference, the study began with the development of a theoretical and methodological approach for the research, involving a literature review and stock-take on programme performance and the development of methodology to evaluate achievements from various programmes. The methodological approach adopted was a theory-based evaluation, the essence of which is to assess whether the programmes implemented by the regions achieved what they were designed to do and whether what they achieved dealt with the needs of the region (as identified at the start of the process). What is distinctive about this methodology is that it does not try to establish a direct causal link between the Cohesion policy interventions and changes in standard macroeconomic variables at regional level, such as GDP per head or the unemployment rate. Many previous econometric studies have attempted to evaluate regional policy in this way, but have typically been unable to arrive at unambiguous conclusions, because of the sheer difficulty of identifying both what would have happened in the absence of the regional policy intervention (the counter-factual) and in disentangling the effects of Cohesion policy from other influences on regional performance.

Whilst not denying the importance of knowing whether or not regional policy contributes to growth and employment, the focus of theory-based evaluation (as interpreted for this study) is on understanding what it was that policy-makers sought to change, and how what was done was expected to transform the region. It addresses the logic behind the policy

interventions, whether such logic was appropriate for regional circumstances, and how policy evolved as initial needs were met and new ones had to be confronted. The approach recognises that regional development theories have themselves evolved over the period studied, as has the wider context in which Cohesion policy is implemented, notably because of major EU strategies such as Lisbon/Europe 2020 (Nordregio, 2009; Begg, 2010; Mendez, 2010).

In the early years of the period under study, enhancement of infrastructure was regarded as a necessary condition for regional development and was a favoured policy, especially in many lagging regions (see, for example, Biehl, 1992; de la Fuente and Vives, 1995; Bachtler and Gorzelak, 2007). The logic behind these interventions was that unless regions had sufficient levels of physical capital, they would be systematically disadvantaged in comparison with more developed competitor regions, not least in attracting inward investment. Human capital investment and efforts to promote enterprise were also typical of this era. By the end of the 1990s, underlying theories of regional development were paying increasing attention to sources of endogenous growth, with innovation and research-led economic development stressed in policy packages (Malecki, 1997 - and many other publications; Cheshire and Magrini, 2000; Rodriguez-Pose, 2001). These orientations accorded with the Lisbon agenda and, to varying degrees, also gave greater prominence to social cohesion as a determinant of economic growth.

The theory-based approach was explained in more detail in the Inception Report and the First Intermediate Interim Report of this study. Based on it, the core of the research was 15 regional case studies conducted in three types of region:

- regions eligible for Objective 1/Convergence support from 1989-1993 to the present (six regions);
- regions eligible for Objective 1 or 6 at one time, but now have Phasing-in/out or Regional Competitiveness & Employment status (six regions); and
- regions partially or wholly eligible for Objective 2 / RCE status from 1989-1993 to the present (three regions).

The list of case study regions agreed with DG Regio is set out in Table 1. Two of these were nominated as 'pilot regions' - North East England and Basilicata - where a first phase of research was conducted to provide lessons and a model that could be incorporated into the other case studies. In practice, North East England was the main pilot case study that served this purpose.

The case study research was carried out by 15 regional teams working in each of the regions, working to a methodology prepared by the EPRC-LSE core team. Using a mix of desk research and fieldwork interviews with a wide range of respondents and consultative workshops, each case study involved five main elements:

- a context analysis of regional features and needs;
- a programme analysis of the evolution of strategies and expenditure;



- an analysis of reported and actual achievements;
- an assessment of achievements against objectives and needs; and
- an assessment of complementarities and synergies of the funding and the lessons to be learnt.

A central thread of the analysis was the use of ‘thematic axes’ (or themes) as a framework for understanding the programmes and their achievements. These were: innovation; enterprise; structural adjustment; infrastructure; environment; labour market; social cohesion; and territorial cohesion. The case study research was supported by central guidance on all aspects of the research, including an analysis for each case study of regional needs based on international data sources, and an online questionnaire survey of stakeholders. The outcome of the research has been brought together in case study reports for each region, published separately.

**Table 1: Case study regions**

Country	Objective 1 / Convergence	Phasing-in/out	Objective 2 / RCE
Austria		Burgenland	
Finland		Itä-Suomi	
France		Nord-Pas-de-Calais	Aquitaine
Germany	Sachsen-Anhalt		Nordrhein-Westfalen
Greece	Dytiki Ellada		
Ireland		Ireland	
Italy	Campania	Basilicata	
Portugal	Norte	Algarve	
Spain	Andalucía, Galicia		
United Kingdom			North-East England

The final task for the study has been a cross-case study assessment of the relevance of programme strategies and of the effectiveness and utility of programme achievements. This has been undertaken by the core team, principally through a synthesis of the findings of the 15 case study reports but also a quantitative analysis of the expenditure data and Cambridge Econometrics data to assess the effectiveness and utility of the ERDF funding over the study period.

This is the Final Report of the study draws together the findings from the case studies. As with the individual case studies, the structure begins with an overview of the evolution of regional needs, the programme strategies and expenditure. It then sets out the main achievements of the programmes, and - on the basis of the quantitative research, supplemented by qualitative findings - analyses their effectiveness and utility. Complementarities and synergies, assessment of critical success factors and weaknesses, and the lessons learnt - with detailed suggestions for the improvement of programme design, implementation, results-orientation and achievements - are also presented. The last section draws together the conclusions of the report.

A final cautionary point is that this report is a synthesis of the findings. For the most, it does not seek to aggregate data or information on the results of programmes across periods or countries. The range of different sources used to reconstruct the evolution of programmes from 1989 to 2012, and the questionable accuracy of some of the data, made this impossible. Instead, the report seeks to tell a story of how Structural and Cohesion Funds have been used and what they achieved in the different regions covered by the study.

## 2. EVOLUTION OF NEEDS IN THE 15 REGIONS

Evaluation of the achievements of Cohesion policy must start with an assessment of the needs and problems of the regions assisted and how they evolved over time. This chapter draws together evidence from the case study research in each region, combined with EU-level statistical data, to illustrate how regional needs or contexts have evolved since 1989.

The chapter begins by reviewing regional development problems and needs in the mid/late 1980s, grouping the problems under the headings of major underdevelopment, sparsity and peripherality, industrial decline and restructuring, and spatial and labour market disequilibria. The chapter then examines the development paths of the regions according to GDP per head and unemployment over the period 1989-2008. Growth performance is analysed according to a framework introduced by Camagni (1991) and developed by Affuso *et al* (2011) which identifies six patterns of regional growth; initial needs and their evolution are discussed according to these six patterns. Further insights are provided through a qualitative assessment of the evolution of regional needs under the eight thematic axes which are used throughout the study as a framework for evaluation.

### 2.1 Initial Regional Development Problems and Needs

At the start of the study period (mid/late 1980s), all the case study regions were relatively disadvantaged, as befits recipients of ERDF funding. They had significantly lower levels of development, as measured by GDP per capita for example, whether relative to their national averages (e.g. **North-East England**), relative to the EU average (e.g. **Dytiki Ellada**) or both. In the late 1980s, GDP per capita, measured in constant 2000 prices, ranged from less than €10,000 in the case study regions of Spain (**Andalucía, Galicia**), Portugal (**Algarve, Norte**) and Greece (**Dytiki Ellada**) to near or above €20,000 in **Nordrhein-Westfalen, North East England** and **Aquitaine** - against an average EU15 GDP per head in 1989 of €17,239 (according to Cambridge Econometrics data). The principal explanation for these differences is the relative prosperity of the respective Member States, and these national differences mean that there is a degree of heterogeneity among the regions - both those initially designated as Objective 1 and those designated as Objective 2 in 1988.

The nature of needs and the main economic-development problems facing these regions varied greatly. There were differences in fundamentals, such as accessibility, various forms of infrastructure, industrial composition/specialisation, as well as in the relative performances of national economies. Partly for the latter reason, the regions differed significantly in terms of the vibrancy of their labour market. Unemployment rates were significantly higher - and well above the national and European averages - in de-industrialising **North East England**, in remote and sparsely populated **Itä-Suomi**, and in the more agricultural economy of **Andalucía**. However, they were significantly lower (and closer to the national averages) in regions such as **Burgenland, Dytiki Ellada, Algarve** and **Norte**. In some regions, unemployment (and employment loss) had started to become a more pressing issue because of long-term structural shifts. This was the case in **Sachsen-Anhalt** (because of the post-communist transition), **Basilicata** (because of falling agricultural employment) and **Campania** (which under-performed relative to the national

average because of weak industrial development, but where the unemployment rate may have been overstated because of the size of the shadow economy). Although less pronounced, a rise in unemployment associated with structural change in the economy also characterised the two case study regions of France (especially **Nord-Pas-de-Calais**).

Despite having, broadly speaking, similar initial conditions of relative underdevelopment (as measured by GDP per head) and/or unemployment, the case study regions represented a broad range of structural characteristics and associated needs. Drawing together the analyses undertaken, four main groups of problems and sets of development needs can be identified among the three groups of regions investigated:

- a) major underdevelopment characterised by shortfalls across all indicators;
- b) sparsity of population and peripherality (either geographical or in terms of connectivity), with the two often going together;
- c) a generally weak economic base, manifested in an over-specialisation in declining traditional heavy industries, agriculture or other low value-added traditional activities, coupled with an under-representation in high-growth, higher value-added sectors; and
- d) the presence of disequilibria in regional economies, such as problems of skill mismatch (typically due to deindustrialisation) or of inactivity and weak labour supply, or spatial disequilibria such as between urbanised coastlines and rural interiors.

However, many of the regions exhibited more than one sort of problem or development need with, for example, interactions between weak connectivity and declining industries (**Basilicata**) or between the decline of a traditional industrial base, skills mismatch, environmental problems and weak entrepreneurship (**Nord Pas de Calais**). Some regions such as **Campania**, **Andalucía** or **Norte** fit into all four groups. In this sense, needs can cumulate in a manner which constitutes multiple deprivation. Hence the distinctions are less a typology of regions as such, but more an identification of the dimensions on which each of the regions can be assessed.

### ***2.1.1 Major underdevelopment***

The most fundamental challenges were faced by regions characterised by major underdevelopment and disadvantages ranging from a lack of basic infrastructure and services, to deficits in skills, often compounded by peripherality (national or European) or significant internal disparities. Regions in this category were **Dytiki Ellada**, **Campania**, **Norte**, **Andalucía**, **Galicia**, **Basilicata**, **Algarve** and **Ireland**, all classified in 1989 as Objective 1, as was **Sachsen-Anhalt** after German unification, in recognition of the breadth of their challenges. The regions experienced needs across almost all of the eight thematic axes, although the character of some of those needs may have been different to those in the other groups of regions. An example is a relative lack of entrepreneurial activity which was a problem for almost all regions, but which was typically very different in the underdeveloped regions compared with regions dominated by larger firms in declining

industries. By contrast, the problem in the underdeveloped regions was that the enterprise base not only consisted largely of small and micro businesses which were traditional in nature, but also lacked connections to large companies or to external networks.

The breadth of problems results in difficulties in using analysis of needs to set priorities in the development of strategies, despite the relatively generous resources allocated to these Objective 1 regions in the earlier programmes. Regions had to make tough decisions about which needs were to be prioritised, often with the added constraint of conforming to Structural Funds regulations and navigating multiple Operational Programmes with objectives which could be difficult to reconcile. Inconsistent or incompatible domestic economic development policies also created complications. Prioritisation would also usually have consequences for the internal disparities or disequilibria due to the difficulty of raising performance on several thematic axes across the whole region simultaneously. A particularly hard choice lay in deciding between providing general social and infrastructure development across the whole region, and a focus on industrial development which could require agglomeration in selected urban centres or (for example in **Campania**) choosing between development models targeted at large or small firms.

### ***2.1.2 Sparsity and peripherality***

A second set of problems characterised regions with relatively low population densities, weak urban agglomerations (for some), rurality and depopulation. The regions concerned were **Galicia, Algarve, Basilicata, Itä-Suomi, Dytiki Ellada, Burgenland** and **Aquitaine** - all of which are relatively remote within their national setting. With the exception of Aquitaine, which was designated as Objective 2 and 5b, these were regions eligible for the highest levels of Cohesion policy funding because they were Objective 1 or Objective 6 regions. For most of these, transport infrastructure and internal and/or external connectivity (to major markets) was also a significant problem. A major challenge for these regions was to develop new models of development able to boost employment opportunities in rural areas, often through tourism, but also through the development of localised centres for industry and services.

Over the study period, most of these regions saw improvements in transport infrastructure, from modest to substantial. Nevertheless, the demographic patterns and the problems of connectivity have not been reversed in all cases; here, the very long-term nature of the investment need has to be taken into account, as major projects have spanned two or more programme periods. The problems of rurality, accessibility and population sparsity affecting regions such as **Dytiki Ellada, Basilicata** and **Itä-Suomi** are facts of life with which they are likely to have to contend indefinitely, given their geography. In contrast, the regions of **Aquitaine, Galicia** and **Algarve** (as well as those of **Norte** and **Andalucía**) have managed to combine improvements in transport infrastructure with a more general improvement in accessibility and geographical and functional connectivity. These regions also saw notable improvements in the technological content of their production base and - at least to an extent - improvements in their sectoral specialisations and extent of industrial diversification. A similar claim can be made for the semi-rural but generally speaking more developed regions of **Aquitaine** and **Burgenland**. The remoter rural parts of some other regions had some exposure to the problems of peripherality (**North East England**) or

accessibility difficulties (**Basilicata, Campania and Andalucía**). These trajectories suggest that among the regions exiting from Objective 1/Convergence status, some have substantially overcome connectivity problems (**Algarve**), but others have not (**Basilicata**).

### ***2.1.3 Industrial decline and restructuring***

The regions which faced problems relating to industrial decline and restructuring were **North East England, Nordrhein-Westfalen Nord-Pas-de-Calais, and Campania** as well as the region of **Sachsen-Anhalt** - although from the very different starting point of transition to a market economy. Elsewhere agricultural decline was a common problem, although regions such as **Norte** also suffered from the decline of traditional and craft-based industries. The regions subject to these sorts of restructuring challenges were not confined to the Objective 2/RCE group, making clear that there can be multiple causes of difficulties among the three groups of regions covered in this study. Industrial restructuring problems were perhaps more difficult to address, as they reflected skills mismatch in the labour market and, eventually, inactivity and structural unemployment. For the regions transitioning from traditional industry or centrally planned economies, the needs tended to be more focused around economic transformation (enterprise, innovation, skills) and the consequences of restructuring in terms of derelict land and replacing outdated infrastructure. Social needs were usually a secondary issue and consisted more of how to deal with the consequences of deindustrialisation (pockets of high unemployment) rather than widespread needs for hospitals and schools. The central issues were halting decline and rebuilding employment, and converting the often polluted sites of old industry (e.g. mines and steelworks) for new industries and incubators.

The regions in this category all made substantial progress in improving the business environment, upgrading their technology content and diversifying their production base. For some, this was combined with improvements in transport infrastructure and functional connectivity (**Nord-Pas-de-Calais, Sachsen-Anhalt, North East England**). For these regions, the role of national economic performance was perhaps more central, as national growth was necessary to assist the restructuring and opening-up of the economies of these regions. It appears that outcomes improved faster in cases where the public sector took a more active role in addressing problems of industrial decline, lack of diversification and unemployment (e.g. **North East England**). However, in the current context of crisis and associated austerity budgets, the sustainability of these supporting mechanisms is under strain and familiar economic problems may be resurfacing

### ***2.1.4 Spatial and labour market disequilibria***

Spatial imbalances or disequilibria in the labour market were, in some cases, particularly pressing in 1989 in some of the deindustrialising regions of the 'north' and in some of the more traditional economies of the 'south'. Spatial asymmetries were evident in the regions of **Galicia, Campania and Norte** (coastal-inland dichotomy), in **Dytiki Ellada** (Peloponnese-mainland dichotomy), as well as in **Aquitaine, North East England, Basilicata** and - especially - in **Ireland** (urban-rural dichotomy). Some of these regions sought to address these problems mainly through investment in internal transport infrastructure (e.g. **Dytiki Ellada and Basilicata**). In other cases, spatial imbalances were addressed not only through

transport infrastructure investment but also through industrial restructuring (e.g. through supply-chains between the more traditional and the more dynamic/high-tech segments of the local economies), economic diversification measures (e.g. to support tourism in rural areas), social infrastructure (e.g. nurseries, schools, hospitals) and regeneration of town centres. For some regions, industrial restructuring led to the emergence of supply side pressures and skill shortages (e.g. **Galicia** and **Andalucía**). Such skill mismatch pressures have also emerged, or persisted, in the ‘north’ regions of **Nord-Pas-de-Calais**, **Nordrhein-Westfalen**, **Sachsen-Anhalt** and **North East England**.

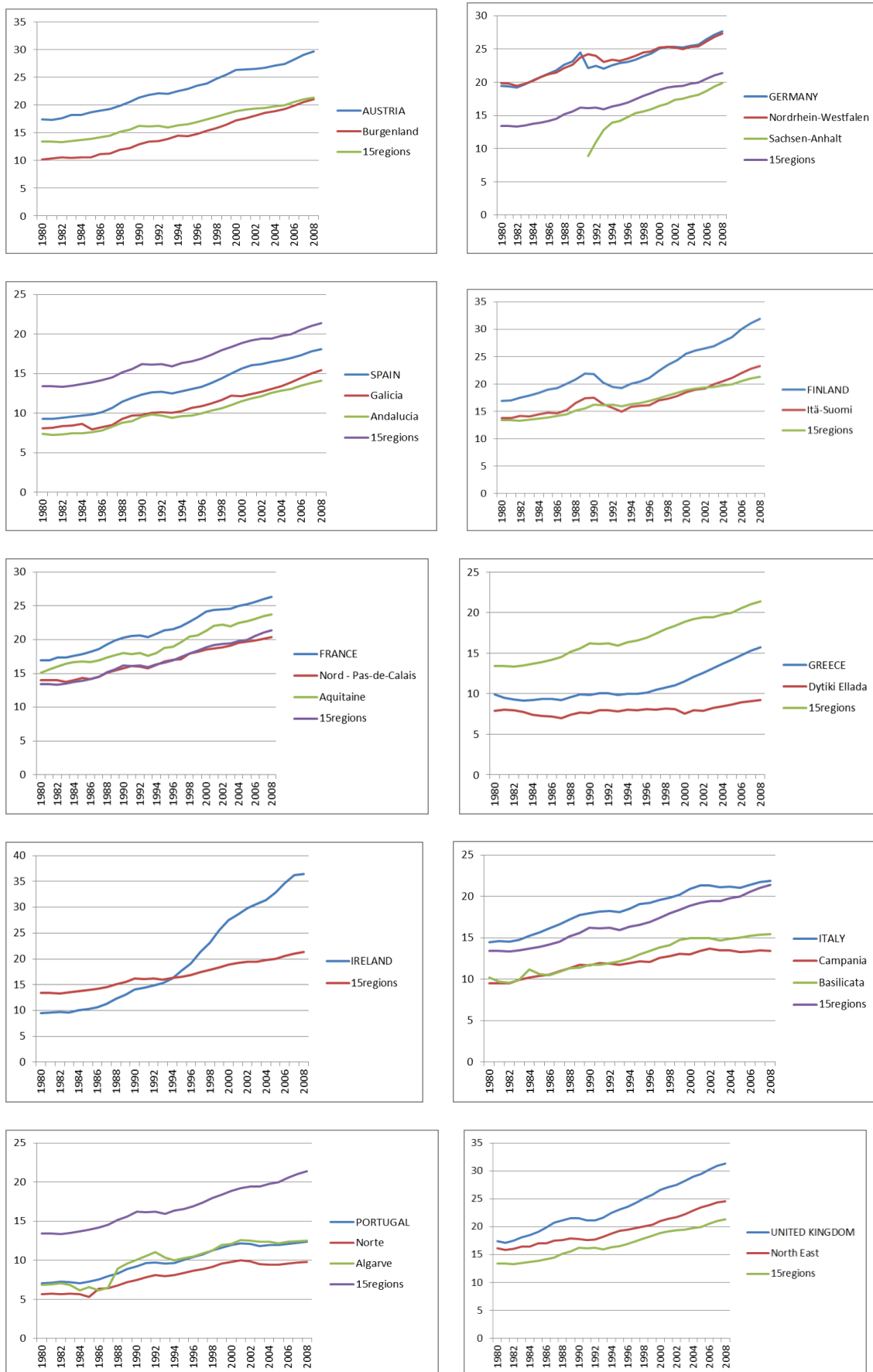
## 2.2 Development paths in GDP and unemployment: 1989-2008

The evolution of GDP per head and unemployment rates for the 15 regions relative to national trends and for the group as a whole is shown for each region in Figure 1 and Figure 2. Given the diversity of the regions examined, and the corresponding performances and needs, as well as the long time-frame of the analysis, it is difficult to establish a general trend, or classification. Although analysis of the comparative evolution of the case study regions reveals a notable degree of mobility, regional evolutions appear to be neither linear (e.g. towards general improvement) nor universal (in the sense of applying similarly to all regions). To the extent that a general pattern can be identified, it is that regional evolution has largely followed the wider national trends.

In terms of economic indicators, the regions of Italy (**Basilicata** and **Campania**) and Greece (**Dytiki Ellada**) experienced substantially lower rates of economic growth compared both to the national and European averages and thus fell further behind, despite being amongst the top recipients of regional assistance (and despite the fact that episodes/periods of convergence can be observed - e.g. Basilicata for the period 1992-1999 and again in the mid-2000s). Other regions generally followed their national trends, including for example the regions of Spain (although here there was still some divergence), **Nordrhein-Westfalen** (which in specific years outpaced national growth rates) and **Burgenland** (which, while still below the Austrian average level of GDP per capita, has converged relative to the EU15). This suggests that whether or not a region is in the Convergence or RCE group has not been the critical issue. Divergence from the national average but with good growth performance characterised regions such as the **North East England**, **Itä-Suomi** and the two case study regions in France, while growth performance was much stronger, leading to fast convergence towards the European average, in **Sachsen-Anhalt** (especially in the 1990s after the ‘transition shock’) and in **Ireland** (especially since the mid-1990s).

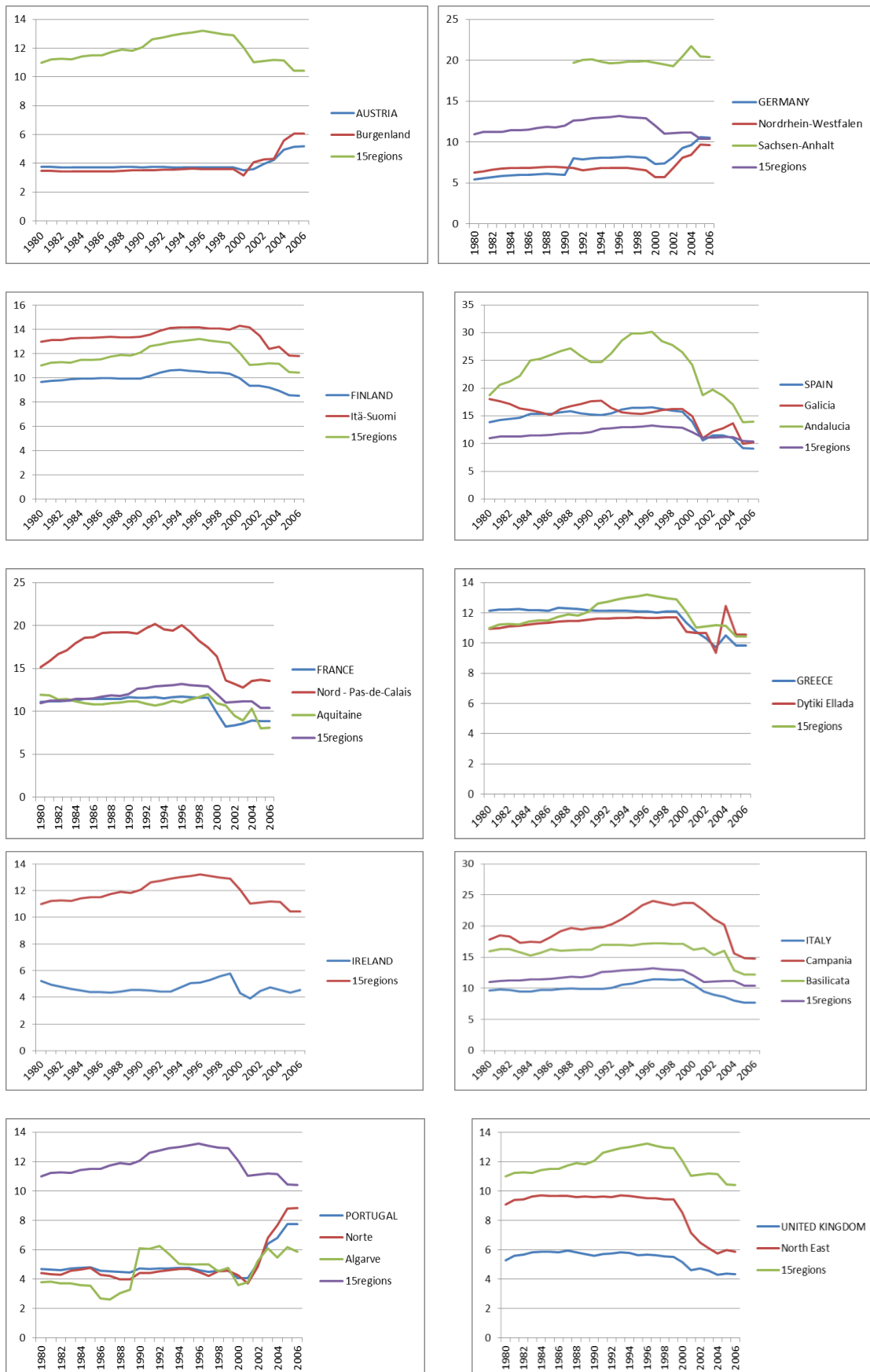
There is no easy link between the initial status of a region and its subsequent performance. By definition, the regions classed in 2007-13 as Phasing-in/out manifestly achieved more than some of their counterparts, because from similar starting points they had grown sufficiently to exit convergence status by mid-2000s. Yet as the most recent data show, these gains proved to be vulnerable to the crisis. For **Itä-Suomi** and **Burgenland**, relatively strong national performance was influential in their convergence with EU averages. Equally, a question that underlies much of the analysis which follows is why some of the regions that remain in the Objective 1/Convergence group did *not* break out of this category despite similar levels of support from Cohesion policy and similar initial positions.

**Figure 1: Comparative evolution of GDP per capita (€'000, constant 2000 prices)**





**Figure 2: Comparative evolution of unemployment (%)**



The relationship between growth performance and other indicators was surprisingly varied. In **Itä-Suomi**, **Ireland** and **North-East England** growth was accompanied by a strong and steady reduction in unemployment rates, which continued uninterrupted at least until the financial crisis of 2008-2009. By contrast, unemployment in **Sachsen-Anhalt** rose rapidly in the early 1990s and stayed high at least until the mid-2000s, as economic growth was driven much more by gains in labour productivity than in employment; while it followed an upward trend (but much more modestly so, until the recent crisis) also in **Dytiki Ellada**. Unemployment followed a rather cyclical path in most other regions. It rose disproportionately in the 1990s but started declining in the 2000s in the case study regions of France, Italy and Spain. The two Portuguese regions experienced similar, but less pronounced cyclical fluctuations during the 1990s, but after the launch of the euro both saw relatively rapid increases in unemployment rates. In **Burgenland** and **Nordrhein-Westfalen** unemployment rates fluctuated around the historical mean, remaining close to the national average.

### 2.3 Analysing growth performance

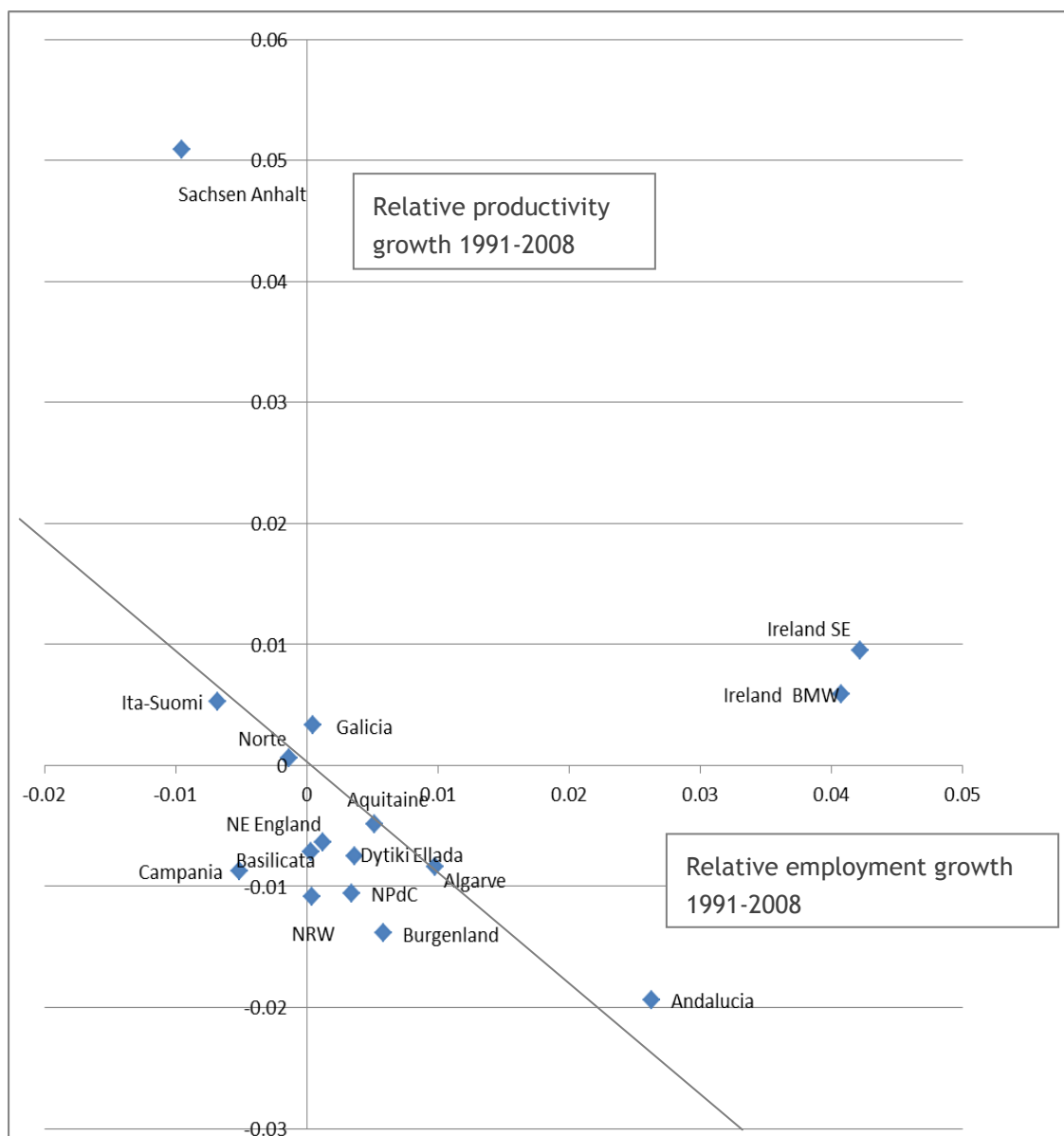
Further insights into the dynamics of output and employment growth can be gleaned by examining changes over time relative to the EU average. Patterns of employment and productivity growth can be shown in a single chart<sup>1</sup> by plotting productivity growth against employment growth. This decomposition can reveal whether change in the economy stems from productivity gains arising from new and efficient firms or by the ‘dropping off’ of inefficient production.

This approach presents productivity and employment change relative to the EU27 over the period 1991 to 2008 (see Figure 3). A region may develop at the same rate as the EU Gross Value-Added either if both productivity and employment grow at the same rate as the EU average, or if productivity increases at a lower rate, but employment does so at a proportionally higher-than-average rate, and vice versa. This is shown by the diagonal line. If a region is above this line, it increases its total GVA more than the EU27 average; if it is below the line, the GVA growth rate is below average.

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<sup>1</sup> In a form introduced by Camagni (1991) for manufacturing and extended to the whole regional economy by Affuso *et al.* (2011). Relative employment growth is on the horizontal axis, and relative productivity growth is on the vertical axis. A 135° negatively sloped line passing through the origin denotes regional gross value added (GVA) growth equal to the average. For this analysis, productivity and employment data were used for the period 1991-2008. 1991 data rather than 1989 were used as the starting point as the 1989 data were not available for one of the regions. 2008 was used as the end point rather than 2010, which is the most recent year available, as the 2009 data shows dramatic drops in most of the regions as a result of the global financial crisis and hence the final year would have a dramatic and in some respects a random impact on the overall trend.

Figure 3: Relative productivity and employment growth, 1991-2008



The performance of the 15 regions is assessed here over the majority of the study period. Analysis of performance in each of the programme periods can give quite varied results as some regions grew more rapidly in one period rather than another. As these outcomes are lagged from the spending, an analysis by programme period is likely to be misleading, so the general trend is the main focus of this discussion.

Figure 3 indicates that most of the regions performed worse than the EU average in growth of GVA over the period (that is they lie below the diagonal line), although their distribution across the graph indicates different patterns of regional economic development. Plainly, there is no straightforward inference to be drawn about the three categories of regions studied. Phasing-in/out regions are to be found on both sides of both the dimensions of the chart, while the three RCE regions are close to the centre of the chart, albeit a little below. **Aquitaine**, which is more rural (with a preponderance of Objective 5b funding during the 1990s), does better than the other two RCE regions with regard to employment

growth. Among the group of Convergence regions, **Andalucía** stand out for its employment growth while **Sachsen-Anhalt** is the major exception to the underperformance in productivity for most of the others in this group.

In this chart there are six analytically distinct segments, depending on whether the region is located above or below the EU average for each of the two main axes, and above or below the diagonal line. This gives rise to a terminology, developed by Affuso *et al.* (2011), which can be used to classify the development paths of the regions. The findings for the 15 regions are as follows. Seven of the case study regions lay above the diagonal line of EU average productivity and employment performance, in segments termed ‘virtuous circle’, ‘economic take-off’ and ‘restructuring’.

- *Virtuous cycle* is used to describe a regional economy that exceeds EU average growth as a result of higher-than-average growth of both productivity and employment. In the period under review, which was before the onset of the sovereign debt crisis, only **Ireland**, which succeeded in exiting Objective 1 status, was able to show a consistently good performance in the virtuous cycle segment, with growth in both employment and productivity, although with a bigger emphasis on employment. Both Irish regions (Border, Midland, and Western; and Southern and Eastern) are shown here, and both performed similarly well. **Galicia** lies just inside this segment with a small average relative growth in productivity, but little relative growth in employment.
- *Economic take-off* is when lower-than-average productivity performance is offset by very good employment performance, so that the effect on total value added is positive. **Andalucía** and the **Algarve** both show GVA growth slightly above the EU average and strong employment growth despite a reduction in relative productivity. As neighbours, albeit in different groups for the purposes of this study, they share some common features. In these regions, a rapid expansion of employment explains overall output growth, but the expansion has been in sectors that are performing worse than the EU average, and the evidence in both cases suggests that growth being driven by tourism. **Aquitaine** also has modest employment growth but a slightly better performance on productivity.
- *Restructuring*, when higher-than-average productivity growth is associated with declining employment, leading nevertheless to good GVA performance due to the increases of productivity. **Sachsen-Anhalt** was the only region of the 15 in the restructuring segment, illustrating its dramatic increase in productivity alongside employment loss, suggesting new higher value activities as well as a reduction in low value sectors. Although classed as an Objective 1 region, the specific circumstances of the transition in eastern Germany probably outweigh the direct influence of Cohesion policy.

This leaves the other regions underperforming the EU in categories termed ‘dropping out’, ‘relative decline’<sup>2</sup> and ‘industrial conservatism’.

- *Dropping-out* is when productivity growth is achieved alongside lower than average employment growth usually by the closure of inefficient production units, where the cutting of low productivity activities results in higher-than-average GVA growth. **Itä-Suomi** and **Norte** have recorded a relative reduction in employment as old declining sectors were closed down leaving a relative growth in productivity. Again these findings transcend the specific group to which they are allocated for the present study.
- *Industrial conservatism* is when poor productivity growth is accompanied (and sometimes explained) by better-than-average employment growth, a pattern which is more likely to take place in the presence of public assistance and industrial rescues. Six regions fall into this segment - **North-East England**, **Nordrhein-Westfalen**, and **Basilicata** (all close to the borderline with the ‘relative decline’ segment), **Nord-Pas de Calais**, **Burgenland** and **Dytiki Ellada** - meaning that although they have increased employment it has been accompanied by lower than average productivity growth, suggesting that growth has been in low productivity sectors, perhaps supported by interventions. The fact that there are representatives of all three groups of regions in this category signals that how a region is designated for Cohesion policy purposes may be of limited value as a predictor of its performance.
- *Relative decline* is defined as a vicious cycle in which both productivity and employment perform poorer than the average and even the rationalisation of employment does not restore competitiveness. Only one region performed poorly on both productivity and employment (**Campania**), and appears to be locked into this vicious cycle of relative decline, although an argument might be made about special circumstances associated with implementation of Cohesion policy, rather than this being a reflection of Objective 1/Convergence status.

This analysis is however limited to the period up to 2008 and the onset of the economic crisis. Since then, some of these regions have seen dramatic reductions in GVA and employment giving a different set of results that illustrates the short term effects of the crisis rather than the evolution of regional performance through the study period. The analysis shown here portrays how the regions performed over a period of relatively strong growth.

## 2.4 Evolution of development needs

It is important to note that the performance of the regions relative to national and EU averages has not been consistent across the whole period in the above analysis; analysis for individual programme periods shows that regions move between the segments shown in

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<sup>2</sup> In this context it is preferable to revise the definition used in Affuso *et al.* (1991), who called this segment ‘de-industrialisation’.

Figure 3 as different regions and countries vary in their experience of economic cycles. The analysis of the whole period removes the main effects of such annual variability in performance. The regions have also experienced considerable change in terms of their initial development needs. A summary overview of the main needs of each region at the beginning of the study period, and their evolution in relation to the eight thematic axes outlined earlier, is presented in Table 2. The table indicates how different areas of need are perceived to have changed over the period from when they first qualified for Cohesion policy funding since 1989.<sup>3</sup>

The areas in which most improvement has been made are in the provision of basic infrastructure and essential public services as well as internal and external connectivity. This applies to all the regions where development needs were greatest - **Andalucía, Campania, Dytiki Ellada, Galicia, Norte and Sachsen-Anhalt**, and is what would be expected for Objective 1/Convergence regions. It also applies to infrastructure/services in **Burgenland, Basilicata, Nord-Pas de Calais, Ireland**, and to external connectivity in **Algarve, Burgenland, North-East England and Nord-Pas de Calais**.

For other development needs, the picture is more mixed. **Ireland** is judged to have made the most progress in meeting a broad set of development needs, and a wide range of needs has been addressed at least some extent in **Andalucía, Burgenland, Dytiki Ellada, Galicia, North-East England and Nord-Pas de Calais**. Dealing with enterprise-related development needs seems to have been most difficult across all regions, particularly improving weaknesses in entrepreneurial culture and encouraging the growth of SMEs. The same applies to research, development and innovation (RDI) where little progress appears to have been made in all 15 regions promoting more private R&D investment. Lastly, the table suggests that some development needs have intensified in certain regions, especially in **Sachsen-Anhalt** (notwithstanding the progress made with restructuring noted above) with respect to long-term unemployment, R&D investment and some aspects of social exclusion (see Table 5 of the case study report). The severity of needs also appears to have worsened in the areas of low productivity in **Dytiki Ellada**, social exclusion in **Basilicata** and environmental problems in the **Algarve**. These patterns reflect important and persistent differences among the regions in terms of structural characteristics and corresponding needs.

## 2.5 Conclusions

In the late 1980s, all of the 15 regions had a complex set of problems and development needs at the end of the 1980s. Although there were common problems of low GDP, and high unemployment for some regions, the specific nature of development needs varied greatly. Convergence regions typically experienced under-development across all thematic axes, whilst problems tended to be more focused in regions facing industrial decline. Most regions

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<sup>3</sup> The table is based on qualitative assessments undertaken in the case study research. In representing the evolution of needs, the table does not make inferences in relation to the causal factors that might have driven the described change and, in particular, on whether the change is to be attributed to the intervention of Cohesion policy or other policy interventions. Also, the problems and weaknesses listed are often interrelated.

faced internal disparities, presenting particular challenges for the prioritisation of actions. Notwithstanding similarities in initial needs, the regions experienced different journeys over the study period reflecting a combination of national development trends and regional policy choices.

Although the evidence presented above makes clear that the distinctions between the three classes of regions have shortcomings as a means of classifying needs, the discussion suggests that they nevertheless provide a credible basis for analysis. As a classification, it goes some way towards combining initial conditions and regional characteristics, and evolution of needs as a result of performance in the earlier programme periods. In the terms discussed above in Section 2.1, *major underdevelopment and deficits in all indicators*, from basic infrastructure and services, to human resource skills - often compounded by peripherality (national or European) or significant internal disparities - characterised all the regions in the Convergence and Phasing-in/out groups, but with some obvious differences at the outset in the intensity of these problems. In these two groups, **Sachsen-Anhalt** was somewhat different because of the legacy of its centrally planned industrial economy, and thus has some common ground with the RCE group, while it can be argued that **Burgenland** and **Itä-Suomi** have some features in common with **Aquitaine**. Notwithstanding these caveats, the subsequent analysis retains the three groups based on Cohesion policy designation for analytical purposes.

Table 2: Evolution of regional needs 1989-present (from 1991/1995 for later accession countries)

	Infrastructure		Distribution of econ. activity /spatial disp.		Labour market & human capital				Enterprise				R&D&I	Structural adjustment		Social inclusion		Enviro sust.
	Basic infrastructure essential services	Peripherality / external accessibility	Internal connectivity	Internal disparities	High unemployment and/or hidden economy	Long-term unemployment	Weak education levels	Lack of specialist skills	Weak industrial base	Dominance of micro and small firms	Weak entrepreneurship culture	Low productivity	Weak private sector R&D	Transition or modernis. of primary sector	De-comm./recovery of old industries	Social excl./poverty	Out/immigration/ ageing / commuting	Environmental problems
S-Anhalt	*																	
Dytiki Ellada																		
Campania																		
Norte																		
Andalucía		*																
Galicia	*	*																
Burgenland	* <sub>1</sub>																	
Itä-Suomi																		
NP de Calais																		
Ireland																		
Basilicata																		
Algarve																		
Aquitaine																		
NR Westfalen											2							
N.E. England																		

Key:  Major improvement (\* indicates needs largely met)  Limited improvement  Situation has worsened

Notes: (1) Refers only to water supply and waste water infrastructure. (2) Ruhrgebiet only



## **3. STRATEGIES AND RELEVANCE**

### **3.1 Introduction**

In order to receive ERDF support, each of the regions in the study was required to develop multiannual programmes to identify interventions that addressed the perceived needs of the region. The nature of these programmes varied over time and, to varying degrees, there were multiple programmes for any one period, sometimes with a strategic framework document such as a Community Support Framework and, more recently, a National Strategic Reference Framework. This chapter examines the strategies which shaped these programmes and their evolution over the programme periods. It also examines the priorities and objectives of the programmes and assesses the extent to which they were specific, measurable, achievable, relevant and timely ('SMART'). The chapter then discusses the relevance of the strategies and reviews the complementarities and synergies identified in the case study research.

### **3.2 Strategies in Cohesion policy programmes**

A strategy can mean many different things, sometimes several different things simultaneously. At a simple level, it is a narrative associated with an individual plan, setting out objectives and how they will be achieved. This may be quite mechanistic as a formal planning statement where the steps towards a desired outcome are set out as a blueprint for specific policy actions. Alternatively, the strategy may be a loose framework indicating directions within which a range of participants can develop their own strategies and where the final strategy emerges from a process of experimentation and reflection. Regions typically pursue a spectrum of such strategies, often interacting in ways that can make it difficult to establish what the most important objectives are and the order in which they are to be achieved.

In defining strategies there are a number of other issues to consider. At one level, a strategy might concern the mix of measures and interventions and how these relate to the objectives to be achieved: this is what is usually considered as the programme strategy. However, regions typically obtain support from multiple programmes, so that another level of strategy relates to how the region integrated these various programmes, and what their relationship was with any wider regional development strategy. In the latter interpretation, an overarching strategy may identify what is to be done across a variety of programmes, and may specify the contributions to be made by individual programmes. It may, though, be less prescriptive and could be limited, for example, to how much funding is allocated to different areas of public expenditure.

Where there are multiple strategy documents, plans or programmes at different levels of governance, these may be in different forms. For example, a programme focused on infrastructure might have a planning style of strategy in which the actions are specified precisely at the outset in terms of the roads or railways to be constructed against a particular timetable, whilst a programme for business support may have very much looser

aims and objectives. In the latter it may be that the actual strategy itself evolves over the course of the programme and is, therefore, subject to considerable flexibility.

A related issue is the potential for both explicit and implicit strategies. Each programme agreed under the Structural Funds programmes will have had a written strategy which stated explicitly what was to be done. However, the organisations implementing programmes may, individually or collectively, have had their own goals for economic development which may have differed from these explicit strategies, and may not be formally recorded. Such implicit strategies may influence the application of the funds in ways that lead to divergence from the explicit strategies. This is more likely where regions have underlying aims and objectives which differ from the guidance provided for the Structural Funds; for instance, where the Commission has proposed minimum levels of expenditure around particular objectives.

Further, implicit strategies different to those spelt out in programme documents may emerge during implementation, as a result of a process of adapting programmes to meet practical constraints and unplanned difficulties. A seven-year timeframe is relatively long in public policy terms; reflecting this, Structural Funds regulations acknowledge the possibility of shifting resources between areas of spend, modifying the relative weight of instruments implemented, and introducing new instruments or refining criteria for selecting projects (with latitudes and modalities which can be changed from one programme period to another). These changes to the content of programmes, which may be introduced without altering the description of programme goals or priorities, mean that the strategies actually pursued may be different to those formally stated, but without explicit recognition of this.

It follows from this discussion that regional strategies are likely to be complex and often contested, with different regional bodies prioritising different objectives according to their competences and responsibilities, and also with potential differences between national and regional bodies, as well as between the rationales behind national and regional programmes. A final overarching question is whether the region has an underlying, development strategy, likely to be implicit, which drives the strategies of the individual programmes, or whether the Cohesion policy strategies in the region drive regional strategies. In the latter case, especially if wider EU imperatives such as the Lisbon/Europe 2020 strategies map out key policy orientations for which the ERDF is seen as an instrument, national and regional governments may need to develop regional strategies where they did not previously exist. In some cases, these top-down pressures require institutional adaptation because the regional scale of policy was not previously recognised.

### **3.3 The Cohesion policy strategies of the 15 regions**

As observed by Casavola (2009), Cohesion policy is an active policy in which funding is disbursed in the form of conditional grants, with the European Commission playing ‘the role of the relevant agency’. For this reason, the strategies of Cohesion policy (the content of which is set in detail through EU-level regulations) are supposed to be fully-fledged, describing in detail: the objectives; intended results (the desired change); the interventions or sets of actions to be undertaken in order to realise such change; and even the targets to be achieved against initial baselines. The reality, however, is that even in 2007-2013:

‘...programme documents - despite the common outline depicted in the regulations - show a high variance with respect to the degree of unambiguousness or completeness of the proposed agenda’ (Casavola, 2009, p.7).

This finding applies to the 15 regions evaluated in this study. Variation is linked to a number of factors, which include the varying institutional traditions and cultures in the regions investigated, the existence (or dominance) of wider domestic strategies, and the levels of institutional capacity available.

Some of the 15 regions had a clear vision of how they wanted to use the resources from the Structural Funds in at least some periods, most obviously those in which a single regional Operational Programme was closely linked with a collective regional strategy. Others had multiple ERDF programmes at national and regional level being implemented in the region, alongside other domestic spending programmes, and hence an overall regional strategy, even for the Structural Funds, could only ever take the form of implicit assumptions about suitable responses to regional need and future development opportunities. There were national level overarching strategies for the coordination of programmes, notably the CSFs in earlier periods (multi-regional strategic frameworks) and, more recently, the NSRFs (national strategic reference frameworks covering all regions within the same country, irrespective of Cohesion policy status); however, these did not always comprise clear and visible strategies for individual regions. Consequently, it is unsurprising that within the 15 regions were polarised between those with a single, dominant and holistic strategy for the ERDF programme and regions with multiple and complex overlapping programmes in which holistic strategies were lacking or were much less evident.

Furthermore, strategies evolved over the period since 1989-2012 with changes in policy and eligibility, learning effects, and changes in domestic governance structures. Sometimes these changes led to a clarification of strategies and greater coherence, although not in all cases, as some developments were regressive. Looking at the three main sets of regions identified in the previous chapter, there are some commonalities that can be identified within the groups.

The regions initially characterised by major underdevelopment and deficits on all indicators - notably the Objective 1/Convergence regions as well as Ireland, Basilicata, Algarve (all of which were classified as Objective 1 at the beginning of the study period) - were in countries in which, at the outset, the structure of support involved national ERDF programmes with varying degrees of regionally specific programmes. Ireland was the outlier in this group, as prior to 2000 there were only national programmes integrated into a National Development Plan, with no separate regional ERDF programmes. Leaving aside the Irish case, the regions typically struggled to adopt coherent strategies across the many programmes at national and regional levels, with in some cases relatively weak capacity at the regional scale to develop complex strategies.

National Operational Programmes were usually driven by the investment strategies of government departments, for example in the development of national transport and communications networks, and they were only weakly connected at either national or regional level. These national programmes then often failed to integrate with what were

sometimes weak regional Operational Programmes. However, **Basilicata** is an example of a region which, at least during the first two programme periods covered, had a comparatively clear vision for how it wanted to develop, based on a comprehensive Regional Development Plan that had initially been prepared during the 1980s. As regions also mainly lacked separate domestic regional strategies, the consequence was a series of parallel programmes with their own internal logic but poorly connected to each other.

In Portugal and Greece, for instance, there was no tradition of regional-level government, and regional strategies were essentially driven by national policy objectives. In the case of the **Algarve**, a national acceptance of its role as the main tourism region was incorporated into programme strategies, whilst in **Norte** an initial focus on traditional industrial sectors later led to internal divisions, with some areas wishing to focus on high tech and services. Norte later developed an orientation towards transport and logistics.

In Italy, **Campania**, despite having autonomous administrative experience as a self-governing authority since the early 1970s, experienced great difficulties in establishing strategic orientation in the first two programme periods. Italian regions at this time received most of their support through many national programmes (MOPs) as ‘baskets’ for the allocation of expenditure, without an overarching underlying theory or inter-relationships with the regional OPs. The situation only improved in the late 1990s when, in parallel with wider national-level developments which saw more weight being placed on economic theories as a basis for policy design, these regions gradually developed their own abilities to draft regional development strategies.<sup>4</sup>

**Galicia** too had disconnected national Operational Programmes and weak regional coordination.

The weakness of distinct regional voices in strategies in most of these regions meant that there national and regional programmes diverged considerably, although infrastructure tended to dominate in both cases, in line with a common assumption at the time that growth could be induced by enhancing the infrastructural endowment of regions. Over time, strategies became less fragmented and more regionally specific. This was coupled with a reorientation away from basic public services infrastructure, but the latter was partly pushed by the Commission rather than a rethinking at the regional scale. In some regions, there was also a sense, never formally stated, that they had more or less exhausted their initial list of infrastructure projects.

**Ireland** and **Andalucía** were outliers in this group. **Ireland**, as a small country, was initially treated as a single region by the ERDF, with a well-structured national strategy, and the country experienced rapid development culminating in its exit from Convergence region

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<sup>4</sup> This was a development favoured by a number of factors both exogenous (the constitutional reforms of 1999 and 2001 that assigned to the regions more powers and competences) and endogenous to the policy (the higher share of resources to be channelled through the regional OPs - c. 70 percent in 2000-2006, compared to c. 30 percent in 1994-1999 - and the support provided by the national coordinating body to the regional authorities for programme design). Indeed, the 2000-2006 CSF, through the ROPs, encouraged the creation of regional-level sectoral domestic strategies and plans (e.g. in the field of social policies).

status. Because Ireland is relatively small, a national-level strategy was appropriate, and the National Development Plan sought to promote development across the whole country through local delivery mechanisms. The NDP also provided a more balanced and coordinated strategy than was the case in other regions, and even when ERDF support was reduced in later programmes, it simply became a smaller contribution to a continuing national strategy. **Andalucía** had a regional development plan which was jointly written by national and regional governments. One of its key aims was to overcome backwardness and facilitate growth, with an implicit goal of unifying the eastern and western parts of the region. Infrastructure was central to this strategy, especially road and rail networks. The ensuing overall strategy therefore emphasised infrastructure and public investment, rather than industrial development.

**Sachsen-Anhalt** differed somewhat from other Objective 1/Convergence regions in that it was undergoing transition to a market economy as part of a unified Germany, as well as having Objective 1 status for most of the period (in the 2007-13 period, part of the *Land* is Phasing-out). Its strategic emphasis was on industrial renewal and development. For most of the period, **Sachsen-Anhalt** received ERDF principally from a regional Operational Programme rather than the mix of national and regional programmes found in other Objective 1/Convergence regions, although there was a national transport OP after 2000. Thus, with a strong regional government and a strategy dominated by a single ROP, the ERDF strategy was coherent and focused, and tied tightly into the wider regional development strategy, with the programmes being used to support existing domestic regional objectives and programmes - such as subsidies for the modernisation of industry.

The Objective 2/RCE regions, and also the Phasing-in/out or Convergence regions facing transition or restructuring of traditional industries (**Nord-Pas-de-Calais**), were usually supported mainly or exclusively through region-specific programmes. This immediately provided more opportunity for stronger strategic coherence. This was reinforced by the existence (at least for part of the period in some cases) of strong regional strategic leadership. Nonetheless, in all three declining traditional industrial regions - **Nord-Pas-de-Calais**, **North East England** and **Nordrhein-Westfalen** - there were initial strategy integration difficulties caused by the existence of sub-regional programmes, particularly with regard to different levels of eligibility for support. **Nord-Pas-de-Calais** included both Objective 1 and Objective 2 areas, **North East England** was initially two Objective 2 programmes but then also had Objective 5b areas, whilst **Nordrhein-Westfalen** had only small areas eligible for ERDF. In the 1990s, **North-East England** lacked a separate regional strategy, and the need to develop a strategy for the ERDF drove thinking on regional needs and hence strategy, even influencing national policies for the region. Subsequently, the development of a formal Regional Economic Strategy reversed the roles insofar as it provided a context that shaped later ERDF programmes from 2000 onwards.

Typically these strategies, at least for the ERDF programmes, were more tightly focused on the conversion the regional industrial structure rather than wider development needs and infrastructures. Some infrastructure was still supported, especially in the early period, but this was typically associated with diversification, such as derelict land reclamation, new industrial parks and related transport connections.

Finally, the two Phasing-in/out regions and the one Objective 2/RCE region affected mainly by issues of **rurality or peripherality (Aquitaine, Itä-Suomi and Burgenland)** had more diverse strategic approaches.

**Burgenland** was an Objective 1 region in 1995 but with a single regional programme (i.e. no overarching CSF or national programme). Regarded as a one-off chance for a ‘leap forward’ in economic development, the ERDF programme was developed at a time when the region shifted from being on the eastern border of western Europe to a central location in a larger, integrating Europe. Led by a programme group consisting of national and regional representatives - and ring-fenced from the political influence which characterised other interventions - there was an initial emphasis on removing supply-side bottlenecks, later on followed by a shift towards stimulating demand.

**Aquitaine** had a more complex situation with two Objective 5b areas and a small Objective 2 area initially in 1989, although with increasing coverage of the territory in subsequent programmes. Here, the fragmented map of territorial eligibility resulted in differentiated approaches - targeting investment in companies in the Objective 2 area and agricultural and rural development in the Objective 5b areas, although with shifts over time towards the Lisbon agenda. The difficulties of finding single solutions led to generic programmes within which local actors were able to use the ERDF to support their own local strategies. Under a single RCE programme in the 2007-13 period, the focus has shifted to competitiveness and more targeted objectives, but with a greater emphasis on the opportunities in the more urbanised areas.

**Itä-Suomi** has also been through a number of changes in eligibility from 1995 onwards as it evolved from a mix of Objective 6 and 5b, to Objective 1, and then Phasing-in 2007-13. These changes coincided with the creation of new regional councils and organisational change in the state organisations involved in regional development. A characteristic of the region over time has heterogeneous interests and thus objectives, with programmes being designed to be flexibly interpreted by different stakeholders. A shift can nevertheless be discerned, from broad renewal of the industrial structure, to an emphasis on growth sectors, then to an innovation driven strategy.

### **3.4 Explicit v. implicit strategies and theoretical underpinnings**

From the above, it is clear that there were sometimes differences between the explicit strategies as stated in programme documents and what regions were really trying to achieve, or what might be called implicit strategies. However the explicit and implicit strategies tended to become more aligned in later programme periods. In cases such as **Ireland**, strategies reflected objective analyses and ex ante evaluations from the start, which helped to ensure that the strategies were clearly formulated and implemented in line with objectives. They commanded a reasonable degree of political consensus and within the different branches of the state administration (with some exceptions in relation to specific themes).

For most of the 15 regions, however, the strategies set out in programme documents during the 1990s tended to be general, mono-thematic or generic, lacking evaluation evidence and

sound needs analyses. This tendency, which was by no means a peculiarity of the case study regions (see, for example, the review of Objective 2 strategies in Bachtler and Taylor, 1999), had two main implications. First, the explicit strategies could hide a reality of diverse interests and assumptions on the part of stakeholders. In **Algarve**, for example, the programmes were underpinned by an implicit assumption that tourism would increase through investments in transport and environmental infrastructure, although this was not stated clearly in the programmes. In **Nord-Pas-de-Calais**, in the first two periods, the explicit focus on reconversion/transition hid a continued preference for supporting traditional sectors, which were an important source of employment and had a strong symbolic value for workers and local authorities (particularly in 1989-1993). Local authorities in many regions were also a favoured beneficiary of ERDF spending because of domestic financial constraints.

Second, the limited sophistication of early strategies also meant that the explicit strategies could be open to interpretation, leaving extensive scope for flexibility during implementation, sometimes leading to discrepancies between the explicit strategy and what was actually pursued. As an example, in **Aquitaine**, the divergence between explicit and implicit strategies up to 2006 was because regional-level managing authorities were unable to dictate what local authorities did. Thus, support to urban areas was implemented mainly through the redevelopment of public spaces rather than the other forms of support foreseen by the programme, such as social and cultural innovation. Similar issues were reported in **Basilicata** and **Norte**, where the loose specification of objectives allowed local priorities to be pursued. In **North East England**, the early programmes were essentially 'containers' that the partnerships implemented with selection criteria which could be quite different from the overall thrust of the programmes. In 1989-1993, this meant a significant discrepancy between the stated strategy for enterprise support and sectoral development and the actual allocation of resources to local authorities for property-based projects.

The generality of explicit strategies was not necessarily due to inexperience or lack of capacity: in **Itä-Suomi** it was a strategy in itself. The general objectives, in successive programmes, were attributable to the difficulty of having to accommodate four, quite different NUTS 3 sub-regional strategies which inhibited specific goals and targets for the region as a whole.

Over time, explicit strategies were adjusted in response to different assessments of needs and development paradigms, although this did not always result in a real change in actual strategies. For example, in **Burgenland**, the changes to programme strategies were formulated in much stronger terms in the programme documents than actually occurred in practice. Although the interventions set out in the programme documents were ambitious and wide-ranging, most financial resources continued to be allocated to grants to companies and other forms of business aid. During the 2007-2013 period, the focus has more-or-less exclusively been on aid to individual companies - contrary to what was declared in the explicit strategy. Similarly, while R&D and technology transfer capabilities were strategic objectives in all three programme periods, actual implementation focused more on attracting FDI (including R&D and investments in technology parks).

Lastly, few strategies were clearly underpinned by specific theories of economic development, with the exception of the Italian programmes (**Basilicata, Campania**) in the 2000-2006 period (endogenous development), **North East England** in the 2000s (regional innovation system) and the domestic regional policy focus of **Nordrhein-Westfalen** and **Sachsen-Anhalt** (the local development concepts devised at sub-*Land* level as part of the so-called Regionalised Structural Policy). Especially in the programmes during the 1990s, strategies were generally drafted as compilations of interventions which would be used to draw down funding. Attempts to reconstruct ex post the underlying theories, as part of the case study research, indicated multifaceted, muddled and contradictory development models. In fairness, however, the strategies were often drawn up according to the prevailing domestic or EU economic thinking of the time, such as the view in the late 1980s and early 1990s that (for Objective 1 regions) infrastructure development was a main source of economic growth, and similarly in later periods, cluster policies began to be introduced in line with the emerging academic evidence.

### 3.5 Evolution of objectives and priorities

The early ERDF programmes of the 15 case study regions had relatively simple objectives, often with limited assessment of needs. In the first programme period (1989-93),<sup>5</sup> the main orientations fell into the following categories:

- a) programmes from the Objective 1/Convergence group focused primarily
  - a. on infrastructure (**Algarve, Andalucía, Dytiki Ellada, Norte**), complemented by ESF investments in human resources; or
  - b. on diversified, wide-ranging objectives, combining varying levels of support for infrastructure endowment and basic services, with structural adjustment/entrepreneurial support measures aimed at developing industry, entrepreneurship, conversion, skills, competitiveness and wider quality of life (**Ireland, Campania, Basilicata, Galicia**);
- b) programmes from Phasing-in/out or Objective 2/Competitiveness regions focused mainly on the challenges of structural adjustment and dealing with their industrial legacies (including cleaning-up brownfield sites), often together with external accessibility, the pursuit of intra-regional territorial balance and/or support of marginalised groups (**Nordrhein-Westfalen, Sachsen-Anhalt, Nord-Pas-de-Calais, North East England**);
- c) programmes geared towards rural development and the economic diversification of rural or sparsely populated areas (**Aquitaine, Itä-Suomi** from 1995); and
- d) a predominant focus on enterprise development and the modernisation of the industrial base (**Burgenland**, also only from 1995).

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<sup>5</sup> For **Burgenland** and **Itä-Suomi**, the first programme period was 1995-1999 following the accession of Austria and Finland to the EU in 1995.



For the most part, the regional objectives were remarkably stable over time, tending to evolve incrementally rather than being radically overhauled at the beginning of each programme period (a trend which was also true in other EU regions - see Bachtler *et al.*, 2000 and Taylor *et al.*, 2004). This applied in particular to the 1990s, although **Basilicata** was an example of a region where four strategic axes persisted over the entire period from 1989 to 2012, despite shifts of emphasis. More substantial changes were undertaken at the start of the 2000-2006 and 2007-2013 periods, driven mainly by compliance with EU objectives and the influence of the Lisbon strategy (the Community Strategic Guidelines in 2007-2013). Changes in the eligibility status of regions (e.g. **Ireland** in 2000, **Basilicata** in 2007) or in territorial eligibility (e.g. in **Nordrhein-Westfalen**, **North East England**, **Nord-Pas-de-Calais**, **Aquitaine**) also prompted strategic re-assessments. This involved a certain homogenisation of approach, at least in terms of stated strategic objectives, and a general shift towards funding more private sector beneficiaries and projects after 2000.

**Nordrhein-Westfalen** was the only region which undertook a strategic review during the 1990s; in 1997 the main strategic orientation of the Objective 2 programme on structural adjustment was retained, but with a shift in focus towards employment creation and major projects. Programming for 2000-2006 saw substantial strategic reassessments in **Ireland**, **Itä-Suomi**, **North-East England**, **Campania** and **Basilicata** - generally driven by domestic policy developments. The **North East England** strategic review was influenced by the realisation that attracting FDI could not solve the region's development problems unless complemented by a change in the endogenous entrepreneurial culture. In **Sachsen-Anhalt**, the programme's scope was extended in 2000, following changes to the regulatory framework of domestic regional policy (GRW)<sup>6</sup>, while in **Itä-Suomi**, a change in national domestic policy thinking led to a shift from support to firms and agriculture to promotion of the 'knowledge economy'.

The new orientation of the EU Community Strategic Guidelines in 2007 emphasised innovation, and often tallied with domestic paradigm shifts within the regions. In **Nordrhein-Westfalen**, for instance, the 2007-2013 programme has entailed a fundamental shift in objectives, whereby support for structural adjustment and employment has been superseded by competitiveness and adaptability, and the territorial focus on the Ruhrgebiet has been discontinued. As explained above, the shift in objectives was part of a longer term process of reorientation towards innovation, due partly to the realisation during the 2000-2006 period that the previous approach and its implementation had become dated and inefficient, resulting in the launch of a cluster policy. Similarly, in **Nord-Pas-de-Calais**, there was a clear shift towards Lisbon priorities for the 2007-2013 programme, which represented a fundamental change in direction. Although ostensibly driven by EU requirements, it was also embedded in the framework of domestic policies, notably the competitiveness poles and the new 'Regional innovation strategy', elaborated with the support of the European Commission and aligned with the *Contrat de Projet Etat-Région* and the Regional Economic Development Scheme (SRDE, 2005).

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<sup>6</sup> *Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur (GRW)*, Joint task for the improvement of the regional economic structure.

Most recently, the economic crisis has led to extensive re-programming in a few regions<sup>7</sup> (**Dytiki Ellada, Campania, Norte**), linked sometimes (in **Campania** and **Basilicata**) with a parallel change in domestic regional and national governments and thus policy priorities. In some respects, it is remarkable how few regions did overhaul their strategies in response to such major external shocks, a point noted also later in this report (see Chapter 8 ) which highlights the lack of flexibility of some programmes.

Within this strategic context, the key thematic trends over time were as follows (more detailed information on the evolution of individual regional strategies is provided in Table 3, Table 4 and Table 5).

- Greater emphasis was placed on R&D and innovation mainly from 2000 onwards. Earlier attention to these themes was evident in several regions (e.g. **Aquitaine, Campania, Ireland, North East England, Nordrhein-Westfalen**), but the interventions often underperformed initially, due to a lack of readiness and understanding of the main co-financing bodies or beneficiaries.
- Support for entrepreneurship and more sophisticated SME interventions - e.g. with support not just for fixed assets but also for marketing, internationalisation, financial engineering, industrial areas, cluster support etc. - also increased over time. **Burgenland** was distinctive in making the modernisation of the industrial base of the *Land* the central theme of all its programmes from 1995 to the present.
- The Urban Community Initiative paved the way for the integration of urban development in the mainstream programmes, reflected in support for regeneration and specifically community development, which featured more strongly in the 2000-2006 and 2007-2013 programmes.
- Continuity of support throughout the study period was evident in four areas: (a) tourism, in virtually all regions, increasingly linked to wider attractiveness/cultural-related interventions; (b) environmental infrastructure and/or nature protection in some regions (e.g. **Basilicata, Campania, Galicia**); (c) cross-border linkages and cooperation with neighbouring regions, as part of the mainstream programmes, INTERREG programmes or both (e.g. **Galicia, Aquitaine, Norte, Itä-Suomi**); and (d) improvement of quality of life, in a few programmes, such as **Campania, Dytiki Ellada and Galicia**.

A more detailed overview of the evolution of objectives across the programme periods is provided in Table 3 ('Objective 1/Convergence' Regions), Table 4 ('Phasing-in/out' Regions) and Table 5 ('Objective 2/RCE') Regions.

### 3.6 SMART objectives

Overall, the case study research found a general perception among programme authorities, other stakeholders and external experts that programmes had improved over time and had

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<sup>7</sup> As have other European regions more generally (see European Commission 2013a; 2013b).

become more ‘SMART’. However, they varied in their success in this respect, and in some cases there were reversals.

Taking the SMART attributes in turn, objectives should be **specific**, clear and unambiguous. However there was a tendency in many of the programmes to have general statements about improving development in the region and unrealistic ambitions of closing the gap with national or EU averages, without specific objectives which connected with the needs of the region. Many programmes were generic, and could have been adopted in other regions. Whilst strategies did become more regionally specific over time, there was also some convergence due to the pressure from the Commission to address EU-wide Lisbon objectives.<sup>8</sup>

Considerable progress was made in making objectives **measurable**, although more needs to be done to meet expectations for the 2014-20 period.<sup>9</sup> In the programme periods of the 1990s, programmes lacked quantified targets and monitoring systems. Later programmes have often had some form of impact measure, but the metrics used were often been crude and poor measures of the interventions. This led to projects seeking to optimise the measurements rather than delivering the best results for the region. In addition, some objectives were not easily amenable to quantified targets, and were best described in qualitative terms, although this presented problems for measurement and estimating whether the project was as successful as it should have been, given the resources invested.

Some of the programme-level objectives were over-ambitious, and hence not **attainable** (discussed in more detail in Chapter 5). Setting a target for an activity needed a detailed understanding of how that target will be achieved. This could be relatively simple for a construction activity where relative costs were known, but much more difficult in interventions where benchmarked costs were unknown, or where activities were highly heterogeneous and the mix was not known in advance. Even for construction, though, there were often problems of poor targets being set, one explanation being that assumptions about costs were shown to be unreasonable. Missed targets in many regions could be attributed to poor implementation, but also to unrealistic targets.

The **relevance** of programmes was a central issue in the study, examined in more detail below. The crucial question was whether programmes were designed to meet the real needs of the region. As noted above, many of the regions saw some fragmentation of

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<sup>8</sup> A source of weakness in the development of specific objectives, which is also relevant for the 2007-13 generation of programmes, was the unpreparedness of regional administrations at the time. In this regard, the 15 regions were not an exception. A recent study by DG Regio on 23 pilot Managing Authorities in 15 Member States found that programme objectives tended to be generic, and that the logic of intervention in programmes was often weak, with priorities often resulting from the aggregation of ‘more or less related’ sub-priorities. The study underlines that some programmes ‘were designed in a deliberately vague fashion so that resources could be spread thematically and geographically’ (European Commission, Directorate General Regional and Urban Policy, 2013, p.9).

<sup>9</sup> Inaccurate target setting is also not a problem exclusive to the 15 regions covered by this study. The European Commission in its working document on the 2013 Strategic Report found that even in current programmes, ‘Target setting remains perhaps the most widespread and substantial problem. In a number of cases, targets were not been set. Where targets were set, many were often substantially over- or underachieved’ (European Commission, 2013b, p.21).

interests as different stakeholders had different conceptions of the needs of the region. Thus, if the needs were contested then there would inevitably be disagreements about what was relevant.

Finally, objectives should be **timely**: there should be a realistic timescale over which objectives should be achieved with the resources available. This was automatically introduced in some respects by the nature of programmes which set a specific timescale for interventions, although they usually did not specify the timescale over which results were expected - especially where the scale of ambition was much greater than can be achieved within the programme period (see Chapter 8). This then introduced problems of evaluation, especially where results arose only after the programme ended. In most regions, this was due to inadequate consideration of the timeframe over which interventions could be assessed. Major infrastructure projects exemplified the difficulty because many required support from successive programmes.

### 3.7 Relevance

A key question for the study is the appropriateness of programmes in meeting regional needs, specifically whether the design of programmes (strategic goals, objectives, priorities, expenditure allocation) can be considered as relevant to the needs of the region. It is important, moreover, to stress that relevance can only sensibly understood in terms of what was perceived to be needed at the time the programme was formulated. Based on the case study research, the regions can be categorised into three groups which do not, to any particular degree, reflect the three different types of eligibility for Cohesion policy support (see Table 6, Table 7 and Table 8).

- High relevance - where programme strategies were judged to be relevant across the study period - applicable to **Sachsen-Anhalt, Norte and Galicia, Burgenland, Nord-Pas-de-Calais and Ireland and Nordrhein-Westfalen.**
- Moderate to high relevance - where programme strategies were considered to be relevant for much of the time, with the exception of certain periods or areas of need, and/or where the programmes captured the right needs with their overarching objectives but without necessarily being able to appropriately modulate and prioritise the financial effort or devise appropriate instruments - applicable to **Basilicata, Campania and Andalucía.**
- Moderate relevance - where programme strategies were regarded as being only partially relevant - applicable in the cases of **Dytiki Ellada (in earlier periods), Itä-Suomi, Algarve, Aquitaine and North East England.**

The tables provide both a summary review of the assessment of relevance for each case study, as well as the evaluation team's assessment of relevance in hindsight i.e. whether the programme objectives would still be considered relevant today, based on the current appreciation of need and development theories and models, compared to when the programmes were drafted.

There is no obvious pattern linking the degree of relevance to the relative development of regions and thus to their Cohesion policy status, and the strategic scope and financial scale of programmes. The picture is mixed across the three groups of regions - Objective 1/Convergence, Phasing-in/out and Objective 2/RCE. Thus, whether the regions belong to one or other of the three categories does not appear to have been a factor in determining the degree to which programme strategies were relevant.

Whether regional strategies were drafted at regional or national level does not appear to be a key factor either. However, programme strategies and objectives appear to be more relevant where strategies were underpinned by solid ex ante evaluation and analyses of need, something which tended to improve over time (although even during preparation for the 2000-2006 programmes, the actual impact of ex ante evaluations was limited by the tendency to undertake them in parallel with the drafting of programmes - see Bachtler *et al.*, 2009). Only **Ireland** and **Nordrhein-Westfalen** consistently undertook evidence-based programming. However, even in **Nordrhein-Westfalen** the linkage between ex ante analysis and strategy was indirect, in the sense that the domestic 'Regionalised Structural Policy', which informed the content of the *Land's* ERDF programmes, was itself informed by several studies and analyses that had been undertaken independently of Cohesion policy.

Perhaps surprisingly, strong thematic concentration is not always positively correlated with relevance. In some cases, the strategic focus on a single dimension in early programmes negatively affected the programmes' ability to address the main perceived needs (e.g. in **Dytiki Ellada**). Similarly, in the 2007-13 period, the focus on Lisbon priorities is perceived to neglect development needs which are still relevant (for instance the specific needs of rural areas in **Aquitaine** and of physical regeneration in the Tees Valley in **North East England**).

The lack of direct correlation between the needs declared in programme documents and the explicit strategies may, however, signal that implicit strategies (rather than what is stated in programme documents) matter more, and could strengthen rather than weaken the programme's actual relevance. For example, in **Campania**, successive programmes explicitly recognised the need to rebalance spatial population and economic patterns, at the same time as they were directing most of the resources to the metropolitan area of Naples. Apparently contradictory, this choice can be considered justified, due to the concentration of population, economic activity and social and economic problems in this area and this area's relative economic potential (and spillover effects).

**Table 3: Evolution of strategies: ‘Objective 1/Convergence’ Regions**

Region	1989-1993	1994-1999	2000-2006	2007-2013
<b>Sachsen-Anhalt</b>	Capital oriented funding approach	Continuation of capital-oriented funding approach, explicit focus on SMEs, support for endogenous entrepreneurial potential, support to coal, steel conversion and urban regions (Community Initiatives)	Firms competitiveness especially SMEs; infrastructure in education, science and inter-regional transport (federal programme); internationalisation strategy and strengthening export capability; urban development (Urban C.I.)	Growth and job-creation through innovation, research and education, entrepreneurial capital & infrastructure (in transport sector, federal programme). Addition of urban dimension in programme strategy, continuation of internationalisation & exports strategy.
<b>Dytiki Ellada</b>	Infrastructures, quality of life, stimulation of endogenous growth, local development.	Infrastructures, linking the region’s development with the planned major transport projects, endogenous and local development, quality of life, industrial development and SME support.	Infrastructures, linking development with the planned transport projects, SMEs and environment, quality of life, innovation and Information Society for regional competitiveness, integrated spatial development (rural, urban and specific population groups), tourism & culture, diversification of rural income.	Continued emphasis on infrastructure development, focus on competitiveness and SMEs, and innovation/ Information Society for regional competitiveness. Weakening of the strategic choice to connect the region’s development with large transport projects. Improving quality of life.
<b>Campania</b>	Investments in infrastructure and (to a lesser degree) in support to firms, urban regeneration and community development, investments in cultural heritage.	Infrastructure, increased support to firms, research and innovation, urban regeneration, cultural heritage, introduction of legality and security and of ‘softer issues’ such as social cohesion and education.	Alignment with ‘New Programming’ approach and thus emphasis on governance, transportation, urban renewal, local development, research and education, softer issues such as gender and capacity-building.	Alignment with NSRF, and thus emphasis on transport, environmental sustainability, education, R&I, local development, tourism development, urban renewal.
<b>Norte</b>	Accessibility and Human Capital infrastructures	Education, health and cultural infrastructures, clustering, transport infrastructure (roads, railways).	Transport and education infrastructure, innovation	Innovation, R&D and competitiveness, supplemented by development support for low density areas.
<b>Andalucía</b>	Articulation and ‘unlocking’ the territory, water infrastructure, tourism development, areas and services to businesses, social infrastructure.	Environmental infrastructure, support to the productive and industrial location factors, development of compulsory secondary education.	Completion of transport infrastructure network, e-PA and computerisation of citizen services, regional innovation system, intangibles (organisational capital, innovation, ICT, etc.), nature conservation, tourism development, economic diversification, branding.	R&D&I, entrepreneurship (away from subsidies), reform of the incentives system and reinforcement of financial instruments, increased connectivity and quality of transport infrastructure, nature conservation and biodiversity, differentiation and quality tourism, social infrastructure.
<b>Galicia</b>	Internal connections, external accessibility, sanitation and purification, investment and modernisation of productive sectors.	Access from outside of the region, internal communications, environmental deficit, halting industrial downturn, regional development agency.	Improving access from outside and internal communications, environment, infrastructures, productivity and competitiveness of firms, R&D Plan, Regional innovation system.	Access from outside the region and internal communications via high-capacity road networks, R&D Plan, Regional Innovation System, pollution control and protected areas

**Table 4: Evolution of strategies: ‘Phasing-in/out’ Regions**

Region	1989-1993	1994-1999	2000-2006	2007-2013
Burgenland	N.A.	Large -project strategy (business parks, technology parks), IT-Infrastructure, grants for industrial investments, FDI tourism, training (ESF)	Completion of business infrastructure, increased emphasis on SMEs and start-ups, Clusters & cooperation, tourism training (ESF)	Grants for industry investments, SME support, increased focus on ‘soft-aid’, R&D/Innovation, centres of excellence, tourism & culture
Itä-Suomi	N.A.	Recovery from recession, modernising the periphery via business development support	Promoting the knowledge-based economy (knowledge infrastructure )	Creating innovative environments (support to networks of firms and joint laboratories)
Nord-Pas-de-Calais	In line with domestic policies, infrastructure and businesses.	More efforts on former mining area (Objective 1 area); focus on infrastructure but stronger emphasis on HR and social issues; improving ‘image’ and ‘attractiveness’.	Continued focus on large projects and infrastructure but increasing concern on innovation, ICT, sustainable development.	Strong influence of EU regulations on Lisbon strategy. Coordination with domestic competitiveness poles; more qualitative approach of industrial renewal.
Ireland	Broadly based CSF with a focus on direct support for enterprise, infrastructure, training	Broadly based CSF with continued investment in infrastructure and enterprise, new local development OP	Focused NSRF (EU-Funded component of much larger NDP) addressing innovation and regional development	Focused NSRF (EU-Funded component of much larger NDP) addressing innovation, environment, ICT and Gateway locations
Basilicata	Building infrastructure for growth and tourism development	Infrastructures for growth and social cohesion; SMEs and soft interventions	Endogenous growth, SMEs and environment	Competitiveness and jobs (Lisbon strategy)
Algarve	Investments in environment and basic education infrastructures	Environmental investments, education and health infrastructures, accessibility	Accessibility , urban rehabilitation projects, support for low density areas	Innovation, R&D, competitiveness, urban rehabilitation projects and intervention in low density areas

**Table 5: Evolution of strategies: ‘Objective 2/RCE’ Regions**

Region	1989-1993	1994-1999	2000-2006	2007-2013
Aquitaine	Industrial diversification, new activities, integration of Lacq-Orthez basin with surrounding industrial areas Adour basin (Obj.2); job maintenance and creation (Obj.5b)	Insertion in European trade flows, infra-regional cohesion, conditions for economic development (Obj. 2); agriculture & forestry as drivers for rural areas, economic diversification, environment, attractiveness of rural areas (Obj.5b).	Strengthen the key role of businesses in job creation Enhance local resources from the perspective of a sustainable and balanced territorial development	Innovation and sustainable development as drivers of regional competitiveness, strengthening competitiveness through innovation, exploitation of environmental assets in a sustainable development perspective
Nordrhein-Westfalen	Diversification of industrial structure, environmental quality and sites reclamation, CBC and, from 1992, HR modernisation.	Diversification of the industrial structure, SME infrastructure, reuse of industrial wasteland and environmental quality, human capital and, from 1997, support to enterprise development.	Enterprises and start-up support; innovation and competences, innovation infrastructure, support to targeted groups.	Strengthening entrepreneurship, innovation and knowledge economy, sustainable urban and regional development.
North East England	Aligned to domestic strategy of attracting inward investment, with physical development and local connections.	Increased emphasis on innovation & enterprise, introduction of ‘softer issues’ (community economic development, redevelopment of large strategic sites and transformational tourism projects). Emerging cluster approaches and university involvement.	Alignment with new Regional Economic Strategy and Business Links programme. Stronger focus on SMEs and new financial instruments: softer infrastructure, business support, excellence centres and finance equity instruments.	Embedded in larger Regional Economic Strategy/RES Action Plan and Single Programme match funding: business support, innovation connectors, finance equity instruments.

**Table 6: Assessment of relevance: ‘Objective 1/Convergence’ Regions**

Region	Relevance	Assessment
Sachsen-Anhalt	<b>HIGH.</b> Programme objectives, priorities and expenditure allocation on the whole responded to the needs identified in the programme’s background analyses and as perceived at the time. Progressive widening of programme scope was justified. In the current period, however, it may lead to reduced effectiveness given the spread of reduced resources across too many areas of intervention.	1991-1994 programme mono-dimensional (due to pragmatic rather than strategic choice), not all needs were adequately addressed (e.g. urban structure, innovation).
Dytiki Ellada	<b>MODERATE.</b> Mono-dimensionality of programmes from early periods (infrastructure) and new institutional set up and wide coverage (many themes and priorities) in current period mean that not all regional needs have adequately been addressed in programme strategies.	2007-2013 programmes’ objectives are too dispersed. The stated intention to focus on strategic projects, rather than continuing the past practice of spreading resources thinly to many small projects, has tended to be overhauled by the current crisis.
Campania	<b>MOSTLY HIGH.</b> The strategies formulated in the programmes were generally coherent with the needs identified, with a few exceptions in relation to labour market, enterprise, social cohesion and the spatial distribution of economic activities.	Spatial distribution of population and economic activity mentioned as need, but without building fully-fledged strategies to redress imbalance (with the exception of interventions in agriculture, rural and urban regeneration, cultural heritage and tourism development). In reality, programme interventions tended to focus on the Naples metropolitan area.
Norte	<b>HIGH.</b> Serious deficiencies in infrastructure and human resource skills duly taken into account in all four programme periods. From 1994, focus also on enterprise, structural adjustment and innovation was correct given prospective change in international competition. 2000-2006 programmes further seeking better balance between traditional sectors and new activities (structural adjustment) and exploitation of advantages geographical position in the Atlantic Area, whilst supporting innovation to modernise traditional sectors. Current programmes. NSRF paradigm shift towards regional competitiveness & critical mass building cannot be assessed as undergoing change (financial crisis).	Cluster strategy introduced in 1994-1999 was inappropriate due to cultural attitudes amongst the entrepreneurial class (consisting of microenterprises). This was not acknowledged at the time.
Andalucia	<b>MOSTLY HIGH.</b> Overall relevant throughout the study period (view shared by regional stakeholders). However, this assessment differs if one compares need and imputed objectives on a theme by theme basis (where for some themes there is a wide discrepancy between theme and needs).	Insufficient efforts to reinforce the industrial base.
Galicia	<b>HIGH.</b> Main regional needs in the initial programme periods were: lack of transport infrastructure (accessibility and internal connectivity), telecommunications and electricity networks; conservation and improvement of the environment (drinking water distribution, waste water and solid waste management); diversification and competitive enhancement of agriculture and industry; a need for innovation. These objectives were largely addressed by the programmes (innovation in later periods), exactly designed to indirectly impact on the productivity of the economy and its ability to generate employment opportunities. Strategic shifts from one period to the next were justified.	Insufficient attention was given to the promotion of internationalisation and small businesses.



**Table 7: Assessment of relevance: ‘Phasing-in/out’ Regions**

Region	Relevance	Assessment
Burgenland	<b>HIGH.</b> Programmes e based on broad and good understanding of regional needs. Strategies developed further over the three programme periods and addressed regional needs: (i) provision of business infrastructure; (ii) high-quality telecoms infrastructure; (iii) modern water supply and wastewater system (fundamental bottleneck); (iv) modern product and services in tourism; (v) improvements to education infrastructure.	A lack of flexibility and adaptability to the changing needs of the programmes.
Itä-Suomi	<b>MODERATE.</b> Relevance limited by need to accommodate 4 distinct sub-regional strategies in the programmes and, in first period; reactive approach focussed on declining industries. Correspondence between needs and programme goals has improved over time.	1995-1999 programme too focused on mature or declining industries & not sufficiently geared towards the support of the structural change processes necessary for the renewal of the production structure of the region.
Nord-Pas-de-Calais	<b>HIGH.</b> Programme strategies adequately matched the regional needs as perceived at the time. The more pronounced focus on innovation, R&D and competitiveness from 2000 was in tune with the region’s need for reconversion.	Support of traditional sectors in earlier periods, whilst protecting jobs and businesses in the short term, delayed transformation. Relevance hampered by implementation difficulties (coordination of local actors, mobilisation of SMEs to innovate).
Ireland	<b>HIGH.</b> Changing emphases over time, but clear relevance throughout. From the outset, strategies were devised based on sound analyses of need (e.g. formal evaluations by ESRI, foresight exercises, wider political and public debates). Clearly, however, as focus of investment and availability/relative size of ERDF resources changed over time, needs have been addressed to a varying degree over time (whilst relevance was maintained throughout).	There might have been some missed opportunities: broadband/ICT and renewable energy. Domestic constraints limited the effectiveness of the strategies, i.e. limited public sector reform, transport regulation difficulties, absence of user charges in domestic water, a failure to develop a real regional development policy (NSS too late).
Basilicata	<b>MODERATE.</b> Programmes were able to identify existing needs and to respond to them, but only in a partial way and key needs have remained unaddressed in all periods from 1994 (for differing reasons in each period). [This assessment only relates to the ROPs].	
Algarve	<b>MODERATE.</b> Overall relevant until 1999. Not fully relevant in 2000-2006 (economic diversification intended but not pursued as main focus continued to be on tourism) and in 2007-2013 (focus on competitiveness contested in the region and lack of acknowledgement of need for different sectoral specialisations and need to develop internal areas).	The focus on tourism in 1989-1993 and 1994-1999 meant that the productive fabric beyond this sector was neglected. Focus on Lisbon is leading to a neglect of internal areas’ needs. Different sectoral specialisations also not adequately acknowledged.

**Table 8: Assessment of relevance: ‘Objective 2/RCE’ Regions**

Region	Relevance	Assessment
Aquitaine	<b>MODERATE.</b> Until 1999 programmes based on domestic strategies/policies rather than needs analysis. 2000-2006 strategy not focussed due to divergent stakeholders needs). 2007-2013: greater focus, but some traditional fields (transport, tourism, culture) and needs of rural areas left out. Environment under- represented compared to need until 2007.	-
Nordrhein-Westfalen	<b>HIGH.</b> Programme strategies were relevant. However, ERDF programmes were a framework strategy: linking problems and activities rested on the regional initiatives.	No understanding of the nature of the change that structural adjustment would require. Poor appreciation of need for coordination between cities.
North East England	<b>MODERATE.</b> Difficulty to strike right balance: 1989-1993 focus on infrastructure meant that not all regional needs were addressed. 1994-1999: too many interventions and weak prioritisation. 2000-2006 concentration on entrepreneurship and innovation neglected some core needs (CED), and again in 2007-2013. Early programmes had little coherence between strategies and actual investment.	-

## **3.8 Complementarities & Synergies**

The ERDF does not operate in a policy vacuum, but complements (and operates in parallel with) other EU funds, notably the ESF and EAGGF/EAFRD, but also with domestic regional policies and other domestic policies and spending programmes. EU regulations and guidance expects that EU funds will be implemented in a complementary manner - which forms part of the rationale for Community Support Framework or National Strategic Reference Framework planning structures - whilst complementarities with domestic policies often operate explicitly through co-financing or matching funding requirements.

### ***3.8.1 Synergies among ERDF programmes***

In the Convergence regions, the ERDF actions usually consisted of a combination of regional and national thematic Operational Programmes, coordinated through the CSFs. Formal planning requirements should lead to explicit complementarities, and in some regions this was the case, notably where national programmes funded trans-regional transport infrastructure whilst regional programmes funded local networks or stations. Such planning frameworks may better match government structures in a country where national ministries are responsible for major infrastructure spending whilst regional bodies have more limited responsibilities for softer investments such as advice to business and local development projects.

The coordination between national and regional level Operational Programmes, however, was not always straightforward. In **Basilicata** and **Campania**, for instance, despite some exceptions (notably transport, education and, to a more limited extent, research), national and regional programmes were generally poorly linked, despite the formal existence of an overarching cross-regional strategy, represented by the CSF. Elsewhere, there was a lack of coordination in the earlier periods between, for example, Objective 2 and Objective 5b programmes in adjacent areas, as well as between the mainstream programmes and the Community initiatives. The latter did have an important role, though, in testing new concepts and types of project that were later mainstreamed in the core ERDF programmes.

### ***3.8.2 Synergies with ESF and other EU funds***

The interaction between ERDF and ESF has historically been a major challenge for the strategic management of the ERDF programmes (Davies, 2011; Bachtler and Mendez, 2010; Taylor and Promé, 1997). Insofar as synergies could be achieved, they usually involved the use of ERDF to create the infrastructure and fund equipment, and the ESF to fund training activities. Whilst Operational Programmes have often sought to combine the two Funds, sometimes within integrated actions, the ERDF and ESF have distinct objectives, targets, operating rules/modalities, and coordinating entities (often operating with very different mindsets). This presented difficulties in being able to linking the objectives to each other and managing implementation.

For example, in the R&D sphere the ERDF funded buildings, research and lab equipment, research activities, innovation projects in private firms and transfers from public and private research centres to private firms, while the ESF funded the provision of training in research centres, higher education institutions and in private firms. Sometimes combined

within a single, composite project, these activities required coordination between different administrations/units which was not always easily achieved. More fundamental is the question of whether, at a strategic level, there was correspondence between the strategic employment and training objectives and priorities governing the regional use of ESF and the sectoral or enterprise strategies being pursued through ERDF funding.

The 15 regions present some good examples of integration and synergy between ERDF and ESF. One of the most positive examples of synergy between the Funds was in **Ireland**, where a National Development Policy guided all ERDF programmes and ensured good coordination between them, reducing overlap and duplication, and facilitating good synergies with other EU programmes such as ESF and Fisheries Guidance. Good practice examples included coordination between ERDF support for tourism product development alongside ESF support for tourism training, and linked educational programme and infrastructure support in the vocational training sector and universities. In **Burgenland**, too, a good synergy was reported between ERDF support for training facilities and ESF programmes, such as in the development of the University of Applied Sciences, in the support of company relocation and in the tourism sector (where the ERDF generally funded qualification measures and equipment, and the ESF provided training of human resources). Positive ERDF/ESF coordination experiences were reported in **Itä-Suomi** where, for example, ESF supported training programmes using ERDF supported clean-room facilities, and a number of other innovation oriented projects drew on both funds.

**Sachsen-Anhalt** started to integrate sources from different EU funds to tackle urgent problems at a very early stage. The ex post evaluation of the 1991-93 programme noted that 44 projects integrating ERDF and ESF funding had been implemented. In these projects, enterprises (mainly SMEs) received ERDF support to improve their technical standards and enhance their competitiveness, while at same time the ESF supported training activities to upgrade employee qualifications. Overall, these projects led to a reported total of more than 4,000 jobs being created or safeguarded. Similarly, integrated ERDF/EAGGF projects for the development of rural areas and infrastructure investments in 46 local communities were reported to have created more than 2,400 jobs. Despite this apparent success, synergies or complementarities were judged to have been low or non-existent in the first programme period. Subsequent evaluations revealed continual problems with coordination, although in the 2000-2006 programme there was some bundling around integrated priorities, and harmonisation of organisational procedures and reporting requirements.

Further challenges, relevant to only some of the case study regions, arose in attempts to achieve coordination with the EAGFF and EFF - a wider issue for ERDF programmes, as the ex post evaluation of 2000-2006 programmes demonstrated (Applica et al., 2010, p.106). At both strategic and operational levels, the experiences of the case study regions demonstrated examples of both the exploitation of synergies and disjuncture between the management of the Funds. Nevertheless, good examples of synergies between the ERDF and the EAGGF can be found in **Burgenland**, and also in **Dytiki Ellada**, **Andalucía** and **Aquitaine**. **Burgenland** saw the establishment of quality brands in food and viticulture and their links with tourism, as well as in the development of national parks and the use of EAGGF support for biomass linked with ERDF funded renewables projects. In **Dytiki Ellada**,

the LEADER initiative between 1994 and 2006 was important for the diversification of mountainous and disadvantaged rural areas through tourism and small scale business, complementing the investment delivered through the mainstream programmes. The switch from agricultural subsidies to agri-tourism supported the move to an entrepreneurial culture. Some of the strongest synergies between programmes were associated with the Integrated Programmes of Rural Development (OPAAX) during 2000-2006 in selected mountainous and disadvantaged rural areas. There was, however, less synergy with ESF sectoral programmes, although ESF and ERDF did jointly fund social welfare projects: ERDF supporting the infrastructure whilst ESF supported the operational costs.

**Andalucía** benefited from a LEADER initiative to develop tourist villages, and complementarities within the Forest Plan: the ERDF financed water infrastructure, erosion protection and fire prevention whilst EAGGF supported forest management programmes. The ERDF and ESF were also used together to support entrepreneurship with training activities for entrepreneurs alongside financial instruments and land and property projects.

In **Aquitaine**, good complementarity between the EAGGF and ERDF occurred in 2000-2006 around agro-food and forestry. Since 2007, however, the transfer of the EAFRD (formerly the EAGGF) outside Cohesion policy has meant that the EAFRD took on sole responsibility for a core set of rural development actions, with the ERDF dropping out of those actions, although synergies still exist in the water and wood energy sectors.

At the opposite end of the spectrum, the case study research on **Algarve** and **Norte** found that, in Portugal, different ministries were responsible for ERDF, ESF and other funds and were not adequately connected. There may have been a few cases in which synergies were achieved at a project level, but these were not considered as evidence for a general strategic complementarity between funds. Similar sectoral thinking was reported in Italy, where individual ministries saw the Structural Funds as sources of funding for their own plans for investment in the regions rather than integrated strategies across ministerial responsibilities (although integration was sought and achieved in certain fields, such as education and research).

**Nordrhein-Westfalen** also reported disappointing results regarding synergies between ESF and ERDF due to the differences in implementation structures and ways of thinking. Specific cases of good connection were realised at the project level, but this did not reflect coordination in strategic terms, with even separate sub-regional structures for the two programmes. The situation regarding EAFRD was also similar with some project-level synergies but an absence of a common overall approach.

In the United Kingdom, ESF programmes since 2007 have been planned at a national level to meet national needs which may be different to the objectives at a regional level. Hence in **North East England** it was reported that specific needs identified through the ERDF programme for higher level skills could not be addressed by ESF as it was targeted on basic skills.

### 3.9 Synergies with domestic programmes

Synergies with domestic programmes were largely determined by the need for matching funding whereby ERDF and domestic programmes co-funded projects or industry assistance schemes. At a strategic level, the integration between ERDF and domestic programmes varied across the 15 regions. As elsewhere in the EU, the extent to which Cohesion policy acted as a driver for domestic policy strategies (which tended to be the case for bigger ERDF recipients) - or vice-versa domestic funding determined the strategic choices made within the ERDF programmes (as tended to be the case in Member States and regions where Cohesion policy had little financial weight and significance compared to domestic policies), varied (Polverari *et al.*, 2005). Nevertheless, arguably due to the top-down requirement to align the ERDF programmes with the (Lisbon strategy) National Reform Programmes, the strategic integration between the two strands of policy has increased, at least formally, during the 2000s and especially in 2007-2013. From a more operational perspective, good degrees of comprehensive integration and coordination between the two strands of policy were recorded in **Ireland, Dytiki Ellada, North East England, Itä-Suomi, Nordrhein-Westfalen, Aquitaine and Nord-pas-de-Calais**. More limited synergy, confined to specific policy fields, was found in **Campania**.

In **Ireland**, ERDF in 2000-06 and 2007-13 has supported targeted elements of national programmes, notably innovation. However, one area where EU and national policy have differed is the regionalisation of programmes: strongly encouraged by the Commission, but not enthusiastically received by national authorities. As a result, the new regional structures developed were mainly limited to the implementation of the Structural Funds and most policies remained nationally determined. Similarly, in **Greece**, domestic policy was implemented through the Operational Programmes in the CSFs and hence the two funding strands were strongly connected. Around 70 percent of the national Public Investments Programme for the whole 1989-2013 period was allocated to meet the national contribution to the Structural Funds.

The French regions saw close cooperation between the ERDF programmes and the state-regional plans (CPERs) with complementary programmes to avoid direct duplication, and harmonised timing and monitoring. In **Nord-Pas-de-Calais**, in 2007-2013, the CPER and ERDF OP priorities were essentially the same. However other instruments such as the competitiveness poles had less synergy with ERDF. In **Aquitaine**, the ERDF could have been used to support technologies similar to the competitiveness poles, but differences in eligibility made it a less attractive source than national funds. In both French regions, there was also coordination under environmental policy since the Grenelle Environmental agreement in 2007. This multipartite agreement between the state and all stakeholders identified sustainability initiatives which were jointly funded by national funds and ERDF.

Synergies with domestic programmes in **North East England** were strong over much of the period, but became increasingly tightly integrated during the 2000s because of the emergence of regional development agencies. During the 1990s, a number of national initiatives either sought ERDF co-funding, or submitted regional projects to ERDF programmes. Some nationwide programmes in the 1990s such as the SPUR and SMART grant schemes, or Business Link looked to ERDF to provide additional funding in the eligible

regions. However, with the formation of RDAs and the development of their own regional programmes, and especially from 2007, the ERDF was expected to support projects within these regional programmes, until the final demise of the RDAs in 2012.

In **Itä-Suomi**, the ERDF supported a number of projects within national programmes such as the Centres of Excellence Programme (OSKE). **Nordrhein-Westfalen** also experienced good connections between ERDF and domestic programmes, such as support for the state programme for the International Building Exhibition Emscher Park where ERDF supplied around 20 percent of the total funding, or the ERDF contribution to federal innovation programmes. In the context of funding for integrated urban development, ERDF funding was combined with national and federal programmes for urban development. Together with the experience of the Community Initiatives URBAN I and II, the national and federal programmes were used as the basis for developing the urban development funding approach in the 2000-2006 and 2007-2013 ERDF programmes.

Elsewhere, there was more limited complementarity with domestic programmes. In **Campania**, the main area of complementarity was in transport investment, with co-funding of some parts of the Naples underground and the Battipaglia logistical hub from the national 'Legge Obiettivo'. Fundamentally, however, the Italian 2007-2013 NSRF's attempt to link the domestic and European regional development strategies more closely did not succeed due to a change of national-level government priorities.

An example of relatively limited integration is represented by **Sachsen-Anhalt**. Prior to 2000, there were parallel domestic and ERDF programmes which were poorly coordinated and provided competing funds. After 2000, there were attempts to develop region-level integrated programmes in which projects had to target domestic as well as ERDF support, but these did not work well and applicants preferred mono-fund programmes, as a result of which the integrated programmes were discontinued. There seemed to be a general preference for domestic programmes due to less demanding funding criteria.

## 4. EXPENDITURE PATTERNS AND TRENDS

Analysing trends in spending of Structural and Cohesion Funds over time and across regions has traditionally been problematic. Multiple sources, inconsistent reporting, and delays in closing programmes and finalising expenditure have presented major challenges for comparative research. It is only in the 2007-13 period that the Commission has been able to introduce structured, systematic approach to Member States reporting on the financial progress of programmes. This research study, therefore, has had to undertake primary research based on a bottom-up classification and aggregation of measure-level expenditure information, undertaken for each of the 15 regions, according to the methodology described in more detail in Annex 2. Notwithstanding important data limitations and gaps, this is the first analysis of long-term expenditure trends for the entire period from 1989 to 2012, reconstructing *ex post* the final expenditure at NUTS 2 level.<sup>10</sup>

Complementing the previous chapter on strategies, this chapter reviews the expenditure patterns and trends across the 15 case study regions. It begins with an overview of total recorded spending, and then discusses expenditure trends by thematic axis and category of regions.

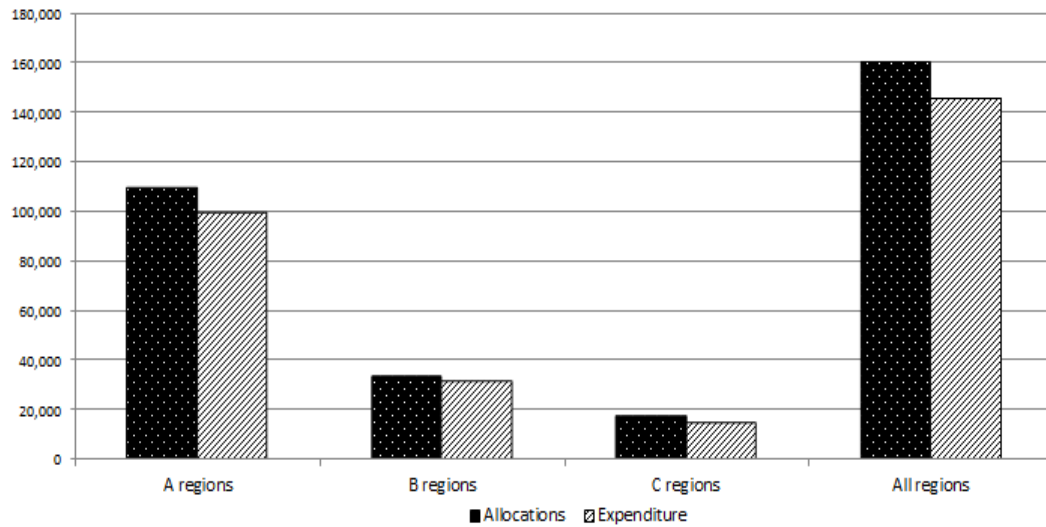
### 4.1 Overall expenditure trends

Over the period from 1989 to 2012, more than €146 billion of Structural Funds are estimated to have been spent in the 15 regions (see Figure 4). The Objective 1/Convergence regions had the largest share, of 68.3 percent (c. €99.6 billion), with Phasing-in/out and Objective 2/RCE regions representing a more modest 21.6 percent (c. €31.5 billion) and 10.1 percent (c. €14.7 billion) respectively. Across the entire period, allocations exceeded expenditure by around €14 billion (c. 9 percent of the initial allocation). This figure should however be interpreted with great caution given that, especially for early periods, it was not always possible to reconstruct the non-earmarked regional allocations of the national or multiregional OPs (which overinflates expenditure compared to allocations) and that this sum is negatively affected by the expenditure delays of the 2007-13 programmes.

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<sup>10</sup> The *ex post* evaluations of the 1994-1999 ERDF programmes, for instance, only include reflections on commitments (ECOTEC 2003; CSES 2003); the synthesis report of the *ex post* evaluation of 2000-2006 ERDF programmes includes elaborations on non-final expenditure data (at 31 December 2008), at Member State level only (Applica *et al.*, 2009); whilst the thematic study on 2000-2006 ERDF and Cohesion Fund regional expenditure, undertaken when the programmes were still underway and published in 2008, whilst focusing on sub-national data (NUTS 2 and NUTS 3), only provides information on commitments (SWECO, 2008). The most recent report produced by the DG Regio Evaluation Network on 2007-2013 programmes (Ciffolilli *et al.*, 2013) provides the thematic breakdown of the programmes' planned, rather than actual expenditure. In relation to expenditure, the report focuses mainly on its evolution and on the reprogramming shifts between categories (i.e. planned expenditure).

**Figure 4: Total Structural Funds allocations compared to actual expenditure by regional groups and across all 15 regions (1989-2010/11/12) - Million Euro, 2000 values**



Source: Own elaborations based on data collected by the regional teams. Data included are for ROPs and, where applicable, NOPs<sup>11</sup> combined.

The discrepancy between planned and actual expenditure is the highest in absolute terms in the Objective 1/Convergence regions (c. €10.2 billion). Again, however, the lack of reliable data on allocations for some of the MOPs/NOPs affects the validity of this assessment.

As a percentage of GDP, Structural Funds expenditure is the highest in: **Dytiki Ellada** (almost four percent in 1994-1999 and over five percent in 2000-2006); **Norte** (6.1 in 2000-06); and **Algarve** (5.29 in 2000-2006). **Nordrhein-Westfalen** had the lowest Structural Funds expenditure in relation to GDP: less than 0.1 percent in each of the periods.

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<sup>11</sup> Again, there are some data gaps in relation to earlier periods and MOPs/NOPs expenditure, which could not always be regionalised. Detail can be found in the case study reports.



**Table 9: Annualised Structural Funds expenditure expressed as a percentage of GDP**

	1989-1993	1994-1999	2000-2006	2007-2013
Algarve	2.00	2.09	5.29	2.01
Andalucía	1.19	1.77	1.95	0.26
Aquitaine	0.13	0.54	0.41	0.22
Basilicata	NA	1.61	2.59	1.07
Burgenland	NA	3.78	2.32	0.38
Campania	0.34	0.58	2.27	0.53
Dytiki Ellada	0.52	3.83	5.05	2.49
Itä-Suomi	NA	1.87	2.44	0.94
Galicia	0.87	1.66	1.93	0.36
Ireland	0.58	1.60	0.11	0.14
Nord-Pas-de-Calais	0.16	0.76	0.79	0.30
Nordrhein-Westfalen	0.05	0.05	0.08	0.08
Norte	1.50	2.72	6.12	8.60
Sachsen-Anhalt	2.06	2.8	2.97	1.12
North East England	NA	0.52	0.40	0.09

Source: own elaboration based on regional expenditure data collected by the regional teams.

Note: for the 2007-2013 period, annualised expenditure for the Aquitaine and Norte regions is based on total allocations divided by seven years. This is because data on the last is absent. For the other regions, annualised expenditure for the last period has been calculated taking into account the number of years of actual expenditure, provided by each region. See Annex 2 to see last year tracked.

## 4.2 Expenditure by thematic axis

Turning the analysis of expenditure by thematic axis, Figure 5 shows the total Structural Funds expenditure of each region across the whole study period and the relative weight assigned to the eight thematic axes. **Andalucía** and **Norte** spent the most (with c. €26.3 and €29.9 billion respectively), followed closely by **Sachsen-Anhalt** (€20.4 billion) and **Campania** (€17.5 billion).<sup>12</sup> **Burgenland** is the region with the lowest spend, c. €1.7 billion over the entire period: not a negligible figure nevertheless, given the size of the region, the fact that Cohesion policy support started only in 1995, and in GDP terms (representing c. 3.78, 2.32 and 0.38 percent of GDP in each programme period respectively from 1995 to date).

The proportion of spend across the themes varies considerably among the regions, ranging from a strong emphasis on enterprise support in **Burgenland** (56 percent of total expenditure from 1989 to date) and **Itä-Suomi** (59 percent), to a predominance of infrastructure spending in the two Spanish regions (representing 61 percent of total expenditure in **Galicia** and 49 percent in **Andalucía**), in **Dytiki Ellada** (43 percent), and in **Ireland** (37 percent). **Aquitaine**, **Sachsen-Anhalt** and **Campania** show a concentration of

<sup>12</sup> The data limitations already noted apply. In particular, the figures for Basilicata are underestimated given that the data included in the analysis only comprise ERDF (and not all Structural Funds) and the ROPs only for the periods 1989-1993 and 1994-1999. Similarly, for Algarve and Dytiki Ellada actual expenditure is underestimated by the lack of data on the expenditure for some or most of the NOPs.

expenditure on two main themes (enterprise and structural adjustment in **Aquitaine** and **Sachsen-Anhalt**, and enterprise and infrastructure in **Campania**), whilst the remaining regions display more mixed expenditure patterns, with no dominant theme.

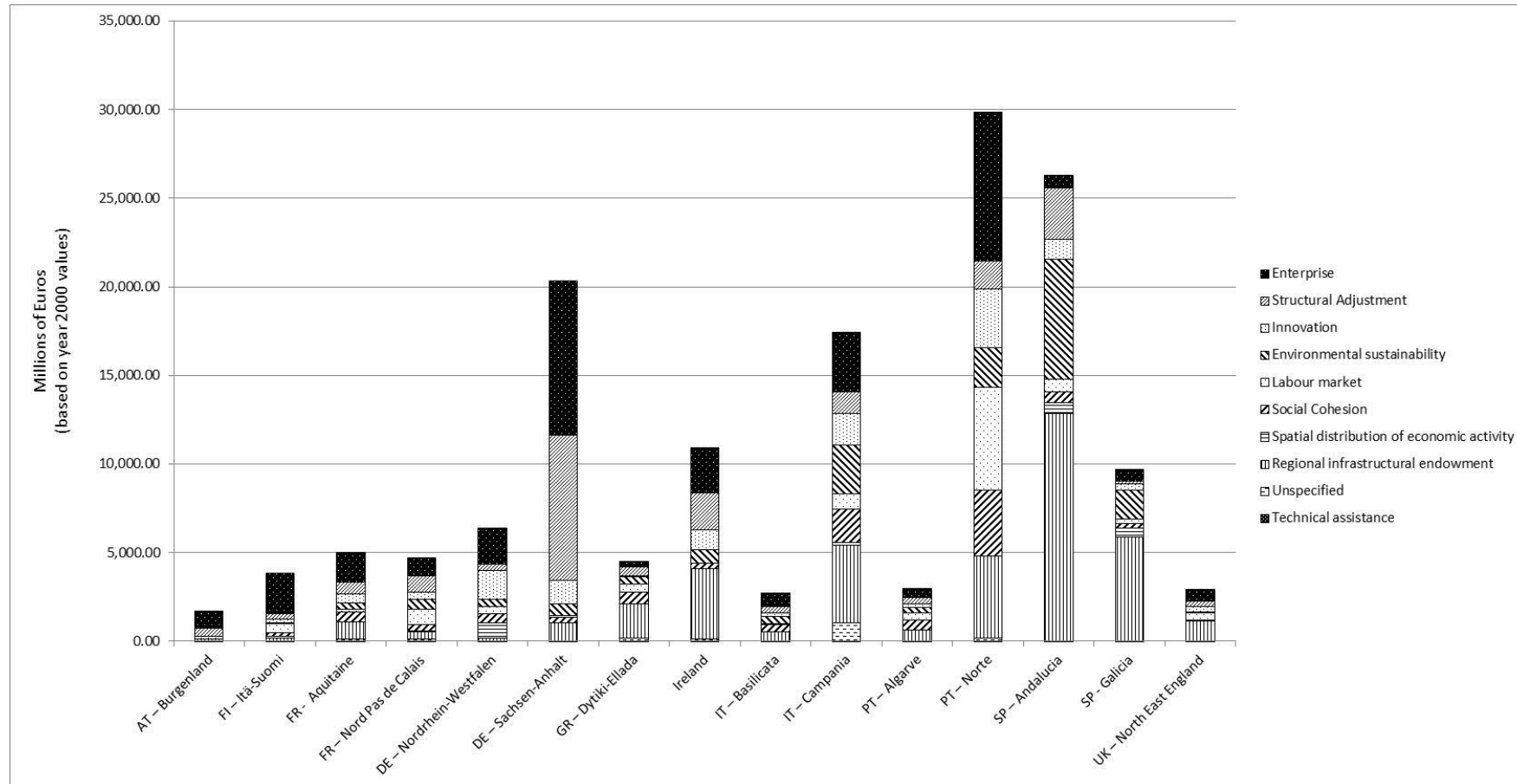
The relative distribution of expenditure across the eight themes and its evolution over time can be more precisely appraised from the next three figures, which provide a period-by-period disaggregation of expenditure for the three regional aggregates, the Objective 1/Convergence, Phasing-in/out and Objective 2/RCE regions in turn (Figure 6, Figure 7 and Figure 8).

Figure 6 shows a predominance of infrastructure spending across all programme periods (except 2007-2013) in the **Objective 1/Convergence** regions, ranging from 43 percent of total expenditure in 1989-1993, to 27 percent in 1994-1999 and 30 percent in 2000-2006, and to a low of 14 percent in 2007-2013. Another prominent theme is structural adjustment which remained over 20 percent from 1989-1999 (22 percent in 1989-1984, 24 percent in 1994-1999) but decreased sharply to six percent in the 2000-2006 period before growing again to 13 percent in 2007-2013. The main thematic shift across periods in this group of regions was the relative growth of the categories of social cohesion and labour markets starting in the 2000-06 period. Perhaps surprisingly, innovation is shown as remaining broadly stable, accounting for five and ten percent of total expenditure in the first two programme periods, and then seven percent in 2000-2006 and eight percent in 2007-2013. The environmental theme too has remained broadly stable throughout, at around 15 percent of total expenditure, with a downward trend in 2007-2013 (11 percent, compared to 12-17 percent respectively in previous periods).

The situation is similar in the 1989-93 period for the **Phasing-in/out** regions (Figure 7), with expenditure strongly polarised around infrastructure (58 percent of expenditure). However, the composition of expenditure in Phasing-in/out regions becomes more diversified over the following programme periods, with a predominance of enterprise support (34 percent, 38 percent and 21 percent respectively in 1994-1999, 2000-2006 and 2007-2013) and, in the 2007-13 period, structural adjustment and innovation (respectively at 23 and 22 percent of expenditure).

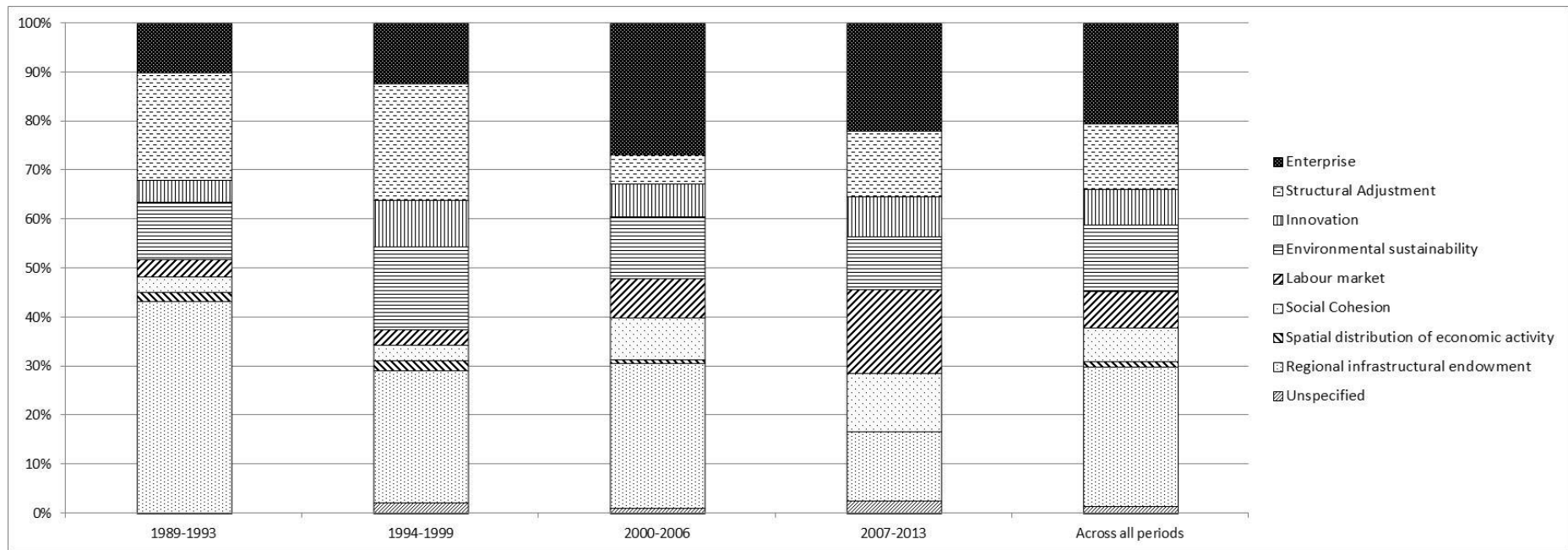
Lastly, Figure 8 demonstrates a strong focus in the three **Objective 2/RCE** regions on enterprise in the first three programme periods (with 50 percent of the money spent on this theme in 1989-1993, later falling to 30 percent (1994-1999), 35 percent (2000-2006) and 14 percent (2007-2013) and a marked shift towards innovation and social cohesion in the current period. In the current period, moreover, there is no expenditure on labour market in this group of regions, largely due to the mono-fund nature of the programmes. In the **Objective 2/RCE** regions, two themes record the least expenditure throughout the study period: spatial distribution of economic activities and environmental sustainability. However, whilst the former has progressively diminished (from ten percent in both 1989-1993 and 1994-1999, to three percent in the 2000-06 period and no expenditure in 2007-13), the latter has seen its share double since 2000-2006 (from four percent to 11 percent of total expenditure).

Figure 5: Total Structural Funds expenditure per region and theme - Million Euro, 2000 values\*



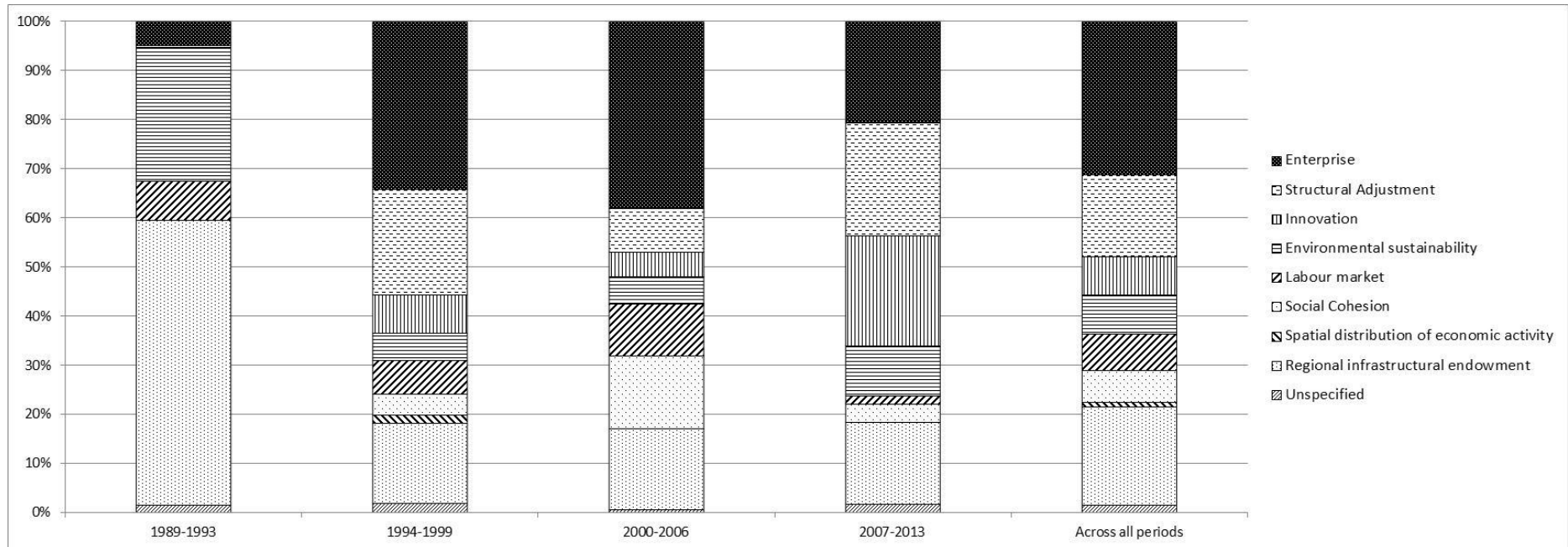
\*Representative of available expenditure data only (see Annex 2).

Figure 6: Total Structural Funds expenditure in ‘Objective 1/Convergence’ regions, by programme period and theme - percentage values\*



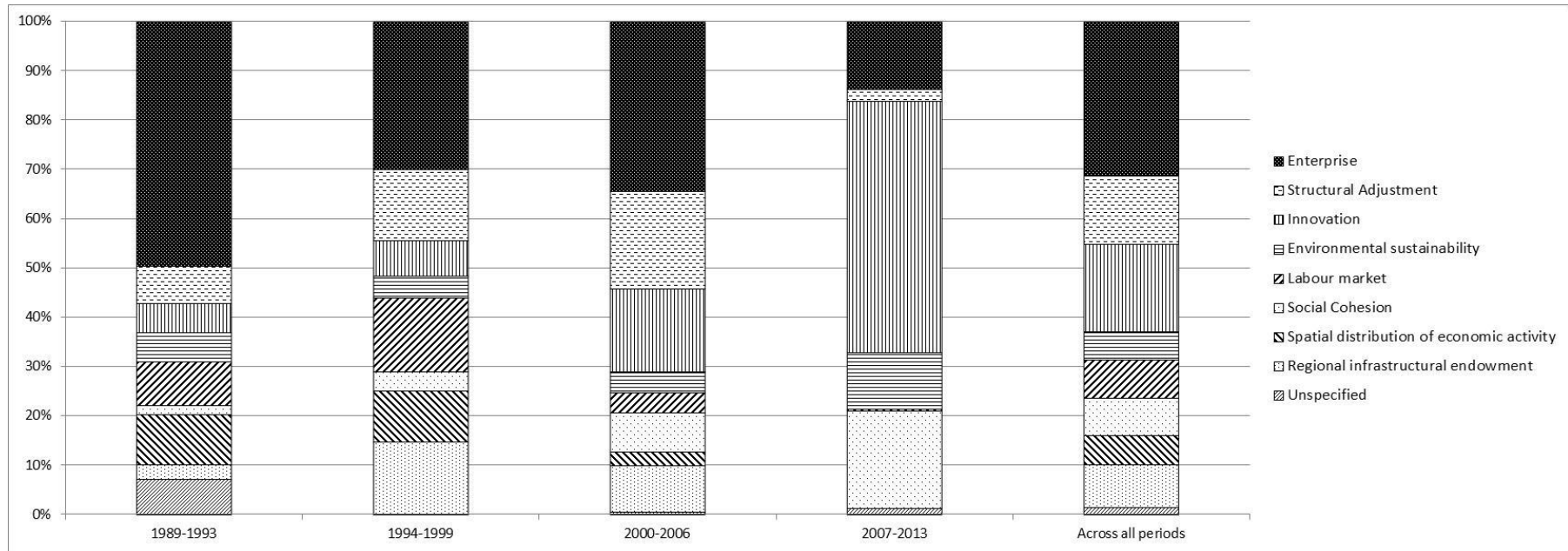
\*Representative of available expenditure data only (see Annex 2).

Figure 7: Structural Funds expenditure in ‘Phasing-in/out’ regions, by programme period and theme - percentage values\*



\*Representative of available expenditure data only (see Annex 2).

Figure 8: Total Structural Funds expenditure in ‘Objective 2/RCE’ regions, by programme period and theme, percentage values\*



\*Representative of available expenditure data only (see Annex 2).

## 5. THE ACHIEVEMENTS OF COHESION POLICY PROGRAMMES

### 5.1 Introduction

The considerable investments made by the ERDF in the 15 case study regions can be expected to have made significant differences to the development of these regions. Increasingly, these expectations have been specified in the objectives of programmes as noted previously, and this chapter examines the nature of the achievements in the regions as a result of this investment.

There is no simple, single assessment of achievements: they can and have been assessed over time in a variety of different ways, sometimes rigorously, sometimes barely at all. This chapter is the first of three that examine achievements, focusing on the achievements reported by the regions and a qualitative assessment of the achievements within each of the eight themes identified in this study. The subsequent chapters then examine quantitatively the achievements compared with needs and objectives and the impact of the programmes on regional performance.

This chapter begins by reviewing the nature of achievements and the methodology used in assessing reported and actual achievements. It distinguishes between two sorts of achievements.

- *Reported achievements* are as reported by the programme managers in their annual and final implementation reports to the Commission. Typically, these are output measures reflecting the activities undertaken by projects, indicators relating to the effects that the projects have on beneficiaries and the wider region, and qualitative case studies of projects and their results. *Actual achievements* may differ from those reported because the latter may underestimate or overestimate achievements, for a number of reasons explained in the next section. The calculation of actual achievements at programme level requires either detailed auditing of each project or macroeconomic analysis, but here an assessment of actual achievements is made on a thematic basis to identify what kinds of interventions have worked in each of the regions.

### 5.2 The nature of achievements

ERDF expenditure in any region will deliver various types of achievements. They encompass the direct outputs of the projects and the wider changes they stimulate within the region; they can be anticipated by formal targets or can be unanticipated or accidental; they can be measured using numerical metrics or softer indicators, or be purely qualitative in nature; and they can have positive or negative consequences for the region. The complex nature of achievements presents problems for research and evaluation, as some things are measurable and measured, whilst others are not. A comprehensive view needs to cover all aspects, but usable data are inevitably easier to obtain for the measured aspects, even if what is measured may not be the most useful indicators of desired changes.

Typically, for each programme, a set of indicators is agreed between programme authorities and the Commission at the outset, against which the targets for each measure

can be monitored, and then recorded in annual and final implementation reports submitted by programme authorities to the European Commission. These indicators have been refined over the study period from being more-or-less absent in 1989-1993 through to being relatively sophisticated in 2007-2013 period. *Outputs* are indicators that relate to activities and which are used to monitor the immediate deliverables of projects.<sup>13</sup> They could encompass a physical measure of the completeness of projects such as kilometres of completed road, or hectares of restored land; or the number of beneficiaries assisted, usually in the form of numbers of firms or individuals. In the case of support for firms or individuals, the indicator might differentiate between the form of support offered (scale of advice measured in value or days of consultancy) or according to the status of the beneficiary (unemployed individuals, women, people from particularly disadvantaged areas).

A second level of reported achievements are results and impacts. During the programme periods covered in the research, managing authorities were advised by Commission guidance to define *results* as the (immediate) effects on the direct beneficiaries of the actions financed, while *impacts* were the longer term effects of interventions on the global or specific objectives of the programme. Impacts were typically reduced to a small set of indicators such as employment created, increase in SME activity, or a more thematically specific indicator such as numbers of new firms created. Whilst outputs may be the direct and sole result of an intervention - a project to build a road will result in km of road built - the impacts are more likely to be the consequence of a combination of ERDF intervention and other activities as an illustration, a new firm may be partly assisted by an ERDF project, but will also be the result of additional private investment and, possibly, nationally funded interventions as well.

Despite the emphasis placed in programme reports on the development of quantitative measures of outputs, they only tell part of the story, even though ever more complex metrics have been developed to capture the diverse forms of interventions, such as advice to firms. Sensible output indicators for activities such as business support are difficult to identify - differentiating between advice given in a seminar or over the phone, and an intensive consulting engagement can be made by referring to the time or cost involved, but does not necessarily reflect the quality of the advice. Aggregation across a range of projects then becomes impossible. Instead, some achievements are best identified through qualitative targets and descriptions of services offered, although these tend to be related more to project case studies than programmes as a whole.

The assessment of quantitative reported achievements by programme managers faced a number of difficulties which may have led to under or over reporting, including at times simple deception by projects, all of which feature in the case study reports.

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<sup>13</sup> European Commission, Directorate General XVI, Regional Policy and Cohesion (undated) *The New Programming period 2000-2006: Methodological Working Papers. Working Paper 3, Indicators for Monitoring and Evaluation: An indicative methodology*, available online from [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/indic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/indic_en.pdf) (accessed 12 September 2013).



There is a tension between the number of discrete indicators and the specificity of outputs. The variety of outputs may require a long list of output indicators whereas simplicity of reporting may make fewer indicators desirable. Even for something as simple as road-building, it may be desirable to differentiate between a dual freeway, normal main roads and local roads, as well as between new roads and upgraded roads. A large number of different indicators may be needed to capture the variety, and any simplification therefore reduces accuracy, and can be misleading or result in variance from initial targets. If the indicator is simply km of roads, then should a dual freeway count as twice the length?

Programme managers usually depend on projects to provide data. Managers of projects may have limited information on some kinds of outputs, may find it difficult to attribute the outputs of projects to standard indicators, or may provide misleading information to programme managers. Aggregated data will thus be subject to the limitations of the project-level data.

The process of aggregation also potentially introduces errors where double-counting occurs. There may be several projects aiming to provide advice to firms, each reporting the number of firms assisted. In some cases, this approaches the number of firms in the region as each incidence of advice is counted separately, even though the indicator might be the number of firms assisted. Recognising that there is multiple counting here, it is still impossible to know whether a large number of firms received some advice or a small number of firms each received many different interventions. Unless each project produces a list of beneficiary firms and these are reconciled, it is difficult to assess how many firms were assisted. It may not be in the interest of a project even to indicate the number of unique companies assisted.

Results or impacts are even more difficult to assess by both project managers and programme managers. In some programmes, monitoring data included estimates of results, such as jobs housed in new business parks. However, such impacts may take time to unfold, and estimations made at the time of completion of the funding may seriously understate or overestimate the longer term effects. An innovation project may not deliver job creation until several years later when a product has become successful in the market, while a factory building will not house jobs until a tenant has been found, again perhaps only after one or two years. Monitoring data cannot capture these effects. They need to be appraised with ad hoc evaluation activities, although even then these are usually undertaken before longer term effects are realised, and are usually only based on a sample of projects.

A particular problem with some very large infrastructure projects is that, as noted earlier, the duration of construction of the project is longer than a single programme period. When a project has to be broken down into several phases, there may be few direct achievements in the earlier phases. Roads, ports, railways etc. often take many years to complete with the full benefits only being seen when the project is complete (CSIL and DKM, 2012)<sup>14</sup>, although some benefits may be realised and measured on an interim basis. The Rion-Antiron

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<sup>14</sup> CSIL and DKM (2012) Ten Projects Observed: Ex Post Evaluation of Investment Projects Co-financed by the European Regional Development Fund (ERDF) or Cohesion Fund (CF) in the Period 1994-1999, Final Report, European Commission.

bridge in **Dytiki Ellada**, for example, involved preparatory studies in the 1989-1993 period with construction during both the 1994-1999 and 2000-2006 periods. Further, the different tranches through which such large infrastructure projects are realised may draw from different sources of funding, e.g. from domestic spending programmes. This makes it difficult to disentangle the specific contribution of the ERDF programmes.

The estimation of actual results on a quantitative basis through evaluation is subject to all of the problems identified for the reported achievements, with the added difficulty that if not done contemporaneously there may be a loss of information linking the output with the impact. If done contemporaneously then the problems of assessing long term benefits occur.

Consequently, in this study, the reported achievements were taken primarily from the final implementation reports or evaluation documents. This analysis concentrated on a programme-by-programme assessment against the output targets set for the programme. Whilst some qualitative reporting was available, this was anecdotal and tended to be at a project level whereas the analysis of reported achievements was undertaken at programme level.

A separate analysis was undertaken on a thematic basis drawing on quantitative and qualitative reported information, evaluations, interviews with stakeholders and other available information. In some cases, for example, projects were subject to evaluations undertaken at a much later date than ERDF evaluations, which provided useful additional information on longer term impacts. This collection of information was necessarily partial and could not provide total results, but it was possible to identify instances of interventions which resulted in significant changes in a region.

## 5.3 Reported achievements

### 5.3.1 1989-1993

In the 1989-1993 period, the requirements for reporting achievements were almost non-existent, and in most of the 15 regions documentation was difficult to obtain. At this time, most regions focused on demonstrating that funding had been spent on the projects which had been agreed, and any indicators that were available related to either financial progress or physical output indicators such as kilometres of roads built. In some regions, lists of projects were produced (e.g. **Campania**), but in most cases there are no quantitative data available.

In seven regions, detailed output indicators were available from final reports or evaluations. Typically these consisted of numbers of projects where they involved a building (sports facilities, for example, in Norte or modernised training facilities in **Nord-Pas-de-Calais**), studies/plans, or SMEs assisted. The other main group of indicators related to the scale of output such as area of land reclaimed, km of roads, railways or water/sewerage networks, or hotel rooms. These indicators allow some comparison between output achievements and original targets (when there are targets), although given that regions were unused to such programming, the variation between targets and outputs may be due to unrealistic targets rather than poor delivery. As an illustration, **Nord-Pas-de-**

**Calais** only achieved 115,800 m<sup>2</sup> of premises built or rehabilitated against a target of 250,000 m<sup>2</sup>, but it may be that the target was set using typical costs for lower grade buildings than were built, or that funds were directed to different types of project.

In the Objective 1 regions, the major achievement indicators related to networks, for example, 639 km of improved roads and 1,264 km of water and sewerage networks in **Norte**, and 118 km of water pipes and 80 km of sewerage networks and some 134 km of roads constructed or improved in the **Algarve**.

In **Dytiki Ellada**, there were some indications of impact: the population served by water supply projects reached 42 per cent, and service by wastewater treatment increased from three to 30 per cent; 1,162 jobs were reported as being created, of which 245 were permanent jobs rather than temporary construction jobs. **Ireland** provided more detailed achievement indicators with, for example, 20,000 net new jobs per year during the period in manufacturing and traded services, and 11,474 net new jobs over four years. These figures however relate to all supported firms, and not all benefited from ERDF supported initiatives; they indicate that manufacturing in particular only maintained employment compared with a decline in previous years - the net new jobs were mainly in services. **Ireland** also saw strong annual output growth of six per cent and a 75 per cent increase in SME exports by the mid-1990s, but this was also driven by macroeconomic policies and other interventions, as well as ERDF expenditure. Tourism grew substantially with a 33 per cent increase in visitors and 20,000 net new FTE jobs over the period, with at least a substantial proportion of this being due to the investment in new visitor attractions, tourist waterways and marinas, golf courses etc.

The most detailed results are available for the German regions. In **Nordrhein-Westfalen**, an interim evaluation by the Friedrich-Ebert Stiftung reported a total of 17,000 jobs created or safeguarded directly with a further 7,000 'likely to be created'. Specific outputs included 116 ha of re-utilised wasteland, 17,200 m<sup>2</sup> of reused buildings and 13 new technology incubator centres. In **Sachsen-Anhalt**, over a shorter period (1991-93), aid for business led to a reported 36,321 jobs created or maintained, although much of the support was judged to be subsidies for on-going businesses.

### 5.3.2 1994-1999

The 1994-1999 period saw more detailed development of indicators and targets, both of outputs and results. However, this was not done systematically across all regions. The new entrant regions of **Burgenland** and **Itä-Suomi** established only a very limited set of targets, and experienced difficulties in assessing achievements. Some of the other regions also had estimation problems. **Nordrhein-Westfalen**, for example, only completed the development of its monitoring system in 1996, and **Aquitaine** reported problems of lack of standardisation and an emphasis on output indicators. These difficulties can be illustrated by some examples.

- In **Burgenland**, hardly any targets were set initially, and only later was an employment target of 7,300 new jobs set, revised to include safeguarded jobs. The actual reported result of 2,216 new jobs was a gross value, whilst the 5,887

safeguarded jobs included the total number of people employed by supported firms. Clearly, many of the jobs reported as safeguarded would have been unaffected by the intervention, and a proportion of the new jobs would have been offset by displacement losses elsewhere.

- In **Itä-Suomi**, new and safeguarded jobs were poorly defined, with the Objective 6 programme declaring 21,000 new jobs and 62,000 safeguarded jobs against a combined target of just over 29,000. An ex post evaluation suggested that a true figure might be 10-20 per cent of the reported figure. The Objective 5b programme also reported 102,000 jobs created or safeguarded compared with a target of 22,000, implausibly high figures of around a third of total employment in the region. In both cases, the estimates seem to have interpreted numbers of jobs safeguarded very liberally, and to have included employment growth that would have taken place without assistance.
- In the case of **North East England**, Objective 2 programmes ran for two periods of three years each (1994-96 and 1997-99), and the two programmes had separate reporting of achievements. This led to some difficulties in meeting targets, especially for results indicators such as jobs or GDP, as projects had less time before reporting to meet employment targets, for example. This was especially problematic for office and factory provision; the short programme period meant that it was difficult to complete construction within the three-year period, meaning they missed their targets for jobs housed, and thus making it likely that projects were underestimated compared to if the region had had a single six year programme.

Overall, regions reported a wide range of outputs. In **Campania**, for instance, the ex-post evaluation of the 1994-99 CSF provides an estimate of the regional-specific outputs of support in terms of new road stock, rail tracks and dual tracks, fibre optic, water purification plants, firms assisted, provision of tourist accommodation (ISMERI, 2002: 160-165). This makes comparison difficult, but there was some standardisation of results, notably around gross jobs created or safeguarded (the latter often being ill-defined). Table 10, below, shows the reported employment effects of the programmes, although noting that for some regions this is restricted to the regional programme only and excludes the employment effects of national programmes in the regions.<sup>15</sup> The table also illustrates the continued variability even of this indicator, with differences between net and gross jobs being reported, temporary and permanent jobs, jobs in construction, and also lack of clarity sometimes between new and safeguarded jobs. The reliability of the data is highly variable, especially for safeguarded jobs which were often just the numbers of existing jobs in assisted firms, regardless of whether the assistance was instrumental in keeping the business going. Those programmes with an emphasis on support for firms (such as **Sachsen-Anhalt**, **Itä-Suomi**, **Nord-Pas-de-Calais** or **North East England**) tended to report much higher levels of jobs created (or safeguarded). Programmes with a greater emphasis on

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<sup>15</sup> The tables on employment creation are provided for illustrative purposes: they represent only the raw numbers, and not the significance of the impact (relative to the size of the regional workforce for example).

infrastructure sometimes reported relatively low levels of new jobs, although temporary jobs in construction may be considerable.

In some of the regions (**Andalucía, Galicia, Dytiki Ellada, Basilicata, Algarve**) estimates of jobs created are limited to the regional programmes only, or to specific measures (**Norte**). In these cases, the numbers are relatively small as many more jobs may be created through national infrastructure programmes or business support programmes that cover the region. It therefore makes it impossible to compare these figures with total regional employment or expenditure, as the missing data would make the comparison meaningless, even if the estimations had been made using comparable methodologies.

**Table 10: Reported jobs created or safeguarded for 1994-1999**

Region	Jobs created or safeguarded 1994-1999
Sachsen-Anhalt	28,348 jobs created, 55,217 jobs safeguarded
Dytiki Ellada	5,881 temporary jobs, 718 new jobs (ROP only)
Campania	17,646 temporary jobs, 9629 permanent new jobs
Norte	5,860 new jobs from firm incentives
Andalucía	7,780 new jobs created in industry and services, 11,739 retained. (ROP only)
Galicia	26,684 jobs created of which 16,754 in infrastructure and 9.930 in industry/services (ROP only)
Burgenland	2,216 net jobs created, 5,887 net jobs safeguarded
Itä-Suomi	21,000 new jobs and 62,000 safeguarded jobs via Objective 6 and 102,000 jobs created or safeguarded under Objective 5b
Nord-Pas-de-Calais	11,847 gross new jobs, 4,508 indirect gross new jobs, 8,422 safeguarded jobs
Ireland	c.33,000 net new jobs
Basilicata	2,329 new jobs in SMEs (ROP only)
Algarve	319 permanent new jobs and 2810 temporary jobs (ROP only)
Aquitaine	14,560 new jobs, 21,695 safeguarded jobs
Nordrhein-Westfalen	12,400 new jobs, 13,600 safeguarded jobs
North-East England	14,633 jobs created and 7,355 safeguarded in 1994-6: 25,395 gross additional jobs, of which 13,267 net additional jobs and 7,116 jobs safeguarded in 1997-99.

Source: Case study reports.

### 5.3.3 2000-2006

The 2000-2006 programmes saw further efforts to enhance monitoring processes, and more specific output and results indicators, but output indicators were still diverse and were sometimes too numerous to be accurately tracked (e.g. the **Sachsen-Anhalt** and **Campania** ROPs had respectively c. 780 and 350 indicators), and results were problematic. As with the previous programmes, jobs created was the most common results indicator, but with continuing variation in how this was reported (see Table 11 below).

With larger budgets in many cases, and a greater emphasis on support for firms also, the jobs created estimates tend to be much higher than the previous period, although doubts remain about their accuracy. The figure of 317,000 jobs safeguarded in **Andalucía** appears to be a generous estimate, although it should be noted that some 780,000 jobs were created in the region between 2000 and 2006, according to Eurostat data, taking total employment to 3.1 million.

The 2000-2006 programmes were much more oriented to the Lisbon agenda, and hence they had a greater focus on enterprise and innovation, reflected in targets for outputs and results, although in some regions there were difficulties in meeting these targets. In **Burgenland**, for example, a manifestly overly ambitious target of 700 technology business start-ups saw just 33 being realised. In **Andalucía**, assistance for people to be involved in R&D transfer saw just 196 assisted against a target of 4,420. This epitomises the danger of early setting of quantitative targets, especially where the region lacks the expertise to deliver such projects. In the case of innovation and enterprise, most regions seem to have been seduced by the success stories of regions with strong innovation systems, and proposed ambitious targets as a result.

**Table 11: Reported jobs created or safeguarded for 2000-2006**

Region	Jobs created or safeguarded 2000-2006
Sachsen-Anhalt	20,950 jobs created and 56,733 jobs safeguarded
Dytiki Ellada	2,310 permanent new jobs in enterprises and 14,824 temporary jobs in construction
Campania	12,542 new or maintained jobs through ROP support measures to firms + 664 new jobs in tourist firms + 486 new or maintained jobs deriving from integrated projects in parks (ROP only)
Norte	3,108 jobs created (ROP only)
Andalucía	49,797 jobs created and 316,757 retained, plus 140,580 jobs in infrastructure construction (ROP only)
Galicia	78,880 total jobs created, 67,754 in infrastructure and 11,126 in industry and services. (ROP only)
Burgenland	3,008 net new jobs
Itä-Suomi	30,789 jobs created and 45,025 jobs safeguarded
Nord-Pas-de-Calais	27,661 temporary jobs in projects, between 33,000 and 43,000 direct and indirect jobs created
Ireland	No estimate provided
Basilicata*	No estimate provided
Algarve	14,000 new jobs
Aquitaine	12,470 net new jobs
Nordrhein-Westfalen	14,100 new and 14,800 retained jobs from direct funding plus 17,000 new and 45,000 safeguarded jobs through business advice.
North-East England*	48,000 gross jobs created and 56,000 safeguarded, with estimated 35,000 net new jobs

Source: Case study reports.

### 5.3.4 2007-2013

In the 2007-2013 period, data are very limited due to delays in the commencement of many programmes, the lags in the production of annual implementation reports and the effects of the reorientation of programmes to fit new challenges and situations. In some regions, austerity measures have slowed implementation due to a lack of matched funding, making overall comparative analysis of achievements difficult at this stage. In several regions, annual implementation reports reveal slow progress on key indicators, especially indicators relating to results, such as job creation. Inevitably, too, the depth of the recession will have had a negative effect.

Although there have been modest improvements in the implementation of output target indicators and greater attention paid to economic results, there are still problems in monitoring the achievements of ERDF programmes. In some regions, such as **Andalucía** and **Galicia**, new information systems have been introduced but with delays in their operationalisation. Some regions have been reducing the number of indicators. **Itä-Suomi** for example both reduced the number of indicators and defined them more precisely, removing the indicator for 'renewed jobs' and refining the definitions of the remaining employment figures. **Sachsen-Anhalt** reduced the number of indicators from 776 to 300 but further consolidation is needed. Yet, concerns remain about the qualitative aspects of these indicators - output indicators for buildings give consistently defined costs per unit of floorspace, but do not indicate the heterogeneity of projects. Problems also remain with measuring outputs relating to advice to SMEs. Streamlined indicator systems allow for easier aggregation and management of programmes, but are not necessarily any more helpful for evaluators seeking to judge the effectiveness of programmes. Problems of aggregation, additionality and duplication of measurement remain. At the level of results, all regions seem to have difficulties, especially as the main effects are likely to take place beyond the end of the programme.

## 5.4 Thematic evaluation of achievements

The reported achievements are limited in nature and concentrate on monitoring data relating to outputs. To arrive at a better understanding of the longer term achievement of the programmes, a thematic approach was taken which focused on the eight themes identified earlier in the study. In each region, the outputs of activity related to each theme were reviewed alongside additional evaluative information and interviews with beneficiaries, programme managers and other stakeholders. The aim was to understand the detailed nature of interventions within each theme, how they related to objectives and needs, what the underlying theories that led to intervention choices were, and what changes happened as a consequence. The resulting analysis is highly specific to each region, but the following section summarises the approaches and draws out general points about the types of effects realised.

### 5.4.1 Innovation

ERDF investment in innovation has been growing in significance over the 4-5 programme periods from being a very minor priority in 1989-1993 to one of the largest spending themes in some regions in 2007-2013. Achievements in this area have increased dramatically over time, as well as often shifting in emphasis as regions have gained experience of intervention in support of RTD and innovation, and developed more sophisticated approaches to regional innovation systems.

Several alternative paths can be identified, and these are reflected in the varied nature of the achievements. In some of the Objective 1/Convergence regions (e.g. **Algarve, Andalucía, Galicia, Norte**), the initial focus was on building up public research capacity, mainly in universities, with a gradual broadening out of the agenda to encompass business R&D, innovation support and science parks. In **Basilicata**, which exited Objective 1 status in 2007, there was specific support for two research laboratories. **Campania** had a strategy to increase R&D supported by both national and regional programmes, which supported the construction or improvement of university buildings and equipment (during the study period, the Second University of Naples and the University of Sannio were created, and other universities improved their premises), and the establishment and growth of public and private research centres. Some of these centres have been able to survive on the basis of private funding despite the reduction of research funds within Italy. Elsewhere, the initial focus was on accommodation for innovative business with a shift to include investments in research and innovation networks. Some of the former Objective 2 regions began with a focus on support for innovation in SMEs, as they were already reasonably well endowed with innovation centres and universities, but emerging sectoral strategies have involved new technology centres, investment in research and new kinds of science parks.

A number of the case study regions focused on stimulating R&D growth, especially after 2000, to meet Lisbon and Barcelona targets. Often, this was led by investment in the public sector, and especially universities, which could most easily absorb the investment. **Norte** is a typical case of a Convergence region where RTD investment was minimal up to 2000, but since then substantial investment has been directed to local universities for research facilities and project funding. Some of this investment has provided the core competences of a health sector cluster in the region and underpins the award-winning Porto University Science and Technological Park. **Andalucía** also promoted public research through much of this period, and especially since 2000, with 2,109 research groups (mainly in universities) employing 18,583 researchers benefitting from support during 2000-2006 (although there may be some double-counting here).

Such approaches have undoubtedly been beneficial in boosting the overall level of research in some of the regions, although the degree of sustainability varies. **Ireland** used ERDF to build up research institutes to underpin key sectors of the economy and modernised the universities as a core element of a knowledge-based economic development strategy. In Portugal and Spain, the considerable funding that went into research projects in universities lacked such a strategic vision, and the long term benefits are more elusive. A lack of prioritisation, with funding being distributed widely across large numbers of research groups, also seems to have been less effective in translation into economic



development. Nevertheless, a result of this investment across all Spanish regions has been a doubling of Spanish contributions to global scientific publications, from 1.28 per cent in 1990 to 2.63 per cent in 2004, with **Andalucía** slightly increasing its share from 13.1 to 14.4 per cent of the increased level of Spanish publications.

In the private sector, firms have been supported through technology transfer offices in the universities and a smaller number of private sector projects, but the achievements have been uneven. A notable success is the Technology Park of **Andalucía** which now houses 14,599 employees in 562 companies and organisations. This park itself is claimed to be worth 6-8 per cent of GDP in the Malaga province. It is not clear, though, how many of these firms are genuinely high technology, or have emerged as a consequence of the intervention, as such parks tend to attract existing local firms and have a high level of deadweight. But, in **Nord-Pas-de-Calais**, despite investments in new research centres in the 1990s and technology advice to enterprises, the effects on regional R&D levels and patents<sup>16</sup> were limited, and the region's RTD strengths remained primarily public sector focused. However, since 2007 there has been a new emphasis on innovation with a new platform for innovation focused on growth in private sector R&D.

Overall, **Ireland** has perhaps been most successful here, with R&D as a share of GNP reaching 2.21 per cent in 2010, a massive increase from the 1980s when it was below one per cent, with some of the improvement having been facilitated by ERDF investments. This has involved both expansion in the public sector and, especially, growth in the tertiary education sector to exceed the EU average, as well as growth in the private sector. Whilst multinational firms still account for most R&D expenditure, there has also been significant growth in research performed by indigenous SMEs, and high levels of R&D have been maintained during the recession. Some regions, though, have struggled to achieve any real improvement in the innovation activities of firms. **Dytiki Ellada**, for example, still had a level of business expenditure on R&D (BERD) of only 0.1 per cent of GDP during the 2000-08 period, reflecting a failure to translate public R&D investment into private sector innovation.

In the Objective 2/RCE regions the approach to innovation has been orientated much more towards businesses. For example, **Nordrhein-Westfalen** initially focused on technology centres and technology transfer, then moved on to a cluster or competence network development process. Some of the initial technology centres were quite successful, illustrated by the growth of micro and nanotechnology in Nordrhein-Westfalen from 925 employees in 1999 to 2,274 in 2008. The cluster-type initiatives have also had a varied success rate as the time needed for the maturity of these policies is quite extended. There has been criticism that some strategies are insufficiently focused and do not build on existing strengths - criticisms addressed in part by the proposals for smart specialisation from 2014 onwards.

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<sup>16</sup> Programme achievements in relation to number of patents registered is discussed for all 15 regions in more detail in Section 7.3.2.

In **North East England**, the initial emphasis was on innovation support and advice for SMEs, with a particularly successful collaborative scheme to connect SMEs with experts across the region's five universities. With just over €4m of ERDF support over three programmes, the programme generated around €40 million by value of private sector spending on consultancy in the universities. After 2000, the region refocused its innovation support around a small number of key research and commercialisation institutes. The most successful of these were linked to renewable energy and process industries and are now national centres of excellence, sustained by national funds and private sector contracts.

### **5.4.2 Enterprise**

Enterprise is another theme which has become central to regional strategies and programmes over the study period and has also become more sophisticated in the forms of intervention. At the core of most regional programmes has been a desire to increase the number of SMEs through support for entrepreneurship or to stimulate growth in existing SMEs through support for competitiveness. In a few cases In **Sachsen-Anhalt**, and in the **Algarve, Norte, Andalucía** and **Galicia**, support for enterprise also encompassed larger firms, but in other regions this was usually undertaken more indirectly through support for structural and sectoral change or through infrastructure etc.

Although the case studies report notable achievements in support for SMEs, they also raise doubts about the true additionality of the results, as the following examples indicate.

- There was major expenditure in **Itä-Suomi** aimed at raising productivity, expanding capacity or improving quality, but evaluations have questioned the additionality, as many projects would have gone ahead without support.
- In the 1990s **Galicia** also provided subsidies for loans to SMEs to support capital investment, with a €194.5m fund inducing €1.6bn investment and creating a reported 9,789 jobs, but the main sectors supported included retail as well as food and fishing, again raising questions about deadweight.

In some regions, results were slow to emerge. Both **North East England** and **Nord-Pas-de-Calais** sought to increase the number of SMEs through support for entrepreneurship over the whole period, with limited success initially but improved results after 2000. Thus, the rate of start-ups in **Nord-Pas-de-Calais** exceeded the national rate, even though the density of entrepreneurs remained below national levels. In **North East England**, a more comprehensive enterprise support system led to increased formation rates after 2000, though still below national levels. Efforts to provide venture capital in the 1997-99 programme set the foundations for bigger schemes in 2000-2006 and for a large Jeremie fund in 2007. Initial results for this shows 850 firms supported and over 5,000 jobs created by 2011.

Some common approaches appeared to bear fruit. Most regions developed some form of incubators to support new business starts. In **Galicia**, incubators established since 2000 had generated 880 new companies employing 2,987 people or 0.3 per cent of all jobs. A regional incubator in **Aquitaine**, having received €1.5m from two programmes, had created

117 firms, of which 50 had survived, and creating 400 employees. **North East England** has seen several successful incubators - Silicon Alley in Newcastle creating 150 firms, Sunderland BIC creating 530 companies and 3,823 jobs and Digital City on Teesside creating 132 new firms since 2008. **Galicia** supported management skills with the PIMEGA programme making an investment of €23.4m in training 4,056 entrepreneurs and supported 1,226 companies in developing an improvement plan.

The effects of business advice have often been difficult to assess as the causal link between the advice offered to the firm and changes made by the firm can be intangible. Some initial business advice schemes worked on the basis of maximising the number of firms assisted, with the level of bespoke advice and support for each firm being limited, and often best characterised as awareness-raising. However, the link from such advice to increased GDP or employment is tenuous, and it is hard to show how much firms made use of such advice. In many cases the advice simply has no effect; in others, there may be deadweight as assistance is given to firms that would have grown in any case. More intensive consultancy offers better chances of both stimulating change in the business as well as being able to measure the effects.

Overall, regions have tended to support enterprise projects, rather than aiming to foster a holistic policy environment to achieve their objectives for enterprise - whether to increase levels of entrepreneurship from relatively low levels, improve survival rates, or improve quality and productivity of SMEs. **North East England** is one exception in that, since 2000, there was a more systematic attempt to create a more supportive regional system for entrepreneurship through a coordinated set of initiatives, steered by a regional strategy which the ERDF complemented. This started to have an effect in terms of an increasing firm birth rate during the 2000s but that has fallen back subsequently.

### **5.4.3 Structural change**

All 15 regions had identified a need for the transformation of their industrial base as a central element of their strategies and hence considerable activity and achievements are concentrated under this thematic heading. This theme also overlaps and complements the innovation and enterprise themes, with evidence of common strategies, as well as support for related infrastructure and labour market initiatives.

Structural adjustment strategies can be broadly divided between firm-based and sectoral or cluster-based approaches. Under firm-based approaches is support for specific firms or types of firms, such as restructuring grants or foreign direct investment assistance. A striking example of this approach was in **Sachsen-Anhalt** which devoted the bulk of its ERDF funding to direct support for restructuring of enterprises such as privatised or newly established private units. Over the whole period, €16.9 billion was spent on enterprise and structural adjustment.

Cluster-based approaches tend to encompass a broad range of policies to promote cluster growth including aid to individual firms, dedicated infrastructure and support and advice aimed at the wider cluster. In some cases these were not identified as clusters strategies *per se*, however programmes were oriented towards a particular cluster which received a

combination of support. In one form or another, they were adopted by nearly all regions covering a mix of traditional sectors, new technology or knowledge-based sectors and services such as tourism. Support for traditional sectors may have helped to slow decline but usually did not produce employment growth, and in some cases traditional sectors saw significant job losses despite assistance. For example, incentive programmes for the traditional sectors in **Norte** had an initially positive effect on the footwear industry, which saw growth to 2000, but all the target sectors declined after 2000 - textiles losing 28 percent of employment from 2000 to 2007, clothing losing 20 percent by 2007, footwear losing 35.2 percent to 2011, and furniture losing 17 percent between 1998 and 2005. These results may suggest that an alternative strategy could have produced better outcomes, although in a region dominated by traditional sectors, there may not have been alternatives capable of absorbing the funds and generating more jobs than those being lost in the declining sectors.

Tourism was one of the most popular supported sectors, with all but one of the 15 regions identifying it as a priority. In most regions, support was focused on visitor attractions (sometimes in the private sector) or marketing, but in a few regions there was direct subsidy for hotel operators: **Burgenland**, for example, saw the construction of spa and leisure facilities with associated hotels; Campania supported hotel renovation or extensions with its ROPs, and **Galicia** placed considerable emphasis on the conversion of rural properties for tourist accommodation and spas with around 4,000 additional rooms available. **Basilicata** focused on the conservation of its natural and cultural heritage and then on the development of the tourism supply chains and marketing activities, as well as investing in improved accommodation. ERDF support for some forms of basic service infrastructure associated with tourism complemented some domestic policy initiatives, such as the restoration of the Sassi di Matera in **Basilicata's** second city, although regional actors were critical of inadequate investment in external transport links.

Table 12 below illustrates the main cluster initiatives pursued by the regions with indications of where they were successful. It also identifies cases where regions pursued support for particular clusters albeit without being named as a specific cluster strategy.

Other major visitor attractions supported included some internationally iconic sites such as Ancient Olympia in **Dytiki Ellada**, and Pompeii-Herculaneum in **Campania**, as well as many new and local attractions, implemented with a view of expanding the tourist season and the tourist market to more local visitors. In **North East England**, whilst the Sage music centre and Baltic contemporary art gallery have attracted international acclaim, it has been the clustering of tourist and cultural facilities in Newcastle that has had most impact in enhancing the city's position for city-break holidays, but also enhancing the wider reputation of the city and achieving a cultural renaissance. Tourism was also encouraged through the regeneration of historic towns and cities.

The effect on the growth in tourism was varied. In **Burgenland** the number of overnight stays grew by almost 40 per cent from 1995 (compared to a national figure of under 10 percent), and the targeted thermal regions saw over 120 per cent growth. A reported 1,337 new jobs were created, although a significant number of these were filled by foreign workers due to a shortage of local skills. **Aquitaine** saw a relative decline in tourism

activity initially, with some modest growth later, although it seems that tourism investment has had little impact. **Basilicata** reported an increase of tourists to the region to 425,000 compared to a planned 293,000. However, not all efforts were successful; in **Galicia**, despite the massive increase in rural tourist capacity, demand remained weak and room occupancy in 2010 was only 16 percent.

The **Algarve** was the region most dominated by the tourism industry, and the ERDF programmes reinforced that domination with considerable short term success. The region's GDP grew to the point that it moved out of the Convergence category, overtaking all Portuguese regions except Lisbon. The region's strategy delivered a combined approach across almost all themes of support. Transport infrastructure helped access to the region for tourists and movement between resorts, environmental investment improved basic facilities but also supported eco-tourism, enterprise support assisted new hotels, and social investment included the upgrading of hospitals which created a safety net for tourists, as well as meeting the needs of local people.

The story on tourism is not clear cut though. In some regions and for some niche markets, the ERDF investment helped to develop new tourism and stimulated growth which may not otherwise have taken place. Selected transport investment would certainly have been needed to cope with greater numbers - enlarged airports, new port facilities for cruise ships, for example. Improved internal mobility within regions also helped spread the benefits of tourism into rural areas which had been previously poorly accessible. However, this all took place against the background of rapidly growing tourism industries, driven by general economic growth, low-cost airlines, and easier booking of accommodation via the internet. How much of the growth was purely down to the effects of ERDF is impossible to disentangle as the effects were cumulative across all of these drivers. It is however likely that many of these regions would have found it difficult to accommodate growth without the assistance of the ERDF, and that growth would have been likely to be more concentrated in existing tourism hotspots and, probably with a more negative environmental impact.

**Table 12: Cluster policy approaches in the 15 regions**

Region	Cluster approaches	Key clusters supported	Areas of success
Algarve	Tourism was the main focus of the regional programme and the region did not participate in national cluster initiatives	A focus on the tourism cluster ran across most thematic axes, but there was an additional small effort on the maritime cluster.	The region's rapid growth has been driven by tourism, but whilst increasing the region's GDP this has also made the region dangerously dependent on this cluster. There has been little growth in the maritime cluster yet.
Andalucía	Some priority sectors	Food, electronics, ICT, and tourism	Failure to build a sustainable manufacturing sector, but some success in tourism diversification
Aquitaine	Weak cluster policy	Metals, agri-food, electrical engineering, paper and publishing, lasers, tourism	Particular success in lasers with 8500 jobs partly attributed to ERDF
Basilicata	Tourism focus only	Tourism	Doubling of number of visitors
Burgenland	Yes	ICT; Electronics & control systems; Materials; Logistics; Bio-tech; Energy & environmental technologies; Optoelectronics; Creative enterprise; Tourism	Absence of critical mass so regarded as unsuccessful. Tourism was exception although not an 'industrial cluster' but a separate programme
Campania	Clusters pursued under enterprise and innovation measures	Industrial/handicraft clusters (shoe, jewellery, leather, food industry and technology, textile and silk); tourism; biotechnology, transport systems, aerospace	Aerospace and biotechnology sectors particularly successful.
Dytiki Ellada	Tourism only	Tourism	Significant growth in visitors (31%) and tourism GVA (83.5%)
Galicia	No general cluster approach	Tourism supported as a priority sector	Significant growth in visitors with diversification away from the coast, although under-occupancy of rural hotels remains a problem.
Ireland	Selected sectors or clusters were targeted	Target sectors included ICT, life sciences, food and tourism (which had its own OP)	Tourism grew dramatically, especially in Dublin. Many national flagship projects were ERDF funded.
Itä-Suomi	Yes key clusters policy in 2000-2006	Targets for enterprise development included forestry, materials, tourism, measurement, energy, environment, welfare and pharmaceuticals	No data
Nord-Pas-de-Calais	Yes	Health; ICT; technical textiles; transport, car manufacturing, tourism and culture, food processing	Some success in the car industry, transport and logistics, and since 2000 in ICTs
Nordrhein-Westfalen	Focus on clusters from 2000	New service sectors, knowledge economy, tourism creative industries	Some success in regional diversification into tourism, creative industries and ICT.

**Table 13: Cluster policy approaches in the 15 regions (continued)**

Region	Cluster approaches	Key clusters supported	Areas of success
Norte	Weak cluster policies mainly targeted on traditional sectors	Textiles, footwear, tourism, engineering, maritime, health/biotech.	Some success with footwear and engineering.
North-East England	Cluster initiatives in late 1990s and revised focus from 2000	Many clusters in 1990s, but post-2000 focus on health, energy, process industries and ICT. Tourism runs through whole period.	Some growth in tourism. Growth in ICT and renewable energy in 2000s.
Sachsen-Anhalt	Focus both on traditional and new industries	Chemicals, food, mechanical engineering, automotive sector, renewable energy and on recycling	Some success with re-industrialisation in the industries mentioned, though the photovoltaic industries have recently lost enterprises and employees

#### **5.4.4 Infrastructure**

Infrastructure investment has also varied in form and scale across the 15 regions with a strong orientation - and large allocations of resources - towards major transport networks, water and basic and environmental infrastructure (e.g. sewage, depurators) and energy in the Convergence and Phasing-in/out regions and a greater emphasis on industrial sites and smaller scale transport projects in the RCE regions. This section deals mainly with transport and broadband infrastructure, whilst water and other environmental infrastructure is discussed under the environmental theme below.

The consequences for achievements are clear. In some regions, the main achievements of whole programmes are focused on kilometres of roads, rail networks and other such major infrastructures, whereas elsewhere the main achievement is in the construction of industrial accommodation with targets for the numbers of jobs housed.

All regions tended to focus on infrastructure in the 1989-1993 period, but there is limited published information on the achievements, although some regions provided some simple output data such as length of roads constructed. The large infrastructure investments in Convergence regions have been transformational, developing new highway networks, improving large proportions of existing road networks, building new high speed rail lines or enhancing metro systems, new water crossings and massive improvements in key airports and ports. They have also been central to the intervention logics of successive programmes, leading to fundamental improvements in facilities. The consequence of successive programmes with large infrastructure components has been a cumulative improvement of transport networks beyond that of isolated projects, enabling links across modes - providing improved road and rail links into expanded ports, for example.

Yet there have also been failings, associated notably with the fact that large additional investments in capital infrastructure create significant increases in operational costs which may not be budgeted for, and such costs are excluded from the ERDF. In cases where quality was perhaps sacrificed to complete projects within a programme period, remedial work was subsequently needed. In **Andalucía** parts of the road network had to be rebuilt, having been built quickly over difficult terrain. A rebuilt section of the A92 motorway was repaired, then reconstructed, and then needed further repair following landslides. At

worst, some new infrastructure was left unused because of high operational costs - a problem with some wastewater purification plants (again, in **Andalucía**). These issues were less prevalent in the Objective 2/RCE regions, although some environmental or public realm improvements from the earlier periods have become neglected.

As illustrations of these chequered results, **Campania** saw dramatic improvements in public rail networks with the completion of the regional integrated network including the Naples underground, local surface lines, and the connection to the high-speed rail network from Rome to Salerno. Journey times to Rome been cut by 38 percent to 65 minutes, and local commuting has also become much easier, thereby increasing access to employment. Most of the 139 million passengers per year using the metro network are due to the new facilities built with ERDF support. The consequences for local mobility have been huge - but they are difficult to quantify, despite anecdotal evidence. However, as in **Andalucía**, budget cuts have hit maintenance and operating costs in **Campania** which has led to reductions in use of regional and local (metropolitan) railway lines as services have been cut.

A few regions made investments in ICT networks - **Basilicata** increased connection to ADSL networks to 85 per cent of households compared with a planned level of 49 per cent, and supported increased connection by public services. **Campania** also saw investments in broadband to bring coverage close to 100 per cent through a mix of ADSL and 3G.

The regional benefits of these investments are varied according to the objectives: some were aimed at facilitating greater trade, some facilitating tourist visitors, some helping to better connect up communities within regions, some to improve quality of life.

In terms of trade, some of the road investments in **Norte** and **Galicia** (for example) were intended to facilitate the flow of goods through Spain to major markets, although evidence of this was lacking. However, port investments had led to increases in freight movements. For instance, there was an increase in total freight in the Port of Leixões in **Norte** by 14 percent between 2004 and 2008, and a 30 percent increase in containerised freight. In **Andalucía**, the traffic in containers grew from 1.4 million tonnes in 2000 to 2.3 million tonnes in 2009. Similarly, airport investments saw large growth in passenger numbers in the cases of, for example, Faro in **Algarve** where the number of passengers doubled. In **Andalucía** major investments were made in Málaga airport where passenger numbers increased from 6 million in 1995 to 13.6 million passengers in 2007, dropping back to 11.6 million in 2009 and rising again in 2011 to 12.8 million. However, in this latter case it has to be questioned why the airport was enlarged to a total capacity of 30 million passengers per year, in excess of the likely demand over the subsequent decade. Port developments have also helped facilitate greater cruise traffic, with numbers up in Porto in 2012 by 81 percent in the first year of the operation of a new cruise terminal. In **Dytiki Ellada**, the new port of Katacolo is now taking 350,000 cruise passengers a year, mostly stopping off to visit Ancient Olympia (a site also supported by ERDF investment).

The wider investment in new and improved roads, especially within regions, can be better seen in reduced travel times, which have facilitated easier access from rural and suburban locations to employment opportunities in urban areas, better access to hospitals and other public services, and encouraged tourists to spread out from traditional resorts to more rural areas. There is however a question as to whether improved travel times between regions is



always beneficial as shorter travel times can mean the peripheral area is more easily served from a core region. Regions had generally not undertaken this form of detailed impact assessment and improved travel infrastructure was regarded as generally positive. Certainly though, the benefits of new metro/local integrated transport systems in Porto and Naples were clear, simply in terms of the numbers of users which represents fewer road journeys coupled with increased mobility within the city and shorter commutes. Improved safety was also acknowledged in several regions, with reduced numbers of accidents on railways and roads in Portugal as a result of the replacement of level crossings by bridges. In Naples a reduction of CO<sub>2</sub> emissions was also reported.

**Table 14: Infrastructure support in the 15 regions**

Region	Importance (% of programme expenditure)	Key examples of infrastructure projects
Algarve	21% overall but varying from 47% to 15%	A22 East-West motorway and Guadiana bridge into Andalucía. System of dams and water distribution network and water sanitation and waste disposal.
Andalucía	51%, reducing over time	Development of main highway network High speed rail network and connections Airport and port expansions Gas and electricity network upgrading
Aquitaine	19%	Industrial parks, ports and airport development, ICT networks
Basilicata	50-60%	Local road networks, water and sewerage systems, limited rail connections, broadband ICT networks
Burgenland	9%	Water and sewerage networks, ICT and business parks
Campania	27%	Regional public rail network, high speed train connections, Logistical hub at Nola-Marcianise, broadband networks
Dytiki Ellada	43%	Rion-Antirion bridge, improvements of existing road networks, regional road network, motorway network, port upgrading
Galicia	61%	Regional road network, ports, airports, limited rail network development
Ireland	53% but declining	Road construction and improvement, rail networks, airports and ports, water and wastewater treatment
Itä-Suomi	Less than 10%	Major roads, rail links and broadband networks
Nord-Pas-de-Calais	7+%	Brownfield site conversion, multimodal logistic platforms, some local road and rail improvements
Nordrhein-Westfalen	Less than 5%	Redevelopment of industrial land e.g. Phoenix site in Dortmund
Norte	15% overall but dropping to zero in 2010	Considerable investment in roads including motorways to Lisbon and to Spain, modernisation of railways, new bridges over the Douro, Porto Underground, hospitals and schools, renovation of Porto Airport and Leixões Port
North-East England	Dropping dramatically from 80% to zero	Metro extension Industrial site development
Sachsen-Anhalt	5%	Industrial and training site development, tourism facilities, road improvements

Source: Case study reports.

### **5.4.5 Labour market**

Labour market projects have tended to be a minor element within ERDF programmes as these issues were primarily met by ESF programmes, or ESF measures within multi-fund programmes. However, some ERDF measures were targeted at labour market objectives, beyond the general aim to create and support jobs across the mainstream ERDF programmes. Typically, ERDF has been used to support the infrastructure needed to deliver training, such as training centres, and has been measured in terms of the number and floorspace of training establishments provided. For example, in **Sachsen-Anhalt** in 2000-2006 ERDF was used to provide 6,596 new multimedia workplaces (workstations) in training facilities. In **Aquitaine**, 19 vocational training centres received support for expansion and 100 were modernised in **Nord-Pas-de-Calais**. In **Burgenland**, ERDF contributed to the development of the Burgenland University of Applied Sciences which has produced 3,000 graduates to date.

In all of these projects, the evaluation of the results is extremely limited as the immediate consequences have been the housing of ESF-supported projects which then have their own results. The main labour market benefits of the ERDF have come from the effects on job creation and preservation in other thematic axes, such as enterprise or infrastructure.

### **5.4.6 Social cohesion**

The social cohesion theme has often been the focus of ESF measures, especially in areas where social cohesion is linked with access to labour markets, but the focus here is on social cohesion projects within the ERDF. This involves various types of measure and project - some concerned with basic public and social services such as education and health - others focused more on urban or rural regeneration and community economic development.

The largest social cohesion programmes were concentrated in the Objective 1/Convergence regions where basic public infrastructure provision was supported such as the building of schools and hospitals. Achievements of this kind take the form of completed or improved facilities leading to a better provision of public services - more patients treated, more students staying in schools for longer. In **Andalucía**, three new hospitals were built with the renovation of many others and also primary health centres. 103 new secondary schools and 34 primary schools were built, but also sports facilities such as 23 indoor pools and 18 sports centres as well as care centres and shelters for the homeless. Such scale of basic public service provision was the case in several of the Convergence regions and has clear social benefits as well as an economic impact. For example, enhancement of health care in **Basilicata** led to a marked reduction in the number of people having to seek treatment outside the region.

At the softer end of the scale were programmes for community economic development in the Objective 2/RCE regions. Here, the nature of projects has been much wider and tended to focus more on building social capital in deprived areas and helping to lay the foundations for people to get back into work, often in the social enterprise sector. Community projects have often been quite small, limited in some cases by the ability of the third sector to provide matched funding, and hence achievements have been limited. A particular issue in

this theme has been whether such small projects have been effective at generating achievements, although they have often been good at leveraging voluntary resources and reaching groups that would not otherwise have been engaged in the Structural Funds.

#### **5.4.7 Environment**

Sustainability as a theme varies considerably in scale depending on the degree to which a region needed to build or renovate its waste and water infrastructures. Hence, a major focus of effort and achievements has been on the provision of clean water and installation of waste-water treatment. Another environmental problem, addressed in several regions, has been derelict or contaminated land, especially due to old industries such as mining and steel. Other major elements of this theme include the preservation of natural environments, through the designation of nature reserves, and investment in renewable energy and CO<sub>2</sub> reduction.

Investment in water resources was particularly important in the case study regions in **Spain, Italy, Ireland, Greece and Portugal**, but also **Sachsen-Anhalt** and **Itä-Suomi**. All of these regions had a need to upgrade water supply and sewage treatment to meet new standards, but also just to ensure basic supply coverage of the population. In **Dytiki Ellada**, the proportion of the population connected by sewerage networks increased over the period from three to 100 per cent and in **Basilicata** and **Campania** both water and gas networks have been built up through a combination of ERDF and domestic investments. In **Galicia**, the population served by waste purification plants increased from 0.4 million to 3.4 million, and the Ria de Vigo saw substantial reduction in water contamination. In **Norte**, only 51.6 per cent of the population was served by sewerage treatment in 2004, but the whole region was served by 2007. However, problems of water pollution and waste management remain in the case of **Campania** despite efforts of this kind.

By contrast, the major problem in the old industrial regions of **Nordrhein-Westfalen, Nord-Pas-de-Calais** and **North East England** was derelict and polluted land, and hence a focus of activity was on land reclamation. In **Nordrhein-Westfalen**, 1,000 hectares of waste land were reclaimed and various former industrial sites were converted to a mix of natural, leisure and business uses. In particular, the International Building Exhibition Emscher Park initiated a collection of innovative reclamation projects including cultural facilities and eco-buildings as internationally acclaimed demonstration sites for the restoration of old industrial sites. **North East England** saw considerable progress, with the reduction of derelict land from 5,900 hectares in 1988 to 2,660 hectares in 2007 and a reduction from 14.6 per cent of the estimated total for England to just 7.9 per cent. However, **Nord-Pas-de-Calais** still accounts for half of all derelict land in France. In these regions the scale of derelict land was considerable and in some cases increased during the study period, such that choices had to be made as to how much of the derelict land should be restored, in balance with the need to devote resources to other objectives.

Several regions also supported the creation of new national parks and nature reserves, or environmental projects to protect natural environments. The results of such projects are not amenable to quantification as they range from the protection of biodiversity to enhancement of public spaces such as beaches and parks. Examples include:

- regional parks and nature trails created and rivers cleaned-up in Nord-Pas-de-Calais;
- some 1,000 km of shoreline remediated in Galicia after the ‘Prestige’ oil spill, resulting in clean beaches and recovery of flora and fauna, and benefits for tourism and well as fishing and the environment; and
- in North East England, beaches were also restored after decades of coal waste dumping, and again these beaches are now clean enough to be designated as nature reserves.

Finally, some regions supported the implementation of renewable energy and clean technologies. **Aquitaine** made investments in biomass and solar energy as well as in energy efficiency, as did **Basilicata**. The scale of achievements was often limited, though, and this was not a major infrastructural priority in any of the regions.

The benefits of environmental improvement tended to be focused on quality of life, particularly in terms of the local environment, with cleaner waterways and restored natural areas, as well as the reduction in possible risks to the human population from pollution and unsafe water supplies. But ‘green’ jobs were also created: for example in **Andalucía** it was estimated that in 2000-2006, support for the protection and regeneration of the natural environment helped to generate 34,790 jobs in construction, and to maintain 1,095 jobs.

#### **5.4.8 Spatial or territorial cohesion**

This final thematic axis is re-balancing development across the territory, both as an overarching goal and through differential access to ERDF across the region. Examples of the latter included **Nordrhein-Westfalen** and **North East England** having some excluded areas, with differentiated EU eligibility in **Nord-Pas-de-Calais** (split between Objectives 1 and 2) and **Itä-Suomi** (split between Objectives 5b and 6) and latterly **Ireland**. In most regions, though, there were specific territorial development questions concerning the inequalities within the region, whether between more and less developed areas, between urban and rural areas, or between a core and periphery relating to access, or to a coastline. In **Campania**, despite rural problems, some of the most significant problems were in urban centres where an integrated approach was used to overcome the problems of segregated neighbourhoods in cities such as Naples and Salerno, and restoring the heart of the cities. Both Naples and Salerno became better places to live, and also became safer for tourists, thereby transforming their image and creating an environment in which other forms of investment could succeed. Whilst there were almost no specific measures identified as being purely about territorial rebalancing rather than the other themes already discussed, most regions could identify some form of impact on territorial questions arising from the programmes as a whole.

In some cases, projects undertaken as part of other themes have had discernible results, examples being:

- in **Campania**, investments in transport and telecommunications, rural clusters, tourism development and public services in the more rural hinterland of the region

have helped to stimulate development, despite most of the ERDF funding going to the densely inhabited urban areas on the coast;

- In **Andalucía**, efforts to support rural areas have been focused on tourism, with support for tourist villages through new accommodation and promotion, diversifying the tourism offer beyond the beaches and the historic cities, with some positive results in the form of a growth in rural overnight stays from 180,430 in 2001 to 511,619 in 2011;
- among the achievements in **Basilicata** was the success in connecting remote mountain areas through internal road improvements;
- rural areas of **Galicia** needed significant infrastructure investment, for example in telecommunications, road and sanitation networks. There was also an ERDF local fund for small village infrastructure projects, although aggregate results are difficult to judge.

In some cases, the effects of the Structural Funds have been to exacerbate inequalities as investments have been concentrated in more urban areas or areas which had greatest potential to absorb funding. There may have been measures with the objectives of offsetting such effects, but these are often smaller in scale - such as community development actions. **Itä-Suomi**, for example, is experiencing continued drift of population and economic activity towards the cities, as is **Basilicata**, with the shift away from rural development towards thematic programmes in the ERDF facilitating this. In **North East England**, it was felt that the move away from infrastructure spending towards innovation and enterprise favoured the Tyneside conurbation whilst the former coalfield areas and Tees Valley were less able to absorb the new priorities, leading to a widening of intra-regional disparities. Similarly, in **Burgenland**, the relatively weaker south of the region has not been able to reverse emigration trends or achieve significant catch-up despite receiving the highest intensity of ERDF support. Its ERDF receipts were 141 per cent of the regional average, compared with 83 per cent in the North of the region, which facilitated the growth of new economic sectors such as renewable energy and tourism. **Nord-Pas-de-Calais** also still has considerable internal disparities as some of the weaker areas such as Douai failed to match the growth of Lille.

## 5.5 Conclusions

Although there are difficulties in assessing the aggregate achievements of programmes, it is clear from the available data and the qualitative assessment that there have been considerable areas of success, as well as disappointments. Achievements indicators have improved over successive programme periods, with all programmes now using output indicators and there is a growing use of results indicators, but many problems remain. In part, these problems relate to the setting of appropriate targets against well-developed intervention logics, but are also due to poor definition of indicators, weaknesses in recording outputs and simplistic aggregation. The nature of programmes with diverse interventions has also made the setting of consistent indicators difficult, both within and between regions.

While aggregate quantification of achievements is difficult or impossible at the level of the region, let alone across regions, the qualitative assessments of achievements provide some insights. In particular, they provide more detailed understanding of the development paths pursued by individual regions, for example the shifts in innovation investment from building up public research capacity to include business R&D, innovation support and science parks as part of regional innovation strategies, or from generic business aid to improving the business environment.

The case study research also provides some indication of 'what works'. Some large infrastructure, environmental and social cohesion investments in Convergence regions have been transformational, in terms of improved accessibility, increased standard of living through better housing, better quality healthcare, connection to water supply and sewage networks, and environmental remediation (such as of derelict or contaminated land). Such initiatives have been central to the intervention logics of successive programmes. By contrast, the fragmentation of interventions (for example of innovation support) has reduced achievements in economic development compared to the focusing of research/innovation on key themes or centres. The value of a systemic or holistic approach to interventions is evident in some regions, especially in the provision of enterprise support, integrated territorial development schemes, (some) financial instruments and cluster-based strategies such as investment in tourist and cultural facilities to promote change in image and tourist flows.

Conversely, the assessment of achievements highlights problems with strategies, notably:

- insufficient consideration given to the additionality of interventions and deadweight (e.g. in enterprise support);
- a lack of prioritisation of interventions, especially in the failure to concentrate support to achieve critical mass;
- insufficient clarity on the time periods over which certain interventions can be expected to be effective and yield results - the long term benefits of certain kinds of intervention (e.g. university investment) are elusive in the absence of linkages with other aspects of economic development;
- the balance between public and private sector investment at different stages of economic development strategy - particularly an initial emphasis on public investment for innovation which was only later followed by support for innovation in industry;
- the degree of sustainability of interventions, in terms of funding e.g. underutilisation or over-expensive maintenance costs of physical infrastructure, underestimated operational costs of investment in cultural facilities;
- inadequate consideration of the appropriate scale of investment, especially with regard to community development projects or renewable energy initiatives; and

- insufficient attention to the spatial or territorial cohesion of regions - the spatial concentration of investment (often associated with scope for spending funds) has widened disparities or inequality in several regions.





## 6. THE EFFECTIVENESS OF COHESION POLICY PROGRAMMES

For any programme to be effective, the outputs and results that flow from it have to fulfil the objectives set when the programme was formulated. Objectives may be explicitly set out in programme strategies, possibly with specific targets for outputs, but are often also implicit and therefore have to be imputed. For this study, effectiveness is defined as the extent to which programme objectives were achieved, distinguishing, where relevant, between explicit objectives stated in programme documents and those imputed by the research team. Effectiveness can be assessed both by looking at the achievements in relation to the overarching goals of programmes and, bottom-up, by appraising the targets relating to specific measures and/or priorities.

The following chapter draws together the results of the analysis of effectiveness. It begins by reviewing the challenges associated with analysing effectiveness. It then presents the results of the overall analysis of effectiveness across the whole study period, and by period and thematic axis. Subsequently, the chapter discusses effectiveness at programme and measure levels based on the assessments made by the case study teams.

### 6.1 Analysing effectiveness

In examining 15 regions over four programme periods, and often with several parallel programmes in each period, there is a natural expectation that effectiveness would vary greatly. The variety of regions, programmes and contexts mean it is likely that some will be successful and some will have experienced considerable problems. Because no simple conclusion could be reached that programmes have been generally effective or not, this section focuses more on the conditions under which effectiveness has been achieved or not, and what lessons can be learned on how to improve effectiveness in future.

Effectiveness can be judged at several different levels and in terms of different forms of intervention.

- Programmes have overarching or programme level objectives, usually set as a small number of overall goals which may be a mix of qualitative and quantitative objectives. These might be as generic as improving the quality of life or much more precise, such as creating a specified number of jobs.
- Within programmes there are usually objectives and targets for specific measures or themes, which again may be a mix of qualitative and quantitative objectives. Here a measure may have a greater range of targets depending on the variety of actions anticipated.
- At the level of individual projects, there are objectives which will be expected to contribute to measure objectives, but may include additional objectives not anticipated in the original programme.

However, the scope for assessing programme achievements is constrained by data availability. Among the problems identified were: vague or unspecified objectives, with

only imprecise targets; a propensity to change targets as programmes evolved, with little information on what had been attained or why the target had changed; and incompatibilities between objectives that rendered intervention logics hard to identify. A common problem in the 1989-1993 period, and for some regions in subsequent periods, is that the overall programme objectives (and sometimes measure objectives also) were not measurable, with a lack of clear targets, benchmarks or appropriate measurement indicators (see also the earlier discussion in Chapter 3 as to whether objectives were SMART). Further, particularly in the 1990s, monitoring data were incomplete and often of questionable quality, as already discussed.

## **6.2 Overall effectiveness of intervention across 15 regions, 1989-present**

A first exercise makes use of ordinal correlations to explore whether there is a 'pair-wise' correspondence between the objectives and achievements of the programmes in the 15 regions over the period 1989-present. This relatively simple statistical technique has been employed to translate the qualitative assessments made by the case study teams into comparative quantitative findings across the 15 regions. For each region, achievements, objectives and needs were assessed by regional research teams on an ordinal scale for each of the eight thematic axes. The teams were asked to rate objectives on a five-point scale from those that were a very high priority to those which were not a priority. Similarly, achievements were ranked from very high to very low. It should be noted that because these are the judgements of the teams, based on the mix of research they conducted, there will inevitably be a degree of arbitrariness about the scores assigned. Nevertheless, with caveats, the exercise provides a worthwhile overview about effectiveness.

In essence, if there is a positive and statistically significant ordinal correlation this suggests that the policy intervention can be judged to be effective, whether for the programme overall or in the respective thematic axis of intervention. Thus, if objectives are assessed to be a high priority, and achievements are also assessed as high, there will be a high ordinal correlation which indicates strong effectiveness. By contrast, if one of the pairs is rated as 'high' and the other is rated as 'low', the ordinal correlation will signal ineffectiveness. In particular, if the priority is low, but the achievement is high, this is still to be welcomed, but means that what the programme is achieving is not central to its objectives. Effectiveness therefore has to be interpreted as the degree to which high priority objectives are met, and should not be confused with other possible interpretations such as value-for money. In this exercise, all axes are treated as being of equal significance, which means that the aggregate assessment of effectiveness at a programme level is not sensitive to the balance of expenditure across thematic axes.

The findings of this analysis suggest that, overall, the regional experts judged the programmes to have been effective (see Table 15). Starting with the whole sample there is a high, positive and statistically significant correlation between the views on achievements and the imputed objectives for all the axes, assessed for the full 23year period, 1989-2012. The correlations are also positive and significant for all the axes in the individual programme periods, albeit somewhat lower, though still significant, for the incomplete

2007-2013 period. Several of the case studies reported a degree of convergence or, at least, the arresting of relative decline (**North-East England** and **Burgenland**).

**Table 15: Relationship between achievements and objectives (ordinal correlation)**

		1989-1993		1994-1999		2000-2006		2007-2013		All periods	
All thematic axes	Number of obs	104		120		120		120		120	
	Spearman's rho Prob >  t	<b>0.672</b> 0	***	<b>0.421</b> 0	***	<b>0.405</b> 0	***	<b>0.193</b> 0.0348	**	<b>0.518</b> 0	***
Enterprise	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.490</b> 0.0894	*	<b>0.093</b> 0.7406		<b>0.250</b> 0.3692		<b>0.268</b> 0.3348		<b>0.369</b> 0.1754	
Structural adjustment	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.597</b> 0.0312	**	<b>0.345</b> 0.2077		<b>0.320</b> 0.2456		<b>0.133</b> 0.6374		<b>0.791</b> 0.0004	***
Innovation	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.325</b> 0.2784		<b>0.106</b> 0.708		<b>-0.321</b> 0.2431		<b>-0.104</b> 0.7129		<b>0.392</b> 0.1488	
Environmental sustainability	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.852</b> 0.0002	***	<b>0.653</b> 0.0083	***	<b>0.717</b> 0.0026	***	<b>0.128</b> 0.6495		<b>0.675</b> 0.0058	***
Labour market	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.613</b> 0.0259	**	<b>0.320</b> 0.2456		<b>0.183</b> 0.5145		<b>0.144</b> 0.6094		<b>0.168</b> 0.5489	
Social inclusions	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.760</b> 0.0026	***	<b>0.608</b> 0.0163	**	<b>0.095</b> 0.736		<b>-0.309</b> 0.2626		<b>0.110</b> 0.697	
Spatial Cohesion	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.531</b> 0.0616	*	<b>0.376</b> 0.1667		<b>0.375</b> 0.1681		<b>0.595</b> 0.0192	**	<b>0.381</b> 0.1618	
Infrastructure	Number of obs	13		15		15		15		15	
	Spearman's rho Prob >  t	<b>0.598</b> 0.0307	**	<b>0.138</b> 0.625		<b>0.595</b> 0.0193	**	<b>0.127</b> 0.6534		<b>0.716</b> 0.0027	***

Source: Elaborations on data collected by the case study team for this project.

Effectiveness is considered to have been especially high in the 1989-93 period, in which it is positive and significant for seven out of the eight thematic axes taken individually. In this period, although the monitoring of outputs was poor, many regions prioritised infrastructure and achievements were clearly observable. It is therefore, pragmatically easier to measure effectiveness where the objectives are physical (such as in **Andalucía** and **Galicia** in which considerable effort went into improving transport infrastructure). The exception is the innovation axis, where the correlation is positive but statistically insignificant.

Environmental sustainability is the thematic axis with the greatest perceived effectiveness, as shown by the high, positive and significant correlations in periods 1989-1993, 1994-1999 and 2000-2006. The correlation is also positive in 1994-1999 for social cohesion, while for regional infrastructural endowment the effectiveness is very high in 2000-2006 and for spatial distribution of economic activity within the region, it peaks in 2007-2013. Nevertheless, some regions, such as **Burgenland** were not effective in reducing intra-regional disparities. It is also noteworthy that there is no theme or period with a statistically significant negative correlation, meaning that there have been no significant backwash effects in any particular thematic axis or period.

### 6.3 Effectiveness at programme level

A second way of looking at programme effectiveness is to examine individual regions. The assessment in the following two sections concentrates on programme-level and measure-level objectives, with emphasis on what makes the difference in the achievement of objectives. The starting point is again the synthesis of the qualitative assessments conducted by the 15 case study teams of how effectively programme objectives were achieved.

A particular aim of this synthesis is to identify whether there are specific regional issues or types of interventions which detracted from effectiveness. As there are regions with different levels of development, and with different levels of complexity and scale of Structural Funds programmes, systematic differences in effectiveness might be expected. For example, are small, focused programmes more likely to achieve their objectives than large complex programmes addressing diverse objectives? The thematic analysis of achievements also presents opportunities to examine the effectiveness of different kinds of intervention and to reach some conclusions as to whether the choice of intervention, and decisions about how they are implemented, has consequences for effectiveness.

As anticipated, the case studies present a variety of judgements at programme level, with some being broadly effective whilst others struggled to achieve their objectives. Table 16 below assesses the level of effectiveness at the regional scale across programmes, indicating whether they achieved their objectives as set at programme level. This is by necessity a crude indicator, but it seeks to differentiate those cases where the programmes as a whole met the objectives set for them. Estimates are not made for the 2007-2013 period as it is too early yet to judge whether regions will achieve targets, although in most regions the effect of the financial crisis has rendered initial objectives irrelevant.

**Table 16: Programme-level assessment of effectiveness**

Region	1989-1993	1994-1999	2000-2006
Algarve	3	3	3
Andalucía	4	4	4
Aquitaine	3	3	3
Basilicata	3	3	3
Burgenland	n.a.	3	4
Campania	2	3	2
Dytiki Ellada	2	3	4
Galicia		3	4
Ireland	4	4	1
Itä-Suomi	n.a.	-	4
Nord-Pas-de-Calais	3	3	3
Nordrhein-Westfalen	-	3	1
Norte	1	1	1
North-East England	-	1	4
Sachsen-Anhalt	5	1	5

**Key**

5 strongly exceeded objectives	2 under-performed against objectives
4 exceeded objectives	1 strongly under-performed against objectives
3 met objectives	- insufficient data

For most regions and programme periods, the judgement of case study teams was that programmes more or less achieved their objectives, although with many caveats as indicated below. In a few cases it seems the programmes exceeded their objectives, such as in **Sachsen-Anhalt** (which focused on job creation and significantly exceeded its targets in two of the periods) and **Ireland** (which also exceeded objectives during the 1990s, but missed its targets in the 2000-2006 programme).

Several regions had at least one ‘bad’ period when objectives were not realised, again often due to over-ambitious objectives, and a small group of regions had a poor performance overall. In some regions, objectives were set at over-ambitious levels and as a consequence were not achieved. **North East England** set very ambitious objectives during the late 1990s aiming to create large numbers of new jobs and halt GDP divergence with the rest of the United Kingdom, yet it was unable to do this. Similarly, **Burgenland** sought to spread economic development to the relatively disadvantaged South of the region, but managed only to stabilise disparities, while the **Basilicata** aims of unifying the territory proved to be overly optimistic. In part, this was a weakness in the logic of the intervention in that many of the funded projects would be unable to deliver results in the short term, but partly also reflected unrealistic expectations. Importantly, and certainly in the earliest programmes, the objectives were framed as aspirational, indicating the direction of travel, rather than targets to be achieved over the lifetime of the programme. In the case of **Campania**, the vagueness of objectives and lack of good information on achievements makes it difficult to judge how well the objectives were met. However, given an underlying implicit objective to overcome the backwardness of the regional socio-economic system,

the conclusion was that the programmes were ineffective: employment rates did not improve during the period and the region's economy slipped back relative to the rest of Italy and the EU.

The table shows the shifts over time, with some regions showing improvements in meeting targets and others seeing poorer performance. These changes do not necessarily reflect a change in absolute achievements as the assessment is made against objectives which themselves change. This may simply be because one region might have softened an objective to make it more attainable, while another set more ambitious targets which were less likely to be achieved. This is a general weakness of measures of effectiveness (as defined for this study), as programmes operate within their own world and the setting of objectives and targets can just as equally influence effectiveness as the outputs. Generally regions became better at setting realistic objectives which were attainable, although this was not the case in a number of regions - notably **Norte** and **Campania** - where effectiveness was judged to be poor in all periods.

Quality of life was a particular issue in several regions - often portrayed as a key priority, but rarely specified or quantified, highlighting problems of measurement of very general objectives. In most cases, quality of life was indeed improved, at least for the users of new infrastructures or the beneficiaries of enhanced public services or cultural facilities. Urban and community regeneration also improved people's lives. However, these reported achievements have not necessarily contributed to the economic changes that were the core objectives. As noted above, **Norte**, for example, struggled to meet its objectives across the whole period, as these were heavily focused on modernisation, job creation and economic growth, yet the region has seen rising unemployment throughout the period and a declining economic position relative to Portugal. As a result, it not only failed to meet growth objectives, but was also unable to prevent further relative decline.

#### **6.4 Effectiveness at measure level**

At a measure level, the variability of performance increases, with examples of highly successful measures considerably exceeding objectives (at least as measured by targets), and some which largely failed to achieve anything. What is perhaps more important than documenting such variety is to explore the factors behind success and failure at a measure level, given that it is the performance of such components that underscores the achievement of programme level objectives.

There was a generally positive view of the effectiveness of objectives relating to different forms of infrastructure across the regions. Objectives were met, although sometimes only after successive rounds of investment spanning more than one programme period, and infrastructure projects were well delivered and had a good impact on quality of life. Clearly, regions were reasonably assured in their ability to deliver these kinds of projects, although with some reservations. In **Aquitaine**, there was a concern that transport infrastructures were under-used and hence had limited economic impact, with similar issues in **Nord-Pas-de-Calais** and, to some extent, in **Algarve**, **Norte**, **Andalucia** and **Galicia**. In **Basilicata**, for example, the interplay between multi-regional and national Operational Programmes, on the one hand, and regional OPs, on the other, was

unsatisfactory, with the result that external transport connections continue to be a problem.

Business parks also led to mixed results. Although, floorspace targets were attainable, the jobs which followed were significantly delayed, often beyond the period of assessment of a programme. Even if there were specific actions to encourage firms to move into new accommodation, this would often be in a different programme to the development of the land and construction of the buildings. Issues of quality also led to mixed results - in **Andalucía** the rapid construction of roads led to subsequent need for repairs and realignments in later periods, whilst in **North East England** ERDF support led to an improvement in the overall quality of business accommodation, but this had a negative effect on output levels due to higher unit costs. An implication is that assessments of the effectiveness of physical investments - whether for public services or business development - have to look beyond the delivery of the new facilities to include how they are used.

Structural adjustment activities and industrial modernisation were seen as more problematic, often slow to yield results, reflecting the difficulties in changing from established industries to new activities. In **Campania**, support was provided for industrial modernisation but did not achieve its objectives - possibly due to the labour-replacing effects of capital investment in manufacturing. Support allowed firms to remain in the market (thus safeguarding jobs in the short/medium term), but it did not spur them to become more competitive for the longer term. In several regions, emphasis was placed on safeguarding jobs in industrial sectors when the long-term sustainability may be questionable, even assuming the deadweight effect of such support is ignored. In **Nordrhein-Westfalen**, programme authorities were reluctant to make radical changes in approach that might have led to more rapid diversification and in **Nord-Pas-de-Calais** the initial emphasis was to preserve existing industrial sectors, only later switching to support for emerging industries. Such considerations had an impact on effectiveness depending on whether safeguarded jobs or new jobs were set as the objective. A focus on new industries might help achieve greater numbers of new jobs, but at the same time allow a more rapid reduction in jobs in the declining sectors.

Tourism was an important target sector in most of the regions, as already noted in the previous chapter, and several programmes achieved good effectiveness in that area. Significant benefits were noted in **Dytiki Ellada**, **Basilicata**, **Algarve**, **Andalucía** and others. **North East England** and **Nord-Pas-de-Calais** saw the benefits of tourism and cultural investments as going beyond the immediate objectives to help change the external (and internal) perception of the region to enhance its wider attractiveness for investment and mobile people.

Innovation measures also experienced limited short-term effectiveness, but with an expectation of more significant effects in the longer term, suggesting that looking at whether objectives were met within the timespan of a single programme (or soon after it ends) may give a misleadingly negative impression. Initial effects, especially where funding was concentrated in the public sector, were often restricted to output measures only. For example, the university sector might grow in line with the level of investment made into university research, but wider growth of R&D and innovation in the private sector would be



slow to take place, if at all. This was reported in **Sachsen-Anhalt, Andalucía** and **Nord-Pas-de-Calais**, while in **Basilicata** there were successes in establishing selected new research facilities, such as a geodesic research laboratory, supported by domestic as well as ERDF interventions, but limited diffusion to the economy as a whole. Better effectiveness was achieved where innovation measures had a greater emphasis on support for the private sector through knowledge exchange projects and the development of a more sophisticated innovation system.

Similarly, with entrepreneurship, regions which had developed a good systemic approach to supporting entrepreneurship, with a mix of policies including incubators, finance, training and encouragement of a wider entrepreneurial culture, reported high effectiveness (**North East England, Sachsen-Anhalt, Aquitaine**). **Nord-Pas-de-Calais** had less success with entrepreneurship, although it seems to be improving in the most recent period.

Environmental measures had mixed results, with good effectiveness for land and water reclamation projects, but limited success with clean technologies until most recently. Here, it was clear that most regions had expertise in the restoration of derelict and polluted sites and were able to deliver programmes in that field. But few were able to promote clean technologies effectively in the absence of significant demand or newly established bodies for technology development and knowledge exchange. There is, nevertheless, a positive story to be told about preservation of natural assets in regions such as **Basilicata** and **Aquitaine**.

Finally, experience was mixed for social, community and territorial development actions. Conventional interventions such as urban regeneration schemes were generally effective and met objectives, but some of the softer community measures struggled to achieve targets, in part because the sheer diversity of activities did not easily translate into SMART objectives.

## 6.5 Conclusions

The main conclusion from the qualitative assessments of achievements in relation to objectives is that, overall, Cohesion policy intervention over the period 1989-present was effective, but with variation by programme period, theme and region. Further, regions are considered to have (mostly) improved their attainment of objectives; in 1989-1993, only six regions were judged to have met or exceed objectives, for six others it was impossible to make a judgement, and three others underperformed. By contrast, in the 2000-2006 period, most regions met or exceeded their objectives.

With respect to specific areas of intervention, short-term effectiveness appears to be higher for large-scale physical infrastructure, environmental improvements and local business and innovation infrastructure. Regions had difficulty with areas such as structural adjustment, business support, innovation and community development which required strategies, systems and capacity. A further difficulty reflected in the overall assessment of effectiveness was the coordination of measures into a coherent strategy.

Most regions had good expertise in capital programmes and were able to set reasonable objectives which were attainable and which were then delivered. However, in those regions with strong infrastructure needs, there were absorption problems in being able to deliver so much so quickly and in being able to guarantee maintenance of the finished schemes. Business support was much more difficult both in setting objectives and meeting them and an important success indicator was whether the strategy involved a well-designed systems approach. Regions also had difficulties over structural adjustment in getting the right balance of support for traditional sectors and emphasis on new activities as well as anticipating the consequences of this balance for targets attached to the objectives. Support for innovation often became focused on public R&D, especially in universities, and successful business innovation depended on the development of an innovation support system oriented to the needs of firms. Lastly, social and community activities were highly problematic in delivery when not again tied to infrastructure for core public services such as schools and hospitals.

## 7. UTILITY

Whether or not programmes are effective in meeting their objectives, a broader and arguably more fundamental evaluation question is whether they succeed in meeting the needs of the region. For this study, the concept of ‘utility’ is interpreted as the extent to which programmes led to results that are in line with ‘society’s needs and the socio-economic problems to be solved’, which may differ from the goals explicitly stated in the programmes or which may not have been stated explicitly in the programmes. ‘Utility is a very particular evaluation criterion insofar as it makes no reference to the official objectives of the programme’ (European Commission, 2012, p.35). The concept of utility is particularly useful where objectives are not explicitly defined or are poorly defined, or when unforeseen effects are anticipated, but is also susceptible to differences of interpretation, precisely because it does not necessarily refer to stated goals.

As a consequence, utility can be seen holistically as whether or not Cohesion policy fostered regional development in terms of economic growth, increases in employment, and better social and environmental conditions. However the underlying needs can also be regarded sectorally, so that utility can be judged in terms of improvement in a range of determinants of regional development, such as innovation or accessibility. In either case, the question is whether the needs of the region were met regardless of any strategy or objectives set by the programme.

### 7.1 Analysing utility

For each of the regions, achievements were compared with a set of specific sectoral needs of the region, as revealed by the assessments of regional case study teams regarding the main thematic axes used in the study. This analysis asked what positive (or negative) effects the programmes had on the region and how these related to the needs, regardless of the objectives or targets of the programmes. An activity which failed to deliver against its objectives may be ineffective, but if it still partly met the objective or delivered some other benefits not specified in the objectives then it would still constitute utility. In this analysis, the focus was on a set of thematic needs and achievements, rather than aggregate changes such as GDP growth or employment.

As with the analysis of effectiveness, a first approach to assessing utility was to analyse ordinal correlations between regional achievements and needs, again based on the qualitative assessments provided by the case study teams. Subsequent sections present a more qualitative assessment of the nature of achievements in regions with differing characteristics and a quantitative analysis of measures of regional performance.

Ordinal correlations between assessments of needs and achievements provide a broad-brush view of the utility of ERDF policy, and are subject to the same caveats noted in relation to effectiveness in the previous chapter. For utility, the regional research teams were asked to score needs on a scale from ‘very high’ need to ‘very low’, recognising that although a need may be present, it may matter much less than others for the development of the region. For example, a dearth of basic infrastructure might be seen as a very high need in a

lagging region, whereas social cohesion is not. But as the level of infrastructure improves, there may be an evolution of needs which brings social cohesion to the fore, while further investments in infrastructure are less pressing.

For all periods and all axes taken together, there is a positive and statistically significant correlation between needs and achievement, as assessed by the case study teams. Although this correlation is not high, it implies that the policy has indeed been useful in meeting regional needs over the long run. Utility is higher for the two first programme periods, while for 2000-2006 the correlation is positive but not statistically significant and for 2007-2013 there is no positive correlation, although it is probably too early to arrive at a firm verdict because at the time of the research it was still incomplete.

Among the individual thematic axes, the regional assessments indicated maximum utility for investment in regional infrastructure endowments, where regional needs were accompanied by high achievements in the long run but also, in the shorter run, in the programme periods 1989-1993 and 2000-2006. This finding is confirmed in several of the case studies which note the improvement of accessibility as a key achievement (**Andalucía** and **Galicia**), although continuing problems of accessibility were reported in the southern part of **Burgenland** and in **Basilicata** where external connections have improved less than intra-regional links. In **Campania**, the assessment is that its transport infrastructure is now in line with or above national standards, although the case study also notes that it took a long time to complete. A caveat in **Campania** is, though, that a lack of funding for running and maintenance costs, expected to come from domestic sources, diminishes the utility.

For the enterprise and innovation axes, there is evidence of utility in the long run. **Ireland** is a good example, where the case study team argues that there is a strong legacy in research-based activities, although in **Norte** the findings are that entrepreneurial activity shifted in focus from export activities with too many firms concentrating on non-tradable sectors. Nevertheless, the Norte case study notes the emergence of some centres of excellence and niche activities, despite the overall achievements falling short of expectations. In **Galicia**, the research reaches a fairly sanguine conclusion about the sectoral change, noting the emergence of new clusters and internationally competitive firms.

For the social cohesion thematic axis utility is high in the first three programme periods but significant only for the 1989-1993 period. There is no theme and no period for which there is a significant negative correlation. Some of the case studies do make clear, however, that much greater emphasis was placed on some themes during different periods. In **Aquitaine**, for instance, an early focus on jobs and SMEs was considered to be at the expense of other needs, such as for internationalisation of the economy, but later programmes at least partly compensated. In the earlier programmes, the **Nord-Pas-de-Calais** region was dominated by efforts to cope with the decline of major staple industries.

This analysis is not, however, able to examine aggregate utility, which might be seen in terms of overall convergence with the EU average in GDP and employment, as assessments were only provided at the thematic axis scale. Regions in many cases saw utility at a thematic level, where specific needs were met (accessibility improved, levels of innovation

increased, environmental problems were cleared up), but these improvements may not have been sufficient in themselves to narrow the gap with the EU average in terms of economic performance as measured by standard macroeconomic variables.

**Table 17: Relationship between needs and achievements (ordinal correlation)**

		1989-1993		1994-1999		2000-2006		2007-2013		All periods	
All thematic axes	Number of obs	104		120		120		120		120	
	Spearman's rho	<b>0.345</b>		<b>0.195</b>		<b>0.120</b>		<b>-0.105</b>		<b>0.204</b>	
	Prob >  t	0.0003	***	0.0332	**	0.1929		0.254		0.0255	**
Enterprise	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>-0.009</b>		<b>0.384</b>		<b>0.039</b>		<b>-0.341</b>		<b>0.523</b>	
	Prob >  t	0.9757		0.1571		0.8901		0.2132		0.0454	**
Structural adjustment	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>0.440</b>		<b>-0.061</b>		<b>0.112</b>		<b>0.138</b>		<b>0.141</b>	
	Prob >  t	0.1323		0.8295		0.6909		0.6231		0.6163	
Innovation	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>-0.111</b>		<b>-0.147</b>		<b>-0.206</b>		<b>0.125</b>		<b>0.464</b>	
	Prob >  t	0.7178		0.6014		0.4621		0.6585		0.0811	*
Environmental sustainability	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>0.410</b>		<b>0.356</b>		<b>0.381</b>		<b>-0.018</b>		<b>0.172</b>	
	Prob >  t	0.1637		0.1925		0.1616		0.9482		0.5394	
Labour market	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>-0.078</b>		<b>0.000</b>		<b>0.137</b>		<b>0.325</b>		<b>0.065</b>	
	Prob >  t	0.7998		1		0.6273		0.2368		0.8181	
Social inclusion	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>0.576</b>		<b>0.420</b>		<b>0.402</b>		<b>-0.218</b>		<b>0.166</b>	
	Prob >  t	0.0392	**	0.1194		0.1377		0.4346		0.5541	
Spatial Cohesion	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>0.406</b>		<b>0.038</b>		<b>-0.161</b>		<b>-0.378</b>		<b>-0.148</b>	
	Prob >  t	0.1685		0.8938		0.5672		0.165		0.5979	
Infrastructure	Number of obs	13		15		15		15		15	
	Spearman's rho	<b>0.479</b>		<b>0.297</b>		<b>0.466</b>		<b>-0.021</b>		<b>0.596</b>	
	Prob >  t	0.0979	*	0.2819		0.0798	*	0.9423		0.019	**

Source: Elaborations on data by the case study team for this project.

## 7.2 Qualitative assessment of utility

The following assessment of how Cohesion policy funding contributed to overall regional development is organised by the categorisation of funding regime in each of the regions.

### 7.2.1 Objective 1/Convergence regions

The first group comprised regions characterised by major underdevelopment and deficits in all indicators, from basic infrastructure and services to human resource skills, often compounded by peripherality (national or European) or significant internal disparities, and which were in the most assisted category (Objective 1 or Convergence) throughout the whole study period. These comprised **Dytiki Ellada, Campania, Norte, Andalucía, Galicia** and **Sachsen-Anhalt**. The intervention logic in this group of regions has tended to be to favour physical investments in the earlier programme periods, then to increase the emphasis on softer interventions. Although the relative emphases have inevitably varied among the group, the underlying logic has been one of wide-ranging transformation.

A common theme across five of the regions (the exception being **Sachsen-Anhalt**) is a preponderance of infrastructure investment and support for quality of life improvements, and across all these regions these needs have been met to some degree. However, the regions also needed to stimulate economic development, transform the industrial base and promote innovation and enterprise. These needs were not always highly prioritised in programme objectives, and investments in infrastructure have not led to the economic stimuli that were anticipated. Utility has thus been quite low in economic terms across these regions, regarding enterprise, innovation, and structural change. These regions have not benefited from the kinds of exogenous growth opportunities which **Ireland** and, to a lesser extent, the **Algarve** experienced (both in the group of regions which moved out of Objective 1 status - see next section), and the effort devoted to endogenous economic development has been too small compared with the scale of the challenge.

Nevertheless, the enhancement of infrastructure has tended to bring more benefit to the wider public, through improved public transport networks and roads and personal services (education, health, water quality), as well as some environmental improvements. To this extent, ERDF investment in these regions has a clear utility in meeting some of the needs of the population for improvements in the quality of life, but it has been insufficient to establish self-sustaining growth. As a result, the economic achievements are more fragile and have not provided an adequate foundation for a response to the current downturn.

**Sachsen-Anhalt** pursued a different strategy, focused on enterprise and restructuring and has had some success with capital investment in existing industry. In the analysis in Chapter 2, **Sachsen-Anhalt** was notable for very high productivity growth linked with falling employment as the old industries were partially replaced with new, higher value added activity. This has stabilised decline and restored growth, but there is still recognition that further productivity improvement is needed based on innovation. **Norte** and **Campania** also experienced the decline of traditional industries, but have struggled either to upgrade those industries or to develop new growth industries. The heavy focus on infrastructure and social needs has been insufficient to stimulate wider economic growth.

**Galicia** experienced notable improvement in productivity, in part through the use of capital investment aids as well as better access to markets, yet this has not been transformative, and innovation performance is still weak. Support for innovation has started to develop an innovation support system, which was previously absent, so that despite limited results there was some utility in beginning what is likely to be a long process of upgrading.

Tourism has been seen as a growth opportunity by all of these regions, but with relatively limited success. In most cases some of the transport infrastructure has had a strong tourism orientation and all have invested in tourism attractions and new niche strategies. **Andalucía** was perhaps the only one of the six regions with a significant mainstream tourism profile at the outset, but whilst all have had some successes, this has not been sufficient to create a major new source of growth.

Some consideration must also be given as to whether the large investments by the ERDF and Cohesion Fund had some negative utility in these regions by contributing to the conditions of the current crisis. In some of the regions in this group, notably **Campania** and **Andalucía**, the negative consequences are clearer as costly infrastructure has been put in place without the underlying growth in a tax base to maintain and make effective use of it. Choices therefore have had to be made between on-going public expenditure or austerity cuts, a dilemma which risks undermining the previous strategy.

### ***7.2.2 Regions which have phased out of Objective 1 status***

The regions which had Objective 1 status but have phased out as a result of improvements in relative GDP performance are all by definition regions which have seen significant positive change, whether or not this was the consequence of Cohesion policy. Six of the study regions were in this category: **Burgenland**, **Itä-Suomi**, **Nord-Pas-de-Calais**, **Ireland**, **Basilicata** and **Algarve**, but in each case their story is different. **Ireland**, **Basilicata** and **Algarve** were all classic underdeveloped regions with poor performance in a wide range of indicators, although **Ireland's** status as a small country was distinctive and afforded particular advantages. **Nord-Pas-de-Calais** was more of a typical industrial decline region which had partly fallen into Objective 1 status as a result of localised decline - its problems were more specific. **Burgenland** and **Itä-Suomi** were predominantly rural regions, peripheral within their respective Member States (and at that time relative to the EU), facing agricultural modernisation and economic diversification. For these regions, the intervention logic combined efforts to improve connectivity with the promotion of new forms of activity, while managing the evolution of traditional activities.

The region which stands out as having achieved transformational change is **Ireland** (notwithstanding the difficulties encountered since 2008), whilst the others continue to experience difficulties to varying degrees. **Algarve** and **Basilicata** both also moved out of the Convergence category in 2007 to Phasing-out status, although still experiencing structural problems and specific challenges which have been exacerbated by the current crisis. **Ireland** is very much the success story of the last twenty years, rising from Objective 1 status to well above the EU averages, posing the question of much of this was due to Cohesion policy. During the 1990s, the ERDF and Cohesion Fund provided substantial new investment in historically neglected infrastructure such as transport and water, whilst also



boosting research and innovation facilities dramatically. This investment helped to support endogenous development but, more importantly, exogenous growth through the attraction of foreign direct investment and can be judged to have responded to the country's needs. The high level of funding during the 1990s coincided with the 'Celtic tiger' period of rapid real growth. Clearly, several other drivers of change were influential, notably the high levels of foreign direct investment, but Cohesion policy facilitated the ability to respond to those opportunities whilst also modernising the indigenous economy (Honohan, 1997). After 2000, ERDF expenditure dropped as Ireland moved out of the Objective 1 category, but ERDF interventions continue to make a positive contribution to development albeit in a more focused way within a national strategy.

**Algarve** has also seen significant improvement as a result of the Structural Funds, albeit less dramatically than Ireland. Infrastructure and urban regeneration has facilitated the development of a modern tourism-based economy, with a marked improvement of economic indicators as well as the quality of life. Support for business has also contributed to this development, but was insufficient to stimulate other export-oriented industries. Human capital was strengthened - with the growth of the university and the development of R&D playing an important part - but the region lacks strong demand for enhanced skills and research. Despite these improvements, which constitute a degree of utility, the region remains overly dependent on tourism and has not achieved a sufficient degree of economic diversification. Other regions in this group also experienced significant improvements in tourism, such as for example **Burgenland**, or **Basilicata**, where natural assets and cultural heritage became a source of competitive advantage as a result of Cohesion policy funding.

**Itä-Suomi** saw mixed results in innovation and enterprise and partial utility, but its performance nationally was overshadowed by the dramatic growth in other regions; the peripherality of the region nationally continues to be a difficulty.

Problems can arise in sustaining improvements or in moving beyond what has already been attained. Some of the gains in **Basilicata** were exposed as fragile when the crisis struck in 2008/9. Even in **Ireland**, the combination of high investment in infrastructure and the growth of expenditure in areas such as public R&D and universities, driven initially by the ERDF, led to increases in recurrent public expenditure which were difficult to sustain as tax revenues fell during the crisis. The construction boom of the early 2000s, which was a major contributor to the crisis in Ireland was partly stimulated by road investment supported by the Cohesion Fund, and costs were exacerbated by rising land and labour rates. Overall though, even taking into account the fall in GDP since the crisis, Ireland is in a much stronger position now than it was in 1989.

An enduring issue is the consequences of a growing focus on knowledge based economic strategies for the territorial balance within each of the regions. All of these regions had either significant rural areas or internal disparities. The focus on innovation has reinforced the position of the more urban settlements, exacerbating internal territorial imbalances in **Itä-Suomi**. This problem, also recognised in some of the other regions, is a conundrum for regions as economic transformation seems to require agglomeration economies which are difficult to replicate in more rural locations. Whilst sectors such as tourism can be developed in the more rural areas, and these six regions have had some success in this, the

scope for higher value-added is limited in comparison with the urban areas. The competitive environment of tourism drives down profitability and the typical quality of jobs cannot compare with innovation-intensive sectors which concentrate in the urban cores. Achieving maximum utility at a regional scale may require the acceptance of continued territorial disparities, and the knowledge that policy is one of the causes.

### **7.2.3 Objective 2/RCE regions**

The third group of regions were those typified by economic restructuring dominated by large, declining traditional industries. **Nordrhein-Westfalen** and **North East England** were prototypical examples of this kind of region, whilst **Aquitaine** had an initially small but expanding Objective 2 area coupled with extensive Objective 5b designation. The intervention logic for these regions has been one of shifting from an outdated industrial model which had left acute social and environmental legacy problems to embrace new activities and socio-economic structures. These regions mainly faced three broad challenges: to rehabilitate the environment in areas affected by the closure of traditional industries; to convert the economic base to new knowledge-based activities; and to address the social consequences of deindustrialisation. **Aquitaine**, and to some extent, **North East England** also experienced some problems of rural disadvantage and peripherality.

On the first of these challenges, there was considerable success and a high level of utility. Environmental improvement and infrastructure projects, focusing on the reclamation of contaminated and derelict land, had considerable success leading to the restoration either as green space or re-use for business or residential purposes. **Aquitaine** made efforts to revitalise urban centres. **Nordrhein-Westfalen** and **North East England** had severe problems of derelict land, particularly from mining and steelmaking, and these sites had symbolic significance - both negatively as highly visible indicators of industrial decline, but also more positively as icons of regional identity. Both regions were able to gain high utility from the revalorisation of this land, the removal of ecological problems, the bolstering of cultural heritage, and the change in the regional image to one that was more attractive for new investment and even tourism. The scale of these problems was beyond the resources of local and regional actors and required a coordinated effort involving national government and the Structural Funds. However, the expertise for these types of intervention was well-established, and projects were typically well managed and at times innovative, and high utility was achieved where there was strong experience and expertise.

In meeting the needs of the conversion of the economic base, experiences were more mixed, although improving over the programme periods. Again, **Nordrhein-Westfalen**, and **North East England** faced similar problems due to the rationalisation of many larger employers and knock-on effects across the supply chain, coupled with weak entrepreneurship and innovation, and an under-representation of newer growth sectors. During the 1990s, the levels of utility were weak in **Nordrhein-Westfalen** and **North East England** as insufficient support was channelled to a broad-based conversion process. Support was given to some traditional sectors and larger firms, or to support foreign direct investment, rather than endogenous development. Support for entrepreneurship and innovation commenced during this period, but was small in scale and scope and insufficiently systemic in nature.

In the 2000s, there was evidence of increased utility in economic terms as the regions began to develop more sophisticated systems to support entrepreneurship and innovation, with strong encouragement from the ERDF. New firm formation and growth improved in **North East England** as the region developed more incubator capacity, reinforced by better links with universities and venture capital, as well as by the promotion of a more entrepreneurial culture. Better targeting of support for growth clusters and sectors also developed in the 2000s, including innovation programmes. Tourism was important in all three regions, but with mixed success. However, considering the extreme negative image of earlier years for the two industrial regions and the link to investor optimism, this was another theme with strong utility. Similarly, the creative and cultural industries have developed strongly, especially in **Nordrhein-Westfalen** and **North East England**. **Aquitaine** also experienced limited success in the transformation of the SME base, but has been able to support employment well.

Perhaps the weakest area of utility for these four regions is in the social challenges. One of the consequences of deindustrialisation has been the concentration of disadvantage in particular communities, with high levels of unemployment, health and social disadvantage, and in some cases poor housing and built environment. In **Aquitaine**, some rural communities fared less well than the favoured urban centres, highlighting problems of spatial imbalance. Measures to address these issues have been modest in nature, and, as reported above, the effectiveness has often been limited, as indeed has the utility. Here the scale of resources available under the ERDF has been small relative to the scale of the problem, and it is questionable whether it has been worthwhile. **Aquitaine**, **North East England** and **Nordrhein-Westfalen** all had relatively small-scale ERDF programmes<sup>17</sup>, compared with other regions in the study and especially measured relative to regional GDP, limiting their ability to influence the region, and it is perhaps particularly in the social area where the resources have been too limited and have had little impact.

### **7.3 Utility of interventions: quantitative assessments for selected indicators**

The utility of ERDF intervention can, in a manner similar to the analysis of economic performance described in the previous section, also be summarised in charts focusing on indicators which capture different facets of needs. Due to the availability of longer than average time series, three indicators have been chosen - unemployment, patents (as a measure of the results of R&D, and tourism - each related to at least one of the eight axes of the project. They are quite general and, as such, are influenced by more than one axis. These indicators can be interpreted as results of policy interventions, not being the direct output of any measure or axis. In Figure 9 (unemployment), Figure 10 (patents) and Figure 11 (tourism) appended to this chapter, needs are shown on the horizontal axis in terms of regional endowment of the indicator at the beginning of the programme period, while achievement is measured on the vertical axis as the change in the variable over the

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<sup>17</sup> Whilst the most recent Nordrhein-Westfalen ERDF programme is quite large in financial terms, this covers the whole of a very large region with over three times the population of the former objective 2 area of earlier programmes.

programme period. To allow for effects that stem from policies unrelated to Cohesion policy, the amount of expenditure in the relevant axes is represented through the size of the circles. In addition, to correct for the impact of national effects and macro-cycles, all values are depicted relative to the country average, and the horizontal axis represents the differential with respect to the country at the beginning of the period, while the vertical axis represents the absolute change in this differential between the beginning and the end of the period. These adjustments are still insufficient to provide any counterfactual evidence, but they are enough to make observations comparable across regions belonging to different countries. Due to data availability problems, the analyses are confined to the 1994-1999 and 2000-2006 programme periods.

### **7.3.1 Unemployment**

The unemployment rate is one of the principal direct targets of labour market expenditure, but is also indirectly influenced by any other expenditure targeting the regional economy, including enterprise and structural adjustment. Unemployment rates in most of the 15 regions were well above the respective national average, signalling a high need, especially in **Sachsen-Anhalt** (DEE0), **Andalucía** (ES61) and **Campania** (ITF3), whose differentials from the national averages were above 12 percent.

Only two regions achieved significant reductions in unemployment gaps relative to their national rates. **Sachsen-Anhalt** (DEE0) managed to reduce its differential by more than eight points, interestingly despite any investment directly targeting the labour market, albeit with very high investment targeting structural adjustment and, to a lesser extent, enterprise. The other was **Andalucía** (ES61), which was able to reduce its differential by almost four points, with ERDF support balanced between the labour market and structural adjustment. However this has not been sustainable in the current crisis and unemployment has risen rapidly again. In the other 13 regions there was little relative improvement, even in **Burgenland** (AT11) which spent heavily on enterprise and structural adjustment, while some regions went backwards. **Nord-Pas-de-Calais**, in which countering unemployment was a core challenge, was unable to make any headway, a result that the case study report attributes partly to limited success in some of the unemployment black-spots in the region, whereas other centres enjoyed markedly better results. Local concentrations of unemployment were also identified in **Nordrhein-Westfalen** as a continuing problem, despite ERDF intervention.

The need to curb unemployment was especially prominent at the beginning of the 2000-2006 programme period. Over the programme period 2000-2006, nine regions were able to achieve a marked reduction in unemployment differentials, while two (**Burgenland** (AT11) and **Itä-Suomi** (FI1D)) improved marginally. Moreover, the regions with the greatest needs achieved the biggest gains, through investments in the labour market but also enterprise and structural change, especially in the cases of **Sachsen-Anhalt** (DEE0), **Basilicata** (ITF5) and **Nord-Pas-de-Calais** (FR30). By contrast, two regions which spent heavily on enterprise and structural adjustment (**Itä-Suomi** (FI1D) and **Burgenland** (AT11)), but did not spend significantly in the labour market directly, made no inroads into the gaps. Overall though there was more improvement in this period of wider economic growth at a national and international level, although the fragility of this growth is shown by the rising levels of

unemployment relative to the EU average for some of these regions since 2008. A sobering judgement by the **Campania** case study team is that ‘the region continues to have the same problems of poverty, unemployment, worklessness, hidden employment and organised crime as it had two decades ago’.

### **7.3.2 Patents**

Patents per million inhabitants is a proxy indicator for regional innovativeness, although it is primarily a measurement of inventive activity in high technology sectors, rather than the exploitation of ideas across a wider range of industries. Patents also tend to represent product innovation to a greater extent than process improvements, and many forms of organisational innovation are not eligible for patent protection. Consequently, the indicator has limitations, but there are no other output indicators for innovation with comprehensive spatial and temporal coverage. Some case studies, such as that of **Aquitaine** identified major achievements in long-term innovation potential not necessarily captured by the single indicator. **Itä-Suomi**, similarly, has benefited from a re-orientation of the economy towards high-tech sectors, while in **Andalucía** the ERDF is credited with improving the university sector. Because, as in section 7.3.1, the analysis is relative to the respective national trends, the findings cannot directly be compared among the fifteen regions. Finland and Germany have high rates of patenting, in contrast to southern Member States, so that although individual regions may be below the national rates, they may still be high relative to an EU average.

As Figure 10 shows, needs in terms of innovation were sizeable in 1994 for almost all regions, which were in some cases around the national mean, in other cases lower than the national mean and in other cases much lower. The case study regions in Austria, Germany and Finland - countries relatively more innovative with respect to the EU - had especially low scores relative to their national means. Moreover, almost all regions, to different extents, performed badly in the period 1994-1999, since none of them was able to reduce the differential with respect to their country. Direct expenditure on innovation (the red circle) was comparatively lower than expenditure on enterprise and structural adjustment, though larger in **Burgenland** (AT11), which however was not able to prevent it falling further behind the Austrian average.

For a number of other regions, **Campania** (ITF3), **North East England** (UKC), **Andalucía** (ES61), the expenditure in innovation was comparable to that on enterprise and structural adjustment; these were regions characterized by some needs and a limited under-achievement. The cases of **Sachsen-Anhalt** (DEE) and **Itä-Suomi** (FI1D) are interesting, because they exhibited high relative needs at the beginning of the period, yet fell further behind despite substantial expenditure in enterprise and, for **Sachsen-Anhalt** (DEE0), structural adjustment, with much lower expenditure in innovation and R&D. Finally, three regions (**Norte** (PT11), **Algarve** (PT15) and **Dytiki Ellada** (EL23)) were less disadvantaged relative to their national mean at the beginning of the period and, despite the very low investment in innovation, were able to avoid losing ground.

Due to the underperformance in the previous programme period, regional needs at the beginning of the 2000-2006 period were comparatively larger (Figure 10b). In this period,

however, some regions were able to improve their relative position, though others continued to lose ground. The **Nord-Pas-de-Calais** case study reports that ERDF pushed innovation up the policy agenda, pointing to one mechanism that may explain these trends. A similar conclusion is reached for both **Nordrhein-Westfalen** and **Andalucía** where ERDF is credited with enhancing the regional innovation system.

**Sachsen-Anhalt** (DEE0), despite significant investment in innovation (and enterprise), was unable to catch up but managed to lose little ground. Among the regions able to reduce their gaps with national averages, **Aquitaine** (FR61) and **North East England** (UKC) were characterised by low and balanced expenditure. Other regions with low and balanced expenditure, however, lost some ground, as in the case of **Basilicata** (ITF5), **Galicia** (ES11) and **Andalucía** (ES61). An enduring difficulty, illustrated in the case study of **Galicia** (where business R&D increased from 0.2 percent of GDP in 2000 to 0.5 percent before the crisis in 2007), is that even where the R&D effort has increased with support from ERDF, it is from low initial values and is still an order of magnitude lower than leading regions. In this regard, it is noteworthy that **Nordrhein-Westfalen** (DEA) had little need to boost innovation in 1994 and, after losing some ground, only little need in 2000, but in the period 2000-2006 this region had one of the lowest expenditures and lost more ground than any other region.

### **7.3.3 Tourism**

It is hard to affirm that there is a regional ‘need’ in relation to tourism, but there are ‘opportunities’ which could be exploited to improve the regional economic situation, and especially important issue for regions with few other potential growth industries. The indicator here is the nights spent in tourist accommodation establishments (by residents and non-residents) relative to the resident population, normalised with respect to the national mean to correct for national differences in the scale and cyclical movements of the tourist industry. Expenditure on tourism is included in the structural adjustment axis, but results can also be influenced by expenditure on infrastructure and on environmental sustainability (see Figure 11).

Only **Algarve** and **Andalucía**, among the 15 regions, could be regarded as major tourism regions in 1994, indicating unexploited opportunities elsewhere. **Burgenland** (AT11) made sizeable gains despite being the least tourism-dependent region in Austria at the beginning of the period. It improved its position significantly in a programme period in which it spent significantly on structural adjustment and infrastructure. The other regions were able to maintain their relative position, with the notable exceptions of **Andalucía** (ES61) and **Galicia** (ES11), which were unable to keep pace with Spanish national trends. Both these regions were characterized by large investment in infrastructure, and **Andalucía** (ES61) also by significant investment in environmental protection. However, expenditure on structural adjustment was low in both regions, indicating there was limited direct investment in tourism.

At the beginning of the 2000-2006 programme period, two regions relatively specialised in tourism, **Algarve** (PT15) and **Aquitaine** (FR61) - data on the latter were not available for the previous period - had disappointing relative performances, especially **Algarve** (PT15)

which lost as much as it gained in the previous period. It is, however, important to note that the strategy in Algarve sought to upgrade the tourist offer towards higher value tourism, which is not captured by a visitor-night indicator. In this region, the utility is considerable insofar as the case study team concludes that nearly all the improvements in the last 23 years are underpinned by ERDF investment. The performance of the other regions is mixed, and better than in the previous programme period, with especially good results achieved by Galicia (ES11) and Andalucía (ES61), exceeding the Spanish average.

#### **7.4 The effects of ERDF expenditure**

To complement the analyses based on the findings of the individual case studies, econometric methods were used to investigate how ERDF spending affected the economies of the 15 case study regions. This integrated modelling approach has generated findings that fall in-between effectiveness and utility.. The analysis drew on a set of 17 categories of explanatory variables, comprising: innovation, entrepreneurship and industrial development, information society, transport, energy, environmental protection and risk prevention, tourism, culture, urban and rural regeneration, increasing the adaptability of workers and firms, enterprises and entrepreneurs, improving access to employment and sustainability, improving the social inclusion of less-favoured persons, improving human capital, investment in social infrastructure, mobilisation for reforms in the fields of employment and inclusion, strengthening institutional capacity at national, regional and local level, reduction of additional costs hindering the outermost regions development and technical assistance.

The main findings of the research can be summarised as follows.

- a) The negative association between ‘disadvantaged’ initial conditions and subsequent growth is confirmed, suggesting the presence of some signs of regional convergence over the period of analysis, although an employment structure with a relative concentration of jobs in the primary sector is negatively correlated with subsequent growth in both GVA and employment.
- b) The association between ERDF expenditure and GVA growth - although valid for the entire 15-region sample - is stronger for Convergence and Phasing-in/out regions.
- c) The immediate effect of ERDF expenditure on GVA growth is very limited, and only seems to be statistically significant for expenditure under the ‘culture’ category of variables. However, when a time lag of one period between expenditure and growth is introduced, expenditure in a number of categories becomes positive and significantly correlated with GVA growth in the subsequent programme period. This is true for spending on innovation, tourism, investment in social infrastructure’ and technical assistance. There is, however, a negative correlation with spending on increasing the adaptability of workers.
- d) Employment growth results are mixed. There is a negative and statistically significant association between expenditure in innovation and employment growth, in line with the well-documented potential risk of innovation investment to reduce

employment. By contrast, expenditure on culture is positively correlated with employment growth.

- e) Introducing a one-period time lag, the analysis shows that links between expenditure and employment are generally weaker, although increasing the adaptability of workers is found to be negatively correlated with employment growth.
- f) Social cohesion expenditure is positively and significantly correlated with employment growth in the short-term. Conversely both enterprise and spatial cohesion spending show a negative and significant coefficient. This might suggest the presence of potential trade-offs between enterprise development and employment and, at the same time, between internal spatial equity (fostered by spatial cohesion measures) and efficiency/total regional employment. All these effects tend to fade in the medium-term.
- g) More sophisticated modelling designed to capture the interactions between determinants of performance suggests that there is a positive and significant relationship between total expenditure and qualitative scores of achievements as assessed by the case study teams, but that it is also contingent on an appropriate thematic mix in the programme expenditure. Spending on enterprise, structural adjustment and infrastructure is the most influential in this regard.
- h) More detailed exploration of time effects was also undertaken. An expected finding is that total Structural Funds expenditure as a share of GVA has a positive and significant association with regional total GVA growth. However, there is also some evidence that the ERDF effect increased after 1999, because the coefficient for this variable become a little larger and the statistical significance is higher, possibly suggesting regional learning. Building on the findings of Rodriguez-Pose and Fratesi (2007), the analysis also shows that the effects of ERDF spending on regional economic performance can persist, reaching a peak after two years, but then tailing-off.
- i) There is, however, no firm evidence on whether or not concentration of spending on certain thematic axes makes a difference; indeed, there are very tentative indications that a spread of spending across certain themes, notably enterprise, structural adjustment and infrastructure is most conducive to better economic performance. However, these results are not statistically very robust.

Findings from the case studies lend qualitative support to some of these broad conclusions. For example, in **Itä-Suomi**, the case study finds that after some initial catch-up to the Finnish average, progress has stalled. The study team argues that the explanation lies with external forces, and not the ERDF programmes, and that the process of modernisation had nevertheless been useful. The **North East England** case study emphasised the benefits of spending on cultural renewal, while the limited employment gains in a number of regions highlight some of the tensions in design of programmes with multiple objectives.



## 7.5 Conclusions

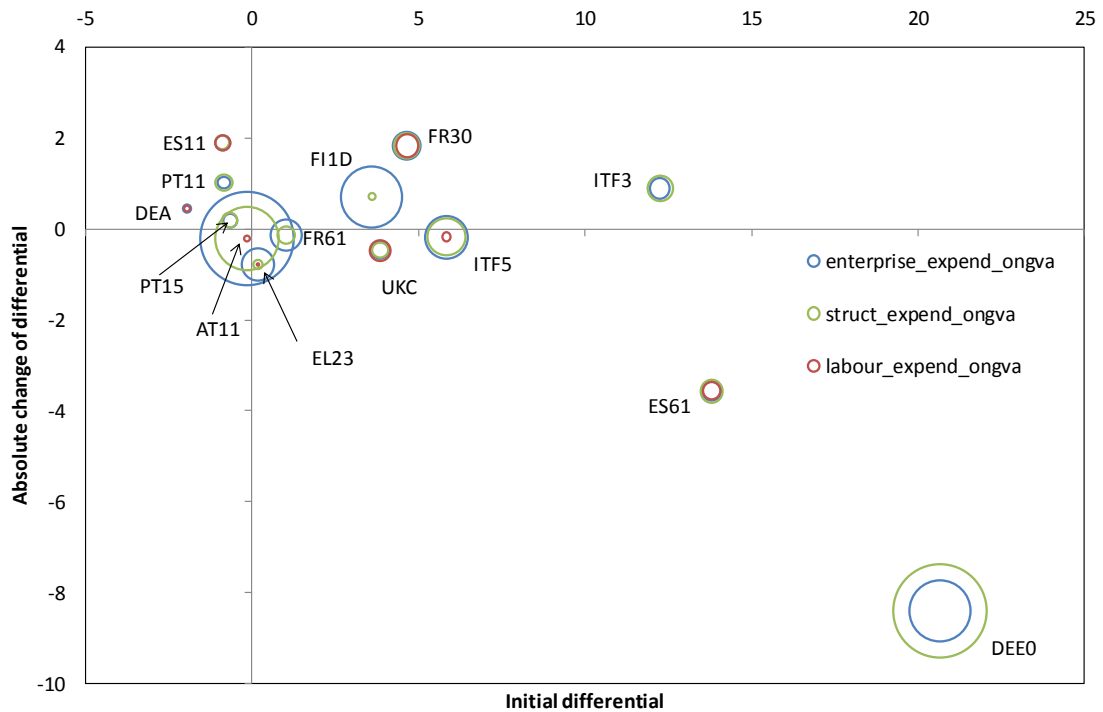
As for effectiveness, the findings on utility are mixed. On the one hand, the ordinal correlations make it clear that achievements are broadly coherent with needs, based on aggregation of the qualitative assessments of the case study teams. Moreover, the fact that this finding is generally corroborated across regions and periods signals that the nature of particular interventions has been appropriate. Policy interventions can, to this extent, be judged to be generally appropriate, although a cautionary note is sounded in the **North East England** case study which observes that although ‘in all periods the region’s needs were at least partly met, strategic choices affected the *degree* to which particular needs were met’.

On the other hand, the results of the interventions on the three selected measures of need are uneven and volatile. Some regions have moved from under-performing to exceeding their respective national benchmarks and vice versa, while success in one area (such as tourism) can be offset by a lack of progress on another or an inability to adapt the strategy. In **Burgenland**, for example, the case study finds that with the exception of tourism, many of the basic needs remain unmet, especially in the south of the region. In practice, this could be explained by how choices are made on priorities, especially where programmes have relatively limited resources. The **Sachsen-Anhalt** case study, as an illustration, criticises a one-sided emphasis on fixed assets in the first two programme periods.

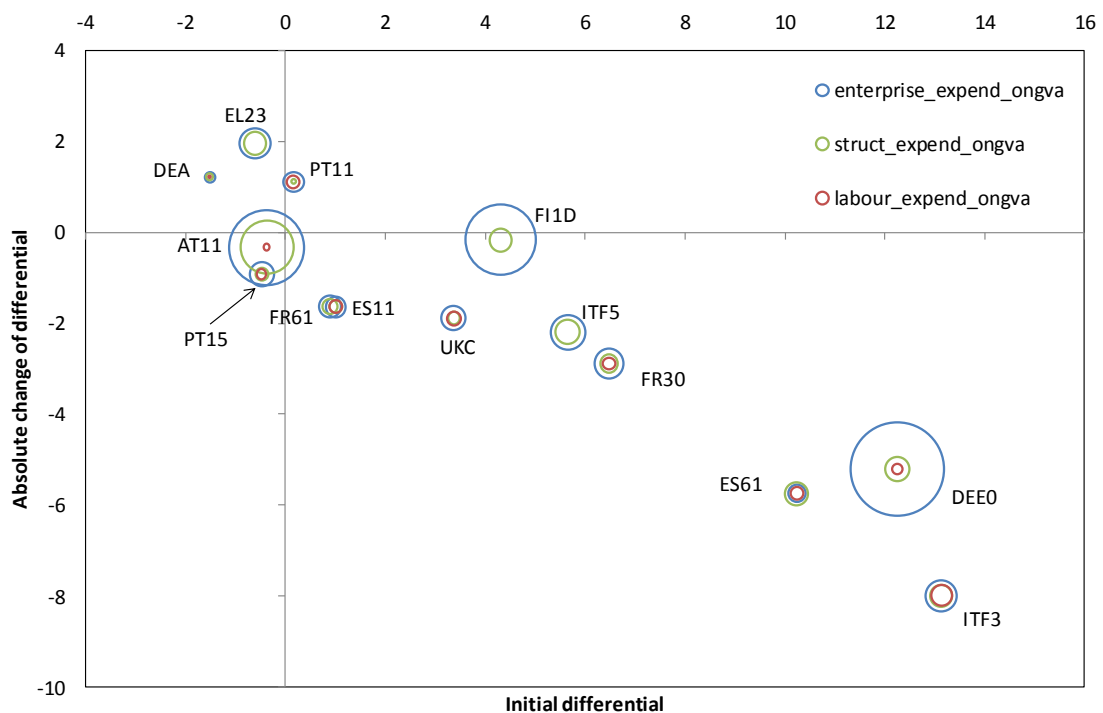
The discussion of the three groups of regions according to funding status shows that priorities are, inevitably, also about sequencing and here there are diverse stories from the 15 regions. **Basilicata** appeared to have a better logic of development in the early period, but was pulled towards a less useful approach subsequently. Regions may choose a particular logic of intervention which achieves results in selected areas but fails to deal with needs in others. Such a conclusion should be interpreted as neither surprising nor a strong reason for criticism, because there is only so much that even the best ERDF programme can do. Even so, as the **Ireland** case study emphasises, the ERDF has ‘left a footprint now widely mainstreamed and often taken for granted, e.g. prevalence of multi-annual public sector investment plans, the use of EU concepts and practices, and widespread acceptance of the role of monitoring and evaluation’. It is a dimension of utility that is discussed in the next chapter on lessons learnt.

**Figure 9: Relative unemployment rates in programme periods 1994-1999 and 2000-2006**

**a) 1994-1999**



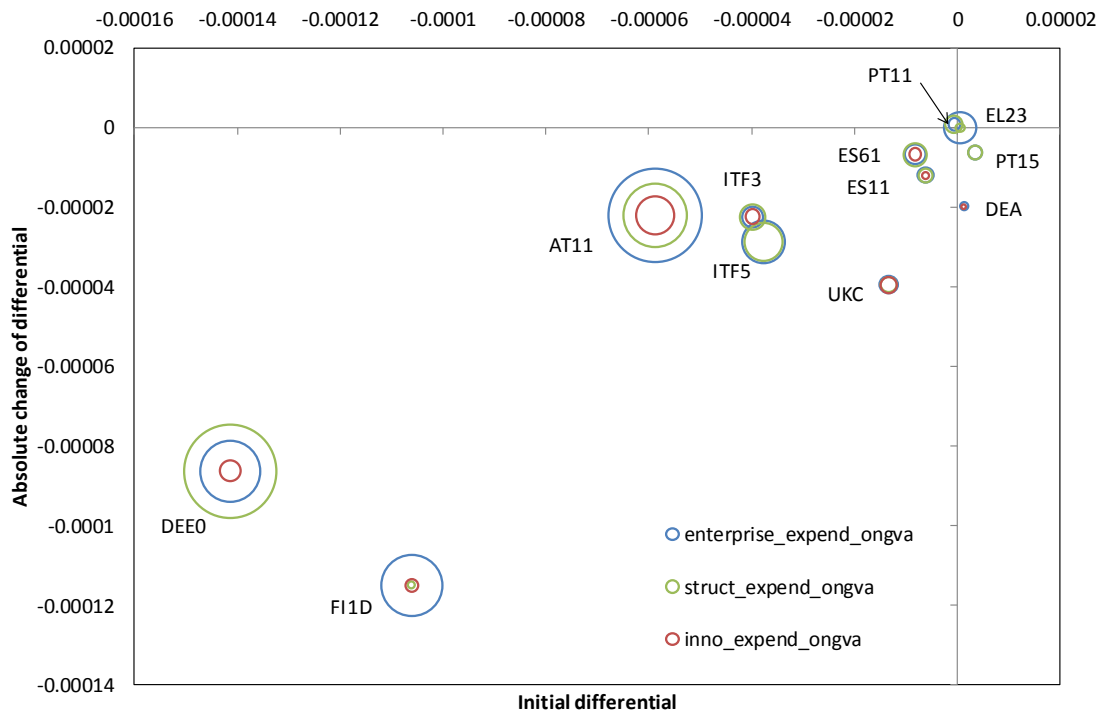
**b) 2000-2006**



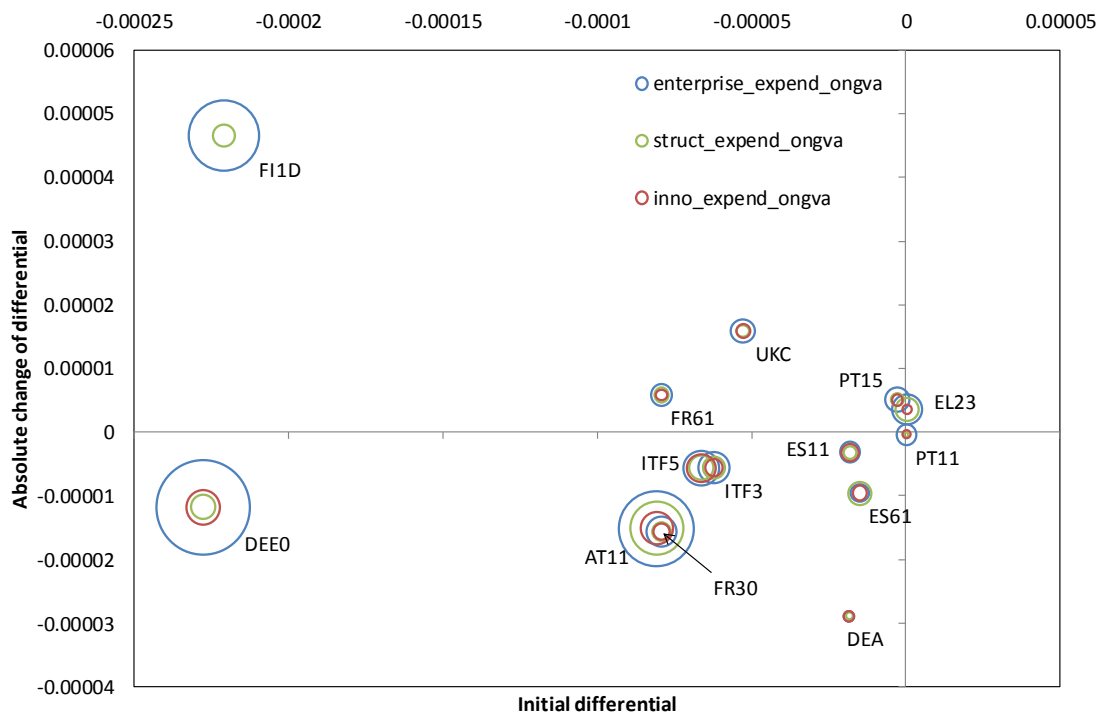
Source: Eurostat and data collected by the case study team for this project.

**Figure 10: Relative number of patent per million inhabitants in programme periods 1994-99 and 2000-2006**

**a) 1994-1999**



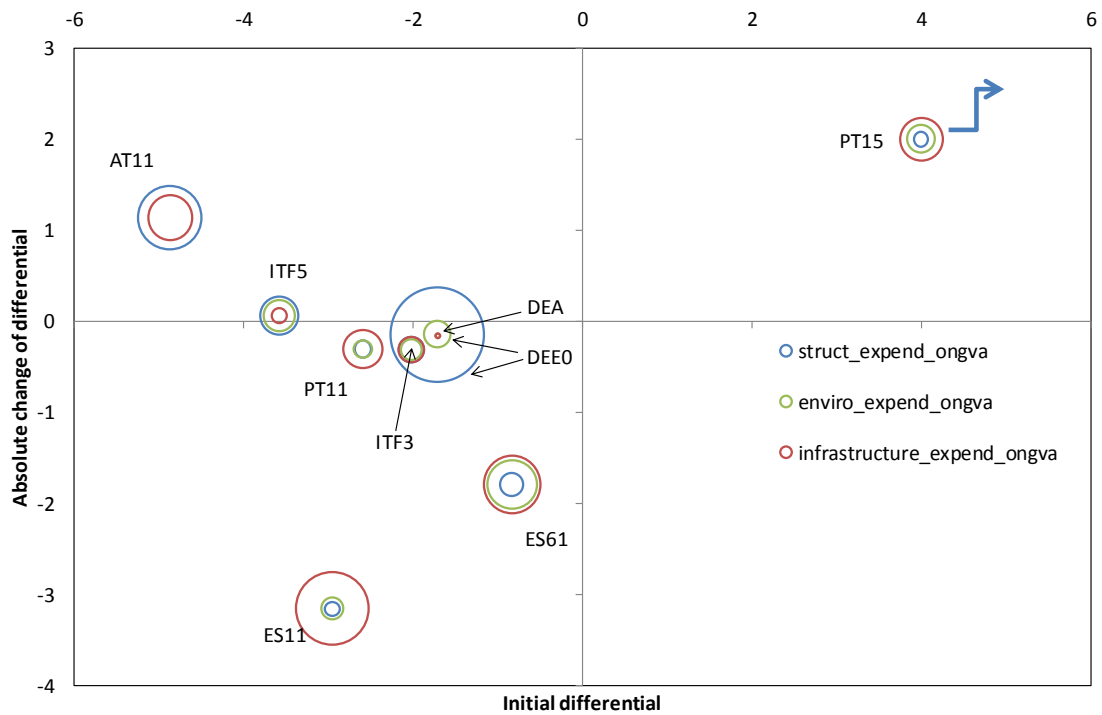
**b) 2000-2006**



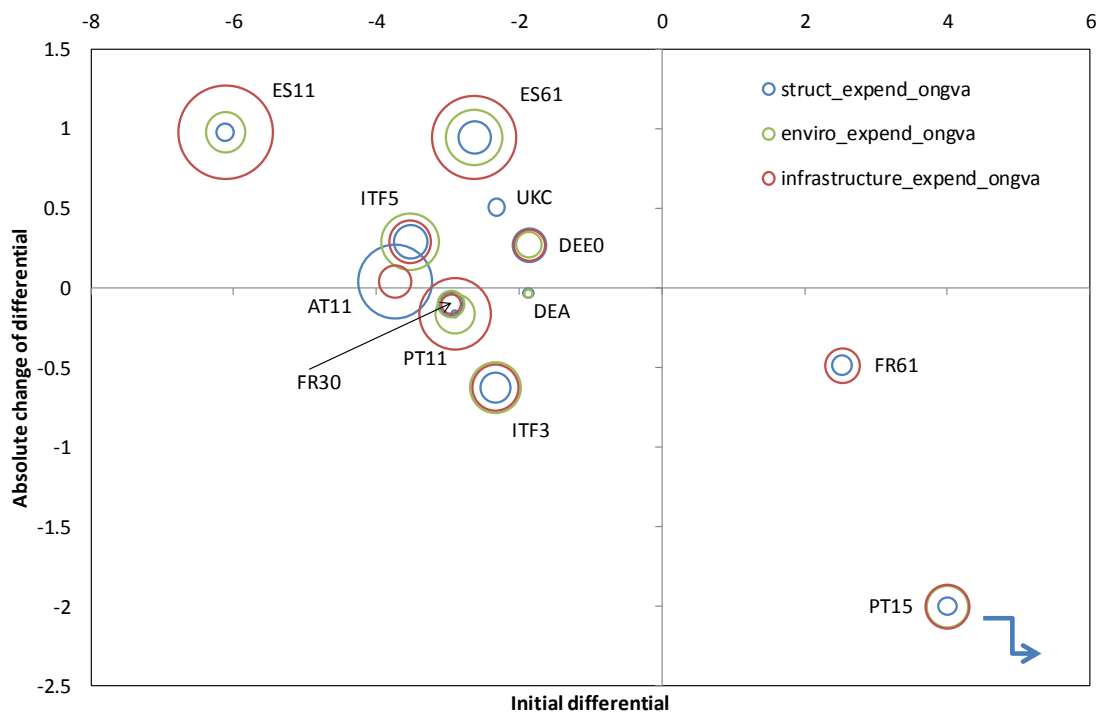
Source: Eurostat and data collected by the case study team for this project.

**Figure 11: Relative number of nights spent in tourist accommodation establishments (by residents and non-residents) on population in programme periods 1994-1999 and 2000-2006**

**a) 1994-1999**



**b) 2000-2006**



Source: Eurostat and data collected by the case study team for this project.

## 8. CONCLUSIONS AND LESSONS FOR COHESION POLICY

### 8.1 Introduction

The aim of this study has been to evaluate the main achievements of EU Cohesion policy programmes and projects and their effectiveness and utility over the period 1989-2013 in 15 selected regions of the EU15. The main objectives of the study were to examine the achievements of all programmes co-financed by the ERDF and, where applicable, the Cohesion Fund, and to assess the relevance of programmes and the effectiveness and utility of programme achievements. Taking the evaluation questions (EQs) in turn, this chapter draws together the conclusions to emerge from the research focusing on whether and how the programmes addressed regional needs and problems, and the achievements of the programmes.

The experiences of the 15 regions provide extensive evidence on the formulation and implementation of Cohesion policy, with both good and bad practices. The study has identified lessons that may be applied to enhance the effectiveness and utility of ERDF interventions across the full cycle of a programme. In addition to the conclusions, this chapter discusses the main lessons learned and draws out implications for future Cohesion policy.

Overall, the main message is one of slow improvement in many aspects of ERDF programmes, although problems remain. Indeed, some regions have experienced a deterioration of management or implementation quality in the most recent programmes. Nonetheless, there is increasing adoption of good practice, for instance in the sophistication of strategies (e.g. evidence base, analysis and strategic focus) and programme management (e.g. project selection, monitoring, evaluation time). To understand how Cohesion policy functioned, however, it is important to recognise the context for decisions and the prevailing orthodoxies when programmes were launched. What may be self-evident now about the 1989-1993 programme, for example, was not necessarily obvious at the time. Enhanced sophistication in programming over time has been a requirement of the European Commission, facilitated by learning from previous programmes. What is more interesting is the additional innovation that can emerge from below, but also the barriers which prevent learning taking place in some regions.

### 8.2 EQ1: To what extent did the programmes address regional needs and problems over time?)

*EQ1a: What were the initial regional needs and problems and what has been their evolution?*

This analysis has covered a diverse set of regions, with different underlying development needs, as reflected in their different ERDF eligibility status. In the late 1980s, the main underlying needs related to: (i) major underdevelopment across all economic, social and environmental indicators; (ii) problems related to population sparsity and/or peripherality; (iii) a weak economic base, for instance due to transition from centrally planned economy (**Sachsen-Anhalt**) or specialisation in agriculture or traditional industries (whether heavy

industries or low added value traditional manufacture); and (iv) the effects of spatial or labour market disequilibria. The recipients of the most generous ERDF support - **Dytiki Ellada, Ireland** and the Italian, Portuguese and Spanish regions - faced all of these needs at the same time. The needs of other regions were more specific, for example related to economic restructuring and labour market disequilibria (e.g. **Nordrhein-Westfalen, Nord-Pas-de-Calais** and **North East England**) or population sparsity (**Itä-Suomi**).

Over time, some regions were able to overcome their initial challenges, others less so. The greatest improvements were realised in the fields of infrastructure for basic public services and transport, and the provision of essential public services. Of the various types of need, the most resilient and resistant to policy has been the low levels of private sector R&D; this was a need faced by all but two regions in the late 1980s and has since been successfully met only in **Ireland**.

Of the regions classified as facing major under-development, **Ireland** has been deemed the most successful in meeting the broad set of development needs. In many other cases, development needs were partially met - for instance R&D expenditure improved over time in **Campania** and in the Portuguese and Spanish regions - but without matching the regions' potential and enabling them to catch-up with national and EU averages. Some needs were not even partially met and indeed, in a few cases, even became worse. For instance, in **Sachsen-Anhalt** long-term unemployment, social exclusion, poverty and weak private R&D deteriorated during the study period, as did poverty in **Basilicata** and environmental problems in **Algarve** and (partly) in **Campania**.

Economic growth remained low compared to both national and EU averages in a few regions (such as **Campania, Dytiki Ellada**), meaning that they fell further behind during the period notwithstanding periods of convergence. Regions tended to evolve in line with wider national trends (with exceptions, as in **Algarve**). Strong and steady reductions of unemployment during the period occurred only in **Itä-Suomi, Ireland** and **North-East England**. At the opposite end of the scale, **Sachsen-Anhalt** faced sharp rises of unemployment in the early 1990s, with rates remaining persistently high. In most regions, unemployment tended to follow cyclical paths, with more-or-less pronounced periodic fluctuations (e.g. in the French, Italian, Spanish and Portuguese regions), or it fluctuated marginally, remaining close to national values (**Burgenland, Nordrhein-Westfalen**).

Plotting employment against productivity growth reveals that only one region, **Ireland**, experienced a 'virtuous cycle' of higher-than-average growth of both productivity and employment over the period. At the opposite end of the spectrum, only one region, **Campania**, experienced the 'vicious cycle' of relative decline, i.e. below-par job and output growth (although some other regions feature as borderline with this category: **North-East England, Nordrhein-Westfalen** and **Basilicata**). One third of regions outperformed EU averages of either productivity or growth (**Andalucía, Algarve, Aquitaine** and **Sachsen-Anhalt**) or both (**Ireland**). The other regions underperformed either on unemployment rates (**Itä-Suomi** and **Norte**), productivity (**North-East England, Nordrhein-Westfalen, Basilicata, Nord-Pas de Calais, Burgenland** and **Dytiki Ellada**) or both (**Campania**).

***EQ1b: What was the strategy of ERDF programmes in each programme period? What has been their evolution?***

This study covers a period of four sets of programmes over twenty years and hence there is an opportunity to examine the way in which programmes have evolved as a result of learning from one to the next. Programme evolution is notable particularly in terms of the ways in which priorities have been identified in relation to an increasingly sophisticated understanding of needs, and changes in those needs.

The concept of strategic regional planning at a regional level was novel to many regions, and in several regions the plans developed for the ERDF were the only or main regional development strategies. These strategies varied within groups of regions, and also within regions between periods, partly linked to their changing ERDF eligibility status.

There was a general improvement in the analysis of regional problems over the four programme periods with most regions having struggled to bring together suitable data before the 1989-1993 programmes, but making investments in data collection and analysis over subsequent programme cycles. However, the availability of data is only the first step, and regions needed the capacity to make judgements about the real needs and suitable interventions arising from the evidence base. Here, judgements are more contested. Some regions decided that accessibility and communication were the real underlying needs, and these were prioritised accordingly, but such decisions underplayed the importance of changing the productive structure of regions. A decision to address critical transport problems often made sense, but may have had a limited effect on the resilience of the region if the underlying economic base remained unchanged. This was the case in several of the southern European regions such as **Galicia**, **Andalucía**, **Dytiki Ellada** and **Algarve** where the opportunity cost of a focus on transport infrastructure may not have been sufficiently taken into consideration in the sense that other, less obvious or immediate investments might have yielded better results.

The Objective 1/Convergence regions along with the Phasing in/out regions of **Algarve**, **Basilicata** and **Ireland** tended to have wide-ranging strategies, enabled by the financial scale of EU support and the parallel implementation of a range of interventions, comprising not just regional OPs but also sectoral OPs managed by national ministries and domestic programmes. The strategies of these regions focused mainly on the creation of fixed capital, i.e. different types of infrastructure, generally supplemented by human capital investment and entrepreneurship and/or industrial development and reconversion support. This emphasis continued throughout the study period, but from 2000-2006 with a stronger emphasis on competitiveness and R&D&I.

The remaining Phasing-in/out regions had diversified strategies (reflecting their diverse development challenges), with needs ranging from peripherality in **Itä-Suomi** to industrial reconversion in **Nord-Pas-de-Calais** and predominant rurality in **Burgenland**. **Burgenland** focused on entrepreneurial development through a mix of supply and demand-side support, and a combination of instruments geared to clusters, new start-ups and individual enterprise support, and a progressively increasing emphasis on R&D&I. **Itä-Suomi's** strategies were also predominantly focused on business support, increasingly geared

towards the knowledge economy. Lastly, **Nord-Pas-de-Calais** shifted from a dual strategy based on infrastructure and business support in 1989-1993 to an increasing emphasis on social issues and a wider 'image' change for the region, to allow it to grasp new economic opportunities. On the whole, the strategy of this region was constantly informed by the difficult trade-off between industrial reconversion and support to existing firms (and the jobs that they provided), i.e. between an economic and a social rationale.

The Objective 2/RCE regions also had diversified strategies. **Nordrhein-Westfalen** consistently focused on a dual strategy aimed at diversifying the industrial structure alongside environmental reclamation, the former with an increasing emphasis over time on entrepreneurial support (SMEs, start-ups, clusters and entrepreneurship) and innovation. **North East England** focused initially very strongly on infrastructure to support FDI, progressively shifting to enterprise and innovation support and softer investments, such as community development and transformational tourism projects; whereas **Aquitaine** focused especially on economic development and diversification in rural areas, entrepreneurship and infra-regional territorial integration, with broad continuity across the periods.

Overall trends, insofar as they can be identified for 15 regions are: a greater emphasis on R&D&I, particularly from 2000 onwards; the inclusion over time of support to integrated urban and community development (initially piloted through the URBAN Community Initiative and subsequently mainstreamed); and a progressive shift in support to tourism. Tourism became a mainstay throughout the programme periods of most programme strategies as a means for economic diversification and structural adjustment, but progressively seen through the lenses of the wider attractiveness of regions, underpinned by both cultural and environmental investments.

The research has also attempted to reconstruct the often implicit development theories underlying programme strategies and in so doing to disentangle the difference between the explicit strategic choices declared in the programme documents and the implicit strategies actually pursued. The difference between the two sets of strategies was particularly evident in the earlier programme periods of the 1990s, when programme strategies were often not linked to sound analyses of needs or evaluation evidence, and they were often generic collections of intervention fields with no clear prioritisation, providing room for differing interpretations and operational choices.

In this respect, two conclusions can be drawn. First, it was not evident that strategies were underpinned by theory, with the exception of the **Basilicata** and **Campania** in the 2000-2006 period, **North East England** in the 2000s and the domestic regional policy focus of **Nordrhein-Westfalen** and **Sachsen-Anhalt**. Especially in the early programmes, strategies were generally drafted as compilations of interventions with no particular overarching rationale. Second, and related, there were often divergences between what was stated in the programmes and what was actually implemented. Generic programmes accommodated diversified local priorities or preferences that were different from what was being promoted by the European Commission or national government in the negotiation of programmes and within the framework of the CSFs (e.g. in **Aquitaine**, **Basilicata**, **North East England**, **Norte**, **Itä-Suomi**). Often, though, the differences between the strategies stated in the programmes and what was actually implemented derived from the necessity



to find pragmatic responses to implementation difficulties, reflected in financial shifts between and within priorities (e.g. in **Campania** in the 2000-2006 ROP in favour of transport infrastructure).

A strategic problem in a number of cases was the lack of integration between national Operational Programmes and regional-level programmes, and between national programmes implemented by different ministries. Whilst the idea of national programmes for trans-regional infrastructures makes sense, those countries with a large number of national programmes experienced overlaps and duplication with regional programmes, without effective coordination (examples are the experiences of **Basilicata** and **Campania**).

***EQ1c: What were the priorities and objectives of ERDF programmes of each programme period? What has been their evolution? Were the objectives SMART?***

At the beginning of the study period, the programmes had relatively straightforward objectives: (i) **Algarve, Andalucía, Dytiki Ellada, Norte** focused primarily on infrastructure, together with ESF investments in human resources; (ii) **Ireland, Campana, Basilicata** and **Galicia** had wide-ranging objectives, combined a strong focus on infrastructure endowment (transport, environmental, industrial and social infrastructure) with entrepreneurial support/structural adjustment measures aimed at developing industry, entrepreneurship, conversion, skills, competitiveness and wider quality of life; (iii) **Nordrhein-Westfalen, Sachsen-Anhalt, Nord-Pas-de-Calais** and **North East England** focused mainly on the challenges of structural adjustment, often together with external accessibility, the pursuit of intra-regional territorial balance and/or support of marginalised groups; (iv) **Aquitaine** and **Itä-Suomi** focused predominantly on economic diversification in rural/sparsely populated areas; whilst (v) **Burgenland** targeted especially entrepreneurial development.

For the most part, the regional objectives were stable over time, tending to evolve incrementally. This applied in particular to the 1990s, with the exception of **Nordrhein-Westfalen**. More substantial changes were undertaken at the start of the 2000-2006 and 2007-2013 periods, driven mainly by compliance with EU regulatory requirements, changes in the eligibility status of regions (e.g. **Ireland** in 2000, **Basilicata** in 2007) or parts of regions. The recent economic crisis has led to extensive reprogramming in a number of regions - **Dytiki Ellada, Campana, Basilicata** and **Norte**.

As noted above, trends over the period included an increasing emphasis on R&D, often matched with a stronger focus on entrepreneurship through more sophisticated approaches for the support of SMEs; increased support for urban development projects; and a continued emphasis on four key themes: tourism (virtually everywhere), increasingly linked with cultural and wider attractiveness measures; nature protection and environmental infrastructure (in some of the regions classified in the 'major underdevelopment' category); cross-border cooperation in selected regions (**Galicia, Aquitaine, Norte** and **Itä-Suomi**); and improvement of the quality of life.

The extent to which objectives were SMART - specific, measurable, attainable, relevant and timely - varied across regions and especially across the period. Insofar as a general trend can be identified, it is that early programmes tended to have generic objectives, that

they were not defined and framed in a way that made them measurable, that targets were often absent and expectations overestimated (thus attainability was questionable), and that objectives were not time-bound in the sense of being linked to a realistic operational timetable. Whilst regions were required to set objectives and targets for programmes and measures, the experience of doing so was generally poor, with regions struggling to identify appropriate indicators and setting targets at levels which were either unrealistic or too modest. As a result, targets were frequently revised down in some of the earlier programmes as it became clear that they were far higher than could be attained. Programme objectives, nevertheless, tended to be relevant from the early days of ERDF programming, with the main problem being the prioritisation of efforts, rather than the inability of programme authorities to appropriately identify needs. In a few cases, programme objectives were considered to be only moderately relevant across the entire study period, the examples being **Dytiki Ellada, Itä-Suomi, Algarve, Aquitaine** and **North East England**.

The SMARTness of programme objectives improved over time, especially the degree to which objectives became more specific and measurable, although progress was incremental. The ability of programme authorities to set realistic targets and identify timely paths for implementation remains an area for further improvements. A particular problem was the difficulty in estimating a sensible target in advance of knowing the types of project. A target set in the expectation of a particular mix of projects could become unrealistic simply because the projects proposed and selected were of a different character to those anticipated - for example if offices were built rather than manufacturing or warehouses. But there was also a general difficulty in estimating targets linked to a lack of understanding about what had been the actual achievements of programme interventions in past periods, due to the variable quality of the information provided by programme monitoring systems and the lack of comprehensive, detailed and reliable ex post evaluative evidence.

***EQ1d: What has ERDF support been spent on in each programme period? Have there been significant transfers from initial allocations of ERDF resources to other priorities in any period?***

Over the period 1989-2013, ERDF programmes were designed and funding allocated periods ranging from three to seven years. The longer periods allowed programme authorities to take a longer perspective on needs and to fund larger, more strategic projects; equally, they also need the ability to respond to sudden changes in need and to fit with national funding cycles. This flexibility has been particularly important since the global financial crisis as the assumptions on which funding were planned changed fundamentally in many cases.

The distribution of expenditure across different themes varied by type of region. The Objective 1/Convergence regions tended to focus predominantly on basic and transport infrastructure, across all programme periods except for 2007-2013. The proportion ranged from 56 percent of total expenditure in 1989-1993, to 31 percent in 1994-1999 and 2000-2006, falling to a low of 14 percent in 2007-2013. Enterprise support also featured prominently, remaining in the 20-27 percent range from 1994-1999 to 2007-2013, compared

to only five percent in 1989-1993. The main thematic shift over time was a strengthening of support for social cohesion and the labour market, a trend that started in 2000-2006. The themes of innovation and environmental sustainability remained broadly stable; innovation was allocated 3-4 percent of total expenditure in the 1990s rising slightly to seven percent in 2000-2006 and 2007-2013, while environmental sustainability received around 15 percent of total expenditure in the first three programme periods, falling to around ten percent in 2007-2013.

In the Phasing-in/out regions, the initial programmes also focused predominantly on infrastructure, which accounted for almost 60 percent of spend in 1989-1993, but became more diversified in subsequent periods. There was a stronger emphasis on enterprise support (34 percent, 38 percent and 21 percent respectively in 1994-1999, 2000-2006 and 2007-2013) and, in the 2007-2013 period, structural adjustment and innovation (respectively at 23 and 22 percent of expenditure).

By contrast, in the Objective 2/RCE regions, expenditure was heavily concentrated on enterprise support until 2006 (with this theme accounting for 50 percent of expenditure in 1989-1993, 30 percent in 1994-1999, 35 percent in 2000-2006, but only 15 percent in 2007-2013) and a marked shift towards innovation and social cohesion in the 2007-13 period. In this group, two themes received relatively little policy attention throughout the study period: territorial cohesion and the environment. However, whilst the former has progressively diminished (from ten percent in both 1989-1993 and 1994-1999, to three percent in 2000-2006 and no expenditure in 2007-2013), the latter has seen its share double from 2000-2006 (from four percent to 11 percent of total expenditure).

With the exception of Algarve (ROP only), **Andalucía**, **Ireland** and **Itä-Suomi**, there were shifts of ERDF resources between priorities in all programme periods up to 2006. The content and scale of these shifts varied and no general pattern can be identified. For instance, In **Nord-Pas-de-Calais** significant shifts took place from the innovation and entrepreneurship priorities in early programme periods in favour of infrastructure; whilst in **Burgenland**, entrepreneurship priorities gained in all periods. In some cases, such as in the Italian programmes, there were also shifts of resources between programmes (from the ROPs to the NOPs or vice-versa) within the CSF, with the performance reserve being used to reward good use of the funds (for **Basilicata**). Shifts of resources occurred also within priorities, i.e. within measures. These shifts did not always represent a change in strategic orientation, but rather reflected operational difficulties and absorption capacity.

### **8.3 EQ2: To what extent do ERDF achievements meet regional objectives and needs in each programme period and across all periods?**

#### ***EQ2a: What are the reported achievements of each programme period***

Detailed outputs on the 1989-1993 period were available for only six of the 15 regions examined: **Nord-Pas-de-Calais**, **Dytiki Ellada**, **Ireland**, **Nordrhein-Westfalen**, **Algarve** and **Norte**. They consist of indicators such as length of road, water and sewage networks built, area of land where premises were built or refurbished. Job creation was monitored or

appraised by only a few programmes or programme interventions in **Ireland**, **Dytiki Ellada** and the two German *Länder*, ranging from a reported 20,000 new net jobs created in **Ireland** and 17,000 jobs created and safeguarded in **Nordrhein-Westfalen** (plus a further likely job creation of a further 7,000 jobs), to the more modest 1,162 new jobs in **Dytiki Ellada** (the majority of which were temporary new jobs linked to the supported investments).

More information on reported outputs is available for the 1994-1999 programmes, as a result of improvements in the monitoring systems implemented regionally and/or nationally. Additionally, the two ex post evaluations undertaken for the European Commission (DG XVI) and evaluations undertaken domestically (e.g. in **Ireland**), provide information on the estimated jobs created and safeguarded by the programmes in the various regions. These range from 33,000 net new jobs created in **Ireland** and c. 28,000 jobs created and 55,000 safeguarded in **Sachsen-Anhalt**, to around 2,300 new jobs in **Burgenland** and c. 320 new jobs created by the **Algarve** ROP. However, these data appear to suffer from potential inaccuracies, as noted for instance by the ex post evaluation of the Objective 6 programme of **Itä-Suomi** which indicated that the figure of jobs created and reported by the programme (of 21,000 new jobs and 62,000 safeguarded jobs) was very substantially over-estimated, with the true figure more like 10-20 percent of this estimate.

Output data on 2000-2006 are more readily and comprehensively available, reflecting further improvements in programme monitoring systems. Partly because of the greater sophistication of programmes and the improved administrative capacity within managing authorities, the 2000-2006 generation of programmes saw a proliferation in the number of indicators. Despite this, the monitoring of results remained a problem in this period also, as they were not always appropriately captured by programme monitoring systems (which might track jobs created by individual projects but based on aggregation of figures declared by project managers), nor did the majority of programmes undertake their own ex post evaluations. Even when programme-specific programme evaluations were undertaken, as in **Campania**, these did not always attempt to assess net job creation and focused instead on the appraisal of the monitoring data reported for the programme (in itself a useful exercise which pointed to clear conclusions on the programme's effectiveness and recommendations for the future programme).

Information on programme results in the regions - even in aggregate form - is by and large also not available from the ex post evaluations of the 2000-2006 ERDF programmes, other than on selected themes for the regions covered by case study research. Information on job creation is available nevertheless for almost all the regions investigated (12 out of 15), ranging from the c. 80,000 new jobs created in **Galicia** and the 35,000 net new jobs generated in **North East England**, to the more modest c. 17,000 jobs (of which only 2,310 permanent) in **Dytiki Ellada**. In no case, across the programme periods, does there appear to be a direct correlation between the number of reported jobs created or safeguarded by the programmes, and the financial input of the Funds relative to the regional economy.

It would be premature to appraise the reported achievements of 2007-2013 programmes given the delays with implementation and the significant changes introduced to the programmes in the light of the effect of the recession in the regional economies.

Thematically, across the entire study period, achievements were reported in relation to R&D spending relative to GDP or GNP, with upward trends in **Campania** and **Ireland**, whereas attempts to increase private sector R&D expenditure were generally less successful, with the notable exception of **North East England**. Reported achievements in the enterprise sector were very diverse and did not always translate into increased productivity. In the tourism field, reported achievements, such as the increased number of beds created and tourists in the regions, were also wide-ranging, but they did not always prove to be sustainable, with reversals during the current recession. Detailed output data are generally available across all regions in relation to the different types of infrastructure built or modernised - i.e. industrial areas, roads and railways, ports, logistical platforms, environmental and basic infrastructure (e.g. water and sewage networks, water purification plants), social infrastructure such as schools and hospitals, telecommunications (phone lines initially and broadband subsequently) - showing the importance of ERDF support in these fields in all regions deemed at the beginning of the study period to be characterised by major underdevelopment.

***EQ2b: To what extent were objectives achieved in each programme period?***

The main conclusion from the qualitative assessments of achievements in relation to programme objectives is that, overall, Cohesion policy intervention over the period 1989-present was effective, but with variation by programme period, theme and region. Regions are considered to have (mostly) improved their attainment of objectives. In 1989-1993, only six regions were judged to have met or exceeded programme objectives, for six others it was impossible to make a judgement, and three others underperformed. By contrast, in the 2000-2006 period, the majority of regions met or exceeded their objectives. However, these conclusions need to be read with important caveats in mind. In particular, the vagueness of programme objectives in some cases involves considerable subjectivity in judging whether they were achieved, and the 'increased effectiveness' of 2000-2006 programmes needs to take account of the frequent reviews of programme targets during implementation (increasing the likely match between expectations and reality).

With respect to specific areas of intervention, effectiveness appears to have been higher for large-scale physical infrastructure, environmental improvements and local business and innovation infrastructure. Regions had difficulty with areas like structural adjustment, business support, innovation and community development, all of which required operational strategies, delivery systems and administrative capacity.

***EQ2c: To what extent were needs met in each programme period? To what extent can observed changes in regional needs and problems be imputed to ERDF programmes over time?***

The utility of programmes is the extent to which they led to impacts that, irrespective of whether they were intended or whether they were delivered within the programme timeframes, addressed regional needs and solved problems that held back their socio-economic development. This has been done by comparing achievements with needs, in each of the eight thematic axes and overall, and establishing ordinal correlations between the two.

The main conclusion is that, for all periods and for all the themes taken together, the policy has been useful in meeting regional needs over the long run. Interestingly, however, utility is assessed as being higher in the first two programme periods and lower in 2000-2006 (it is too soon to appraise utility for the 2007-2013 programmes), suggesting that the increased sophistication of programmes has not meant improved utility or that it is too soon to make a judgement.

The highest utility was found in the regional infrastructure endowment thematic axis (which mainly comprises transport and telecommunications infrastructure), notwithstanding the lack of resources to fund operational and maintenance costs in some regions, exacerbated by the economic crisis, a consequence which diminishes the utility of investments. A high degree of utility across the study period as a whole was also reported in the fields of enterprise and innovation, whereas only one theme - infra-regional territorial cohesion - displays a low long-term utility, with positive assessments only in the first two programme periods.

Utility is assessed as 'high' to 'medium' in all the regions which were classified as facing major underdevelopment at the beginning of the period: the highest in **Ireland**, also high in **Algarve**, and medium in **Andalucía**, **Basilicata**, **Campania**, **Dytiki Ellada**, **Galicia** and **Norte**, as well as in **Sachsen-Anhalt** which faced somewhat different challenges in its transition from central planning. The Irish case is particularly emblematic. Here, the ERDF programmes and Cohesion Fund projects allowed the country to undergo both endogenous and exogenous development, leveraging-in or providing the conditions for the attraction of foreign direct investment whilst at the same time supporting the indigenous economy. In **Algarve**, the ERDF programmes and Cohesion Fund were instrumental in the modernisation of the region's infrastructure and urban network, thus providing a basis for growth based on the expansion of the tourism industry, on which the region today remains largely dependent however. In the remaining regions, the ERDF programmes (and Cohesion Fund in **Andalucía**, **Dytiki Ellada** and **Norte**) delivered important improvements in transport and social infrastructure and some environmental improvements, but without being able to ignite a process of self-sustaining growth - which has made the economic achievements less resilient to the current downturn. This is hindering the overall utility of the investments made in those fields where the programmes were successful in meeting regional needs, as the lack of growth did not deliver the growth in tax revenues that would have been necessary to maintain and run the infrastructure built.

Utility was on the whole medium to high also in the Objective 2/RCE regions, typically characterised by declining heavy industry (**Nordrhein-Westfalen**, and **North East England**) and in **Nord-Pas-de-Calais** which faced similar problems. The utility of the ERDF programmes in these regions was highest in relation to environmental needs, connected to reclamation of abandoned industrial land which was largely completed. The lowest levels of utility related to social challenges deriving from the process of deindustrialisation, which were not met. The utility of programmes in facilitating economic transition to a different economic model was mixed, probably reflecting the difficulty of these regions in reconciling long-term and short-term needs within programme strategies. Economic utility appears to have been increasing in the 2000s, in parallel with the greater emphasis placed

in the strategies on innovation and the increased sophistication in the support provided to different types of firms.

Lastly, in **Aquitaine**, **Burgenland**, **Itä-Suomi** and - more rural regions in the Phasing-on/out and RCE groups also hampered by peripherality or limited connectivity - the utility of programmes was mixed in meeting the main needs. Progress with improving connectivity and diversifying the production base was on the whole not particularly encouraging. **Aquitaine** has experienced more limited success in the transformation of its economy. **Burgenland** continues to have unmet basic needs in all fields except for tourism, especially in the south of the region, and **Itä-Suomi** is still struggling to overcome the growth-depressing effects of peripherality. All regions faced multiple and complex needs.

The varied degree to which the 15 regions were successful in addressing the full range of development challenges is, in part, a natural outcome of the limited scope of programmes and the difficulty of addressing all areas of need. To an extent, the achievements reflect the choices made by programme authorities, which in some cases were informed by a perception of need calibrated over the short and medium terms, rather than being guided by a longer-term vision of how the regions might change. Nevertheless, the conclusion that not all needs were addressed should not come as a surprise, nor should it be viewed as a strong criticism, given that there is only so much that even the best ERDF programmes can do. It does, however, raise questions about the complementarity (and additionality) of the programmes and their coherence with wider domestic public policies.

Lastly, a further dimension of utility is represented by the ‘learning’ that implementing multi-annual programmes, with associated monitoring, evaluation, control and reporting requirements has entailed for regional and national administrations.

***EQ2d: What have been the complementarities and synergies of ERDF interventions with ESF, EAGGF/EAFRD, and with domestic regional policy interventions?***

The ERDF programmes, even when they represent a significant portion of public expenditure in a region (as has been the case historically for most regions characterised by ‘major underdevelopment’), must act synergistically with, and complement, other investment programmes, in order to deliver their ambitious development goals. The evidence from the case studies suggests that this has been a critical aspect of the ERDF programmes, and that complementarities and synergies were often limited to specific fields or projects, rather than systematically pursued (with the notable exception of **Ireland**).

Until recently, ERDF support was often embedded in multi-fund programmes, i.e. programmes that included funding from all Structural Funds applicable to the region including ESF, EAGGF (now EAFRD) and FIFG (now EFF). Despite this, and partly due to the separation of Fund management, the operation of the programmes tended by and large to prioritise efficient delivery over synergies and results-orientation.

Examples of synergy between Structural Funds include the provision of training courses (ESF-funded) together with investments in new machinery or innovation (ERDF-funded), or the provision of irrigation infrastructure (ERDF-funded) in parallel with support for

agricultural activities (EAGGF funded). In some cases, as in the Italian Integrated Aid Packages implemented under the Objective 1 'Local Entrepreneurial Development' 2000-2006 programme, integration between the funds was incentivised explicitly at project level, through the design of application and selection procedures, but this experience was an exception. Complementarity and synergy were thus encouraged at intervention or project level, but not systematically across all fields of intervention.

Systematic synergy between the various Structural Funds and the Cohesion Fund occurred only in **Ireland**, where good cross-fund coordination was ensured by framing Cohesion policy within wider national development policy. Elsewhere, coordination and synergy was disappointing, and it was particularly so in **Basilicata, Campania, Algarve, Norte and Nordrhein-Westfalen**. Interestingly, the existence of overarching strategies, such as the CSF and NSRF, is not *per se* a sufficient tool to ensure strategic and operational coherence between funds (and indeed, as the case study research has uncovered, between national and regional level programmes).

Synergies with domestic policies tended to be less problematic. This was driven by two, closely interlinked factors. First, among the largest regional recipients of EU funding, there was strong alignment or integration of ERDF programmes with domestic capital spending programmes. For instance, in Greece around 70 percent of the national Public Investments Programme for the whole 1989-2013 period was allocated to co-finance the national contribution to the Structural Funds; whilst in **Ireland**, CSFs have been embedded in successive National Development Plans, meaning that ERDF expenditure was guided by national policy and co-funded as part of national programmes. Second, for all programmes the requirement to provide match-funding meant that the ERDF was used to support investments undertaken as part of domestic policies, e.g. the Centres of Excellence programmes in **Itä-Suomi** or the domestic regional policy (GRW) in Germany. In a few case studies, the research uncovered additionality problems. In Italy, for instance, the declining domestic public spending in recent years has meant that ERDF has in some cases ended up replacing domestic funding, with negative consequences for additionality and thus on the ultimate impact that the programmes will deliver.

***EQ2e: What has been the overall contribution of ERDF programmes to regional development?***

What constitutes an important contribution to regional development is generally highly context-specific. A key dilemma in most regions was to choose between large, strategic projects and distributing funds across a larger number of smaller, perhaps community-focused projects. It should be noted that the limited size of projects is not *per se* an element of bad practice and, *vice versa*, that large projects are not necessarily the best solution. It is arguable that certain types of interventions, e.g. in the cultural sphere or grassroots social cohesion projects, require by nature to be smaller scale. What matters is that a degree of critical mass is ensured, in order to achieve the objectives set in programme documents, and this might be better achieved by aggregation rather than larger project size (e.g. the Phlegrean Fields integrated territorial programme in **Campania**, which was successfully implemented through the integration and coordination of over 100 projects).



Nevertheless, a problem in some regions was the proliferation of small projects which were not linked cohesively in an overarching framework of how, together, they would contribute to programme objectives, and which in some cases exceeded the administrative capacities of regions, resulting in delays or high project mortality. In these cases, there was often a view that a focused approach was more likely to be effective. In most regions, there was a movement over time towards more strategic use of the funds and in favour of larger projects, partly encouraged by the Commission and the pressures of commitment. However, problems were also experienced with large projects. Several of the case studies highlighted controversial projects where the value-for-money was disputed (**Aquitaine**, for example), the project planning was too ambitious (**Itä-Suomi**) or there were significant problems with completing projects to time and budget (**Dytiki-Ellada, Norte**).

ERDF programmes and the investments of the Cohesion Fund have only facilitated a *transformative effect across the board* in **Ireland**, delivering considerable improvements in the main areas of regional need and a matching increase in growth and employment. Naturally, the programmes played a role alongside other developments. In **Ireland**, the positive economic transformation was linked to the integration of the country's economy in wider global markets, across both sides of the Atlantic. This might have an impact on the resilience of the improvements realised, given the country's integration in global economic networks affected by the economic crisis.

In a further group of regions - **Algarve, Andalucía and Galicia** - the ERDF programmes have delivered a *transformation of the regional economies*, which has indeed been reflected in GDP convergence with the rest of the EU and improved labour market indicators, but which is not proving to have sustainably affected the regions' longer-term development prospects and resilience. In these regions, the ERDF programmes and the Cohesion Fund contributed to major improvements in regional infrastructure endowment and the provision of public services - across all types of infrastructure and services, from transport to schools and hospitals, from water networks and purification plants, to waste collection and recycling etc. However, the induced economic transformation was based largely on tourism and services, whereas improvements in productivity and in high-added value clusters were limited to segments of the regional economies which represent relatively small proportions the regional GVA and employment.

In most of the regions - **Aquitaine, Basilicata, Campania, Dytiki Ellada, Norte and Sachsen-Anhalt** - the ERDF programmes (and Cohesion Fund in the Greek case) facilitated a *transformation in specific fields*, without having a pronounced wider impact on growth and employment (except in **Basilicata**) and leaving major needs still unaddressed. In **Aquitaine**, for instance, improvements were made in developing the image of the regional capital, Bordeaux, and in providing services to the rural areas, with the effect of countering depopulation trends. But, although the programmes have contributed to avoiding a worsening of territorial disparities, they have not been successful at modernising and diversifying the region's productive base which largely remains reliant on the production of wine, food and trade activities inherited from the past.

Similarly, in **Sachsen-Anhalt**, there were successes in the fields of structural adjustment and enterprise development, but significant problems - such as overall low productivity,

high unemployment levels, low entrepreneurial propensity, poor levels of R&D&I and underdeveloped network of urban agglomerations - have still to be addressed. In similar vein, **Basilicata** saw major improvements in the provision of basic public services, which were pivotal to develop certain sectors, but without solving the fundamental isolation of the region and altering the overall economic model based largely on agriculture and (increasingly, thanks to the programmes), tourism. Arguably, in regions such as **Dytiki Ellada, Campania** and **Norte**, the fact that the transformation achieved was substantial, but limited to specific fields (basic and transport infrastructure and services, quality of life, environmental sustainability) derives from the sheer scale and diversity of the needs to be addressed, and the overall limited scale of the resources mobilised.

In the remaining regions - **Burgenland, Nordrhein-Westfalen, North East England, Itä-Suomi** and **Nord-Pas-de-Calais** - the ERDF programmes have had a *positive influence* on wider development factors, supporting change in specific fields, but were unable (understandably, given their moderate scale of intervention) to make a decisive difference to the problems of the regions, and they did not induce a wider transformation of their economies (except to a degree in **Burgenland**). For instance, in **Nordrhein-Westfalen**, important achievements were realised in the fields of enterprise and structural adjustment, but unemployment is still high. In **Itä-Suomi**, the ERDF supported existing domestic policies in the fields of enterprise and innovation, but without facilitating an economic configuration of the region, which remains fundamentally hampered by its isolation within Finland. In **Nord-Pas-de-Calais**, the programmes enabled a modernisation of certain traditional economic sectors (e.g. transport), promoted new specialisations (ICT) and attracted new investors to the region, but with effects concentrated in the main urban areas of Lille and Arras, thus reinforcing existing infra-regional territorial disparities. In **North East England**, the programmes successfully promoted a new approach to economic development based on culture and tourism, and improved quality of life through community regeneration projects, but without being able to affect the fundamental shortcomings of the regional economy: low productivity, low entrepreneurship and innovation, high unemployment and worklessness. Lastly, in **Burgenland**, the ERDF contributed to advances in GDP per capita and economic performance (although needs persist in most fields except tourism, especially in the south of the region) and the *Land* also benefited from the economic performance of Austria, the positive impact of development trends such as the suburbanisation of Vienna, and the effect of domestic interventions in public transport networks.

If there have been marked differences across the 15 regions in the extent to which the ERDF programmes delivered true and long-lasting socio-economic transformation, the institutional achievements have been both wide-ranging and widespread, ranging from the introduction of strategic multi-annual planning, to the introduction or improvement of monitoring, reporting and evaluation practices, to a general increase in the level of technical capacity and skills within regional and national administrations.

In most cases, programme resources were not sufficient to address all areas of need. Even so, the fact that in most cases there was only a partial transformation should not be viewed as a criticism: in most if not all case studies, the perception of stakeholders is that the regions would have been worse-off had the programmes not occurred, and that the ERDF

programmes determined or facilitated a change which saw the regions become better places in which to live, invest or visit. ERDF programmes generally had a transformative effect, but one which has not resulted in growth, productivity and employment, or affected the regions' longer-term resilience. In this sense, the ability of the programmes to stimulate entrepreneurship, induce innovation and support competitiveness appears to have been rather disappointing.

#### **8.4 EQ3: What are the main lessons learnt on the effectiveness and utility of ERDF interventions in each region?**

##### ***EQ3a: What are the main good/bad practices?***

The research has found both good and bad practices in relation to various aspects of programme management and implementation: identification of need; strategic planning; institutional capacity; setting SMART objectives; evolution of programmes; allocation and flexibility of funding; scale and nature of strategic projects; and evaluation.

In relation to the *identification of need*, a good practice which has emerged from the research is the regional foresight exercise undertaken in **North East England** ahead of the 2007-2013 programme period. More generally, the improvements realised in many regions over time in the use and quality of information for needs assessment, are also considered good practices. The other side of the coin is that in the early programmes, particularly at the beginning of the study period, there was very little effort to undertake regional analyses based on data and evaluative evidence.

Good practices in *strategic planning* were found in **Burgenland** and **Andalucía**: **Burgenland** for the mobilisation of different bodies to discuss and inform strategies when the region first started implementing the policy (in 1995) and **Andalucía** for the creation of new competences which would subsequently prove fundamental to implementation. The fact that early strategies were not driven by need, were excessively focused on infrastructure and derived with little or no involvement of stakeholders beyond the administration was seen as a bad practice in **Dytiki Ellada**. Another bad practice has been the limited prioritisation of efforts (in 2000-2006) and competence subdivision with domestic policies and between NOPs and ROP in **Campania**, which resulted in overly ambitious targets and limited effectiveness.

With respect to *institutional capacity and leadership* - good practices included the involvement of secondees from local authorities in the managing authority in **North East England** and the appointment of a high-profile academic as regional minister for transport in **Campania**. The latter provided strong expertise, leadership and coalesced technical expertise, allowing for better planning, coordination of different funding sources and synergy with national policy. Bad practices include problems with R&D interventions in **Nordrhein-Westfalen**, poor support to beneficiaries in rural areas in **Aquitaine**, difficulties with organising expertise, raise capacities, sustain the improvements made and continuity after political change in **Nord-Pas-de-Calais**, **Basilicata** and **Campania**.

*Setting SMART objectives* is an area which has been characterised by bad, rather than good, practice. The measurability and attainability of objectives, in particular, have been a

constant problem in many regions, requiring expectations to be scaled down during implementation. This was linked in earlier periods to the deficiency of reliable information and data, which meant that the information on what did and did not work in earlier programmes could not be integrated in the strategic thinking of the next. **Ireland** perhaps experienced fewest problems with this, but partly because the ERDF programmes were embedded in a single national strategy making measurement easier. However, while this integrated approach eased monitoring difficulties when EU co-financed expenditure constituted all or most of the national investment, as its share fell after 2000 attribution of national programme achievements to the reduced EU contribution became more problematic.

*Evolution of programmes across the study period* - bad practices include the tendency to replicate the same mix of interventions for cost-efficiency reasons, instead of appraising their effectiveness (**Dytiki Ellada**), and the interruption of certain types of interventions in the transition from the 2000-2006 to the 2007-2013 period in **Campania**, which arguably hindered the longer-term achievements that could be delivered by already implemented measures (in the R&D field).

*Allocation and flexibility of funding* - the programmes have not always been able to react quickly to changing contexts and needs. Nevertheless, there are examples of good practices, such as the successful adaptation of the **Galicia** ROP in order to tackle the environmental damage of the Prestige oil tank spill. More recently, many regions have been able to modify their programmes in order to address social and economic needs associated with the economic crisis. Bad practices were found in **Campania**, in relation to the inability of ROPs to accommodate the difficulty of tourist firms in keeping up with the investment and employment plans anticipated in funding applications. The result was withdrawals, with negative consequences for the beneficiaries, the programme and wider tourist industry and economy of the region.

*Scale and nature of project* - Programmes often faced trade-offs between achieving critical mass and accommodating different stakeholder interests and local demands. The proliferation of small projects was viewed as a critical aspect of programmes in many regions (e.g. **Aquitaine**, **Basilicata**, **Dytiki Ellada**, **Norte** and **North East England** until the early 2000s). The focus on a limited set of large-scale strategic projects in key fields was considered a good practice in **North East England**. Nevertheless, in this area more so than in others, what constitutes a good and a bad practice needs to be viewed within the specific context of each region.

*Evaluation* - Good practices include the ex post evaluation of the 2000-2006 ROP undertaken in **Campania** which provided accountability and lessons for the next programme and the spillover effect on domestic policy in **Aquitaine**. The lack of comprehensive programme and multi-programme ex post evaluations (comprising ROPs and NOPs implemented in a given region) is a bad practice. As the case studies uncovered, there is little evidence on the achievements of programmes and on the extent to which they contributed to change the reality of regions.

Many examples of good practice projects were reported in the case study research, a sample of which is shown in Table 17, based on the judgements of case study teams. These are not necessarily the best projects in their regions but are examples which were examined and had some good practice characteristics. In a number of cases, the good practice relates to a group of projects or a sub-programme where it is the collective effect that makes a difference. What made for a good practice project was attributed to various factors: suitability for local needs and conditions; good planning and management; innovative project design; commitment from project participants; attention to quality; and learning from experience. Bad practices were likely to arise from projects that were not well thought through, from 'me-too' projects copied from other regions, and where local organisations or businesses were more focused on drawing down funding than designing effective projects, sometimes investing because funding was available, rather than to implement necessary changes, or acquiring funding for investments that they would have realised anyway also in the absence of support.

Good projects were based on an understanding of local needs but also with innovation to go beyond normal expectations. Quality was a key element, either in design and management or in the nature of what was delivered, such as the design and technical standards of a road building or service to increase aspirations, or the nature of research projects undertaken (a full review of these projects, with detailed examination of why they are considered good practices is provided in annex to each of the case study reports).

Changes at the national level should also be mentioned. For example, Italy introduced performance reserve systems (in both 2000-06 and 2007-13, with lessons from 2000-06 feeding-in to the framing of the 2007-13 performance reserve). It also pioneered an extensive system of additionality accounting (*Conti Pubblici Territoriali*, used for the two Italian case studies), opening up of data from the monitoring system ([opencoesione.gov](http://opencoesione.gov)), and improvements in evaluation through the setting up of Evaluation Units. The establishment of an Evaluation Unit was particularly successful in **Campania** as part of the regional strategy to improve the governance of structural funds programmes. Even so, in Campania, the direction of policy was reported to be driven by predominantly politics rather than by the evidence from evaluation, *even in the presence of internal evaluations*, with the result that there was a lack of continuity in successful initiatives.

**Table 18: Examples of good practice projects**

	Good practice projects and sub-programmes
Algarve	<ul style="list-style-type: none"> <li>• Development of marinas to support and diversify tourism.</li> <li>• ‘Cork Route’ to spread tourism into rural interior and connect traditional industries</li> <li>• Village revitalisation in the interior to enhance quality of life and reverse the process of depopulation</li> </ul>
Andalucía	<ul style="list-style-type: none"> <li>• Andalucía Forest Plan to combat natural hazards such as desertification and erosion whilst protecting ecosystems and developing new rural activities.</li> </ul>
Aquitaine	<ul style="list-style-type: none"> <li>• Laser Highway strategy to build a high technology cluster</li> <li>• Tourism promotion in Oloron-Sainte-Marie</li> <li>• Aquitaine Regional Incubator</li> </ul>
Basilicata	<ul style="list-style-type: none"> <li>• Basilicata Sviluppo development agency promoting entrepreneurship and SMEs</li> <li>• Scheme to promote a computer in every home to encourage internet use</li> </ul>
Burgenland	<ul style="list-style-type: none"> <li>• Tourism projects especially spa resorts and a focus on wellness tourism</li> <li>• Integrated development of renewable energy and biomass in a peripheral location linked to university knowledge.</li> </ul>
Campania	<ul style="list-style-type: none"> <li>• ‘Il Tari’ service and production centre to support the goldsmiths cluster</li> <li>• Naples metropolitan transport system</li> <li>• Phlegraean Fields Integrated Territorial Project</li> </ul>
Dytiki Ellada	<ul style="list-style-type: none"> <li>• Rion-Atirion Bridge, linking two halves of the region and replacing a ferry crossing</li> <li>• Patras Science Park</li> <li>• Tourism and cultural development projects at Ancient Olympia.</li> <li>• Integrated programmes in selected mountainous areas</li> </ul>
Galicia	<ul style="list-style-type: none"> <li>• Rural telephone plan</li> <li>• SOGAMA environmental management company to manage waste transportation and treatment</li> <li>• PIMEGA programme to develop entrepreneurial skills and provide SME support</li> </ul>
Ireland	<ul style="list-style-type: none"> <li>• Tourism development initiatives improved the quality of the tourism product in Ireland and allowed a better exploitation of resources and opportunities.</li> <li>• National roads programme</li> </ul>
Itä-Suomi	<ul style="list-style-type: none"> <li>• Institutionalised cooperation networks between universities, polytechnics &amp; firms</li> <li>• EASTWOOD growth and development programme for wood based manufacturing and construction companies</li> </ul>
Nord-Pas de Calais	<ul style="list-style-type: none"> <li>• Protection and management of the Two Capes coastline area, to restore the natural environment and provide better tourist facilities.</li> <li>• Development of the Dourges multimodal logistical hub on derelict land.</li> <li>• New Museum of Art and Industry in former Art Deco swimming baths, Roubaix</li> </ul>
Nordrhein-Westfalen	<ul style="list-style-type: none"> <li>• Logport Logistics Centre in Duisberg, creating the world’s biggest inland port on a derelict and contaminated site.</li> <li>• Conversion of the Zeche Zollverein former coal mine and coking plant to a design and culture centre, museum and tourist attraction.</li> <li>• Integrated urban regeneration in the Dortmund Nordstadt area</li> </ul>
Norte	<ul style="list-style-type: none"> <li>• Leixões port developments</li> <li>• Development strategy for the footwear industry with associated cluster initiatives</li> <li>• Ermida Bridge across the river Duoro</li> </ul>
North East England	<ul style="list-style-type: none"> <li>• Iconic cultural projects linked to urban regeneration have been successful in generating cultural employment as well as promoting tourism and boosting regional confidence</li> <li>• Centres of excellence in renewable energy and process industries, supporting local industries and becoming national institutions</li> </ul>
Sachsen-Anhalt	<ul style="list-style-type: none"> <li>• Technology and Founders’ Centre Halle with three core technology centres encouraging start-ups and innovation</li> <li>• Establishment of the Zellstoff Stendal wood pulp plant employing 600 people on the site of a cancelled nuclear power station</li> <li>• Community Initiative URBAN Halle supporting SME through urban regeneration</li> </ul>

Identifying bad projects is easy in most regions as there are projects which failed or were well known as a waste of money, although given the large numbers of projects in a typical region, it is inevitable that there will be some failures. In many cases this was down to bad project design and management, but it is also important to note that where projects are experimental, some failure is to be expected and should be regarded as normal.

***EQ3b: What conclusions can be drawn for improving ERDF programme design, implementation, results-based management, achievements?***

The research provides several suggestions for improving the ability of future programmes to deliver the intended achievements and to address regional needs effectively. This section examines the potential lessons from the evaluation for the principal elements of Cohesion policy.

**Programme design**

All case studies highlighted the value of developing a strategy, involving - to different degrees - the analysis of regional needs and challenges, a vision for the future, and the articulation of a multiannual development plan with clear objectives to which relevant partners subscribed. Specific lessons include the following,

- **Introduce scenario-thinking** - *Regions need to invest in professionalised strategic planning and to carry out research on the current and future needs of the region, intended to identify the potential opportunities that can be realised through targeted support. The development of the regional strategy should be underpinned by scenario building - as proposed for smart specialisation strategies - and ensure that projected scenarios are exposed to external challenge over their relevance and feasibility.*
- **Build in contingency plans** - *Strategies need to be flexible to cope with changes of needs arising from external shocks or unexpected opportunities. Strategic planning needs to incorporate some sensitivity analysis to factors such as economic change and anticipate contingency plans associated with the main potential challenges detected at planning stage.*
- **A long-term approach to competitiveness to ensure resilience** - *Critical for many regions is support for changes in the economic base of the region to render it more resilient to economic shocks. Whilst infrastructure may still be needed in some regions and the support to economic diversification through tourism has been a useful medium-term response for lagging regions, regions should be encouraged to focus more on projects that enhance entrepreneurship and innovation.*
- **Plan in detail to ensure that expectations are realistic** - *Regions need to be realistic about timescales in their strategies, recognising that change may take place over more than one programme cycle (and hence there is a need for continuity), and they should not be overambitious about what can be achieved within a seven-year programme, especially with limited resources. Strategic planning has to be explicit about the timescales associated with objectives.*

*Regions should also recognise the often small relative financial scale of ERDF programmes, and frame expectations and targets accordingly.*

- **Recognise the constraints represented by the local context** - *Regional strategies need to take into account that structural adjustment is a societal as well as an economic process. This requires the process of strategy development systematically to take account of the influence on performance of relevant societal or cultural constraints, and to build in institutional and social measures to address cultural, political or institutional conservatism and culture change. In some cases, affecting the background cultural and societal context of regions would be beyond the scope of the programmes: where this is the case, the programmes strategies should explicitly acknowledge the factors constraining future implementation and adapt strategies accordingly.*
- **Plan with the knowledge of what other investment programmes are being implemented in the region** - *Regional authorities do not always have a vision of the full range of investments that are realised in the region by the national government and, vice versa, national ministries and government authorities tend to view their investments from a sectoral rather than territorial perspective. To ensure that the ERDF programmes are complementary and synergic with each other (e.g. where both ROPs and NOPs invest in a given region), and with domestic spending programmes, existing multi-level dialogue and monitoring systems will have to be improved to ensure effective coordination of that the diverse investment flows to a given region. ERDF programmes should describe how existing systems meet this need and what will be done to ensure that synergy is achieved where current systems are not adequate.*

### **Strategic planning**

Regional authorities and Member States should invest in generating capacity for strategy development, such that programme authorities are able to: (i) think long term, for instance with structured scenario-planning; (ii) communicate and debate openly strategic options with stakeholders, to achieve a more transparent and effective synthesis between evidence and political mediation; (iii) recognise that policy efforts need to be long-term and thus frame the seven-year planning of ERDF within a wider programming effort (for instance within wider regional strategies); and at the same time (iv) accept that regional conditions and need can change abruptly, requiring programmes to be able to respond to change (this can be achieved via the existing monitoring and reporting practices, shifting their focus from financial management to results); (v) capture the different societal and institutional facets of economic development, interacting synergetically with other policies and spending programmes, in acknowledgement of the limited scale and scope of the ERDF and Cohesion Fund.

There is sometimes a temptation to think that economic or regional development is a task for one or two programme periods. More realistically, 20-30 years are likely to be needed for successful restructuring processes, with the implication that strategic plans need to extend beyond the time-span of a Cohesion policy programme. Given the time horizons



dictated by the seven-year period of the EU Financial Framework and the corresponding regulations, a longer time-span is politically difficult. But the advantages of continuity in strategy (for example in **Basilicata**, at least during the first two programme periods which, in turn, drew on strategic orientations already in place from the 1980s), point to the need for a longer-term perspective. Moreover, 'regional development' is a permanent challenge, because of the enduring locational disadvantages of certain regions, whereas favoured agglomerations usually have a more dynamic and self-sustained economic development process

### Implementation

The rapid creation and availability of administrative expertise for managing EU funding was particularly important in less-developed regions (e.g. **Algarve**, **Dytiki Ellada**, **Galicia**) and for major projects. It had the side-effect of increasing training and exposure to international practice. However, deficits in expertise were encountered in regions of all types, notably among implementing bodies such as municipalities and socio-economic partners, and a shortage of technical skills for specialized measures and projects.

The ability of programmes to deliver the intended achievements could be improved through the use of technical expertise from outside the administration in the appraisal and selection of projects. This will be particularly critical in the 2014-20 programme period given the emphasis on specialist areas, such as research and innovation or the green economy. Further, strategic decisions on investment choices and assessment of likely achievements need explicitly to: (i) recognise the need to budget for maintenance of infrastructure and activities funded and to ascertain whether the necessary operational costs can be met; (ii) avoid overprovision of certain forms of intervention, either through building in excessive capacity or a proliferation of developments across a region; (iii) accompany investment in innovation with assessment of the appropriate balance of public and private sector support; (iv) ensure that effective support for enterprise embodies a systemic approach, combining finance capital, incubation, business advice, and culture change, and, crucially, ensuring that the different needs of different types of firms are met (via different combinations of tools); (v) be explicit about the fact that intervention in more innovative fields, present an inevitable degree of likely failure, but estimate this at the outset; and, lastly, integrate community development activities within place-based regeneration strategies. Two specific lessons are to:

- **Utilise technical expertise to appraise the worthiness of projects** - *For project selection processes relating to calls for proposals, regions should explicitly consider a range of options and be aware of 'good practice' scoring systems, drawing on experts in the relevant field. Managing authorities or implementing bodies should have access to experts able to give advice to projects on how to improve project design and ensure results are met. This will be more critical in the 2014-20 period given the specialist interventions in areas such as research and innovation, the green economy and financial instruments.*
- **Ensure that projects are sustainable long-term via cost-benefit analyses, risk assessment and contingency planning** - *Regions should invest in and use cost-*

*benefit analysis more systematically for projects which are strategic, with full life-cycle costs, including operational running and maintenance costs, being considered, risk assessment and contingency planning.*

A major difficulty, reported in almost all regions was the *fragmentation of funding* across too many types of interventions or projects. Especially in the early periods, programmes were characterised by too many projects targeted at local needs; decisions were governed by political interests with insufficient regard to value-for-money or overall programme effectiveness. Over time, in some regions, there was recognition of the need to *concentrate funding on fewer and larger projects*, driven by more effective project selection that emphasised quality, together with and monitoring systems to ensure that the expected outcomes were achieved. Flagship or ‘spearhead’ projects also allowed critical mass to be achieved in making changes (**Itä-Suomi, North-East England**). Specific lessons are:

- **Where resources are minor, focus on game-changing projects** - *Particularly where the ERDF resources are minor compared with wider public spending programmes implemented in the region, at least a large part of the available resources should be assigned to major, well-justified, strategic projects which have the potential to be game-changing, and should be selective about the kinds of projects to be implemented in particular localities. The European Commission, as well as national authorities, have an important role in ‘protecting’ regional authorities from the pressure to support large numbers of local projects that may be politically desirable to municipalities, but have limited strategic economic rationale.*
- **Plan and monitor closely composite territorial projects** - *Elsewhere, care should be taken to ensure that the size of projects fits with the aims of the interventions funded, and that where achievements are to be realised through the joint effect of aggregations of projects that there are adequate project design, delivery and monitoring capabilities, to ensure that the projects or their portions are implemented as planned and with the sequencing foreseen (notably where the likelihood of a project to achieve its goals are linked to other projects doing so).*

Continuity of the key players in a development effort can also be an important success factor, as was the case in **Burgenland** and, at least during the first two programme periods, in **Basilicata**. This enables the build-up of tacit knowledge and communication via short routes, and is particularly important where funding packages are more complex, as is often the case with EU funding. There are bound to be associated risks of lock-in and limited receptiveness to policy innovation. Here, however, a task for the Commission is to champion and stimulate ‘innovative measures’, including by exchange of experience.

### **Results-orientation and achievements**

Over successive programme periods, programmes have often been assembled as vehicles to draw down funding for specific projects or types of projects. They were frequently only loosely connected with a high-level vision relating to growth or regional convergence

and/or were unclear about how objectives were to be realised. There is clearly a need for objective-setting to establish the logic for intervention with reference to outcomes. More fundamentally, however, this needs to be embedded in a development model demonstrating an understanding of how the regional economy functions and how EU-funded interventions 'fit' with development patterns, trends and factors.

To improve the results-orientation of programmes, regions should develop programming approaches underpinned explicitly by underlying development theories. This requires a new way of thinking about policy and thus targeted capacity building. Such approaches should identify and address necessary conditions and the time-bound targets to be achieved. More emphasis should also be placed on evaluation, including more fieldwork-based, grass-roots evaluation to supplement and improve the quality of programme monitoring. Monitoring systems have improved over time in their ability to track outputs (less so results, such as jobs created), but the information is still mixed across policy areas and themes both in availability and quality. For key policy areas, monitoring information should be supplemented with ad hoc surveys carried out at periodic time intervals.

Ex post evaluation should become a routine activity of programme authorities (to be supported by ad hoc regulatory provisions), in addition to the evaluative work undertaken by the Commission which, by nature, cannot provide detailed and specific territorial assessments. In addition, the emphasis of evaluation work should shift from financial and procedural aspects, to effectiveness and utility. Particularly for infrastructure projects, in order to ensure that projects continue to deliver dividends years after they have been realised and that the infrastructure is maintained, programme authorities should carry out or commission cost-benefit analysis of projects embracing their full life-cycle.

### **Investment choices and achievements**

The lessons from investment choices and the associated achievements were fivefold. First, in a number of regions, ERDF was used to support *capital investments* even though there were insufficient funds available for their effective maintenance. Consequently facilities were left unused, or remedial work needed to be undertaken at a later date. Examples include water purification plants in **Andalucía** and **Campania** where operational or maintenance costs were not budgeted for, and transport infrastructures in **Campania** which are being utilised below capacity, although they are now more fully used and contribute to easing congestion elsewhere. Cultural facilities also presented problems unless operating budgets were identified at the outset. It is worth noting that not every region can sustain an airport or can justify extensive connections to central areas, and that it is therefore incumbent on those planning programmes to concentrate resources on other investment that fit the region more closely.

Second, the scale of achievements was influenced by regional investment choices involving overprovision, usually in *forms of infrastructure*, with the result that output achievements are good, but usage and hence the results are low. Reasons include an airport that is much bigger than needed (Malaga in **Andalucía**), dual-carriageway roads that are underused (**Norte**), or innovation centres in every town when the demand is not apparent in all places. The rationale might be that these developments are future-proofed, in the sense that the

airport will be able to absorb growth for the next twenty years, but this choice has an opportunity cost and implies less funding for other measures such as support for entrepreneurship or innovation. Ireland devoted some of its ERDF to the development of regional airports, but acknowledged in 2011 that there was over-provision and insufficient resources to maintain all eight. Two of them (Galway and Sligo) have effectively since been closed to commercial aviation by the withdrawal of government subsidy.

Third, in many regions, particularly where R&D is low, regions have devoted the majority of their *innovation support* to building up research capacity in the universities and public sector. This is an essential part of the development of an effective regional innovation system, but without parallel effort devoted to private sector innovation capacity there is the risk that impact is limited and the higher levels of public R&D can only be supported by continued ERDF subsidy. Expectations that investment in universities will automatically lead to spin-offs are too often disappointed.

Fourth, as with innovation, regions experienced more success at *promoting enterprise* where integrated strategies were developed that addressed all the barriers and problems experienced by different types of entrepreneurs, including the cultural attitudes towards entrepreneurship, especially among young people. Schemes that provided multiple forms of capital for different niches, training alongside incubator facilities etc were more successful. However, in some cases, entrepreneurship measures could not deliver the intended results, without the support of other policies (e.g. labour market reform, legality and public order) Such complementary measures would have been expected to affect some of the underlying factors affecting the performance of entrepreneurial support measures, such as the weight of the hidden economy, of illegal activities, or of an inefficient credit market etc..

Lastly, regions experienced difficulties reaching targets for achievements with *community development activities*, especially where such activities were small and fragmented, even if they were beneficial to the community concerned. Faced with limited resources, the concentration of community development in integrated programmes for target communities or places produced better results.

## 8.5 Implications for the future development of Cohesion policy

The study provides clear evidence to support the direction of Cohesion policy in 2014-20, specifically with respect to the emphasis on conditionalities, the new results-orientation, the enhanced performance framework and the promotion of capacity-building both as a thematic priority and the creation of administrative capacity units in DG Regio and DG EMPL. These are areas where our findings show successive generations of programmes to have been deficient. However, while the principles of these changes are supported by the research, the practical obstacles are significant.

First, the study demonstrates that changing policy priorities and management practices takes a long time, certainly more than one programme period. The resistance by some Member States to the new regulations for 2014-20 as part of the negotiations, and the caution on the part of programme authorities in responding to the Commission's

expectations suggests that achieving the necessary revolutionary change in performance under the new programmes will be difficult.

Second, the study has identified a long list of lessons that apply to every stage of the programme cycle. They imply deficits in the conceptual approach to programming, strategic planning techniques, analytical methods to support project selection, and the quality or focus of monitoring and evaluation. This implies a major effort to build administrative capacity and promote learning.

Of all the changes required, perhaps the most important is to encourage and support a more sophisticated approach to long-term strategic analysis and planning, drawing on theory and practice in ways that challenge conventional thinking and rooted in a detailed understanding of the distinctive strengths and weaknesses of individual regions. The recommended approach to smart specialisation for post-2014 programming is a good start, but it presupposes a level of competence and experience that (this study suggests) does not exist everywhere. While the current programming phase should take at least some steps forward in improving the performance of programmes, a more realistic timescale for implementing the lessons of this study is to look forward to the post-2020 programme period and a strategy to raise awareness and invest in knowledge, skills and expertise. Carrying out this kind of long-term study in each Member State could provide a road-map on what Cohesion policy has achieved (or not) in individual countries and regions, where the problems lie and how specific improvements might be achieved.



## 9. ANNEX 1: SUMMARIES OF REGIONAL NEEDS

### 9.1 Regions facing major underdevelopment and endowment deficiencies

**Dytiki Ellada** was and to a large extent remains a dual region: the urbanised, high population density core has for years suffered problems of deindustrialisation and economic decline, while the periphery (predominantly agricultural and sparsely populated areas) has experienced more fundamental problems of development, with limited economic and population dynamism and a weak industrial and infrastructure base. In the early 1980s, the region's economy was mainly based on low productivity agricultural activities (almost 30 percent of the regional GDP) and manufacturing (25 percent), disparities and inequalities between the region's areas (rural and urban), low per-capita income, low employment rates in high added-value sectors, low-skilled workforce, strong signs of deindustrialisation, inadequate infrastructure for industrial development, small size of enterprises, lack of basic services (e.g. primary infrastructure), absence of entrepreneurial culture and innovation, lack of motorway and basic infrastructure, reduced intra- and inter-regional connectivity, lack of railway and airport systems, insufficient water supply - sewerage networks, lack of solid waste management infrastructure and significant shortcomings in school and health infrastructure. Recent years have seen a significant improvement in transport infrastructure and connectivity, although the wider social, economic and demographic problems associated with the region in past decades largely persist today - and have been intensified with the financial and fiscal crisis of the last five years. Today Dytiki Ellada remains one of the most undeveloped regions of Greece.

**Campania** has traditionally lagged behind the Centre-North of Italy, with one of the lowest rates of GDP per capita in the country. Demographic disequilibria between the main urban conurbation of Naples and the coastal areas and the more rural hinterland have widened over the study period. Territorial disequilibria continue to affect other phenomena: accessibility from outside and mobility within the region; availability of social and health services, with congestion in coastal areas and deficiencies in internal areas; and environmental deterioration and risks, with different problems affecting different areas (e.g. urban waste emergencies in Naples and Caserta only). Throughout the study period, the region has consistently experienced high rates of poverty, unemployment and worklessness, especially among women and young people, with a high rate of young people not in employment, education or training. Serious social problems have historically affected and continue to affect the region, particularly organised crime in some parts of the regional territory. Environmental issues - soil erosion along coasts and rivers, industrial site contamination, water body quality, and urban and industrial waste management - have remained severe throughout the period reviewed. Over the study period, the gap between the GDP per capita of the region and of Italy has widened as the region has grown even more slowly than the country as a whole, with only marginal improvements in its GDP, production base and employment, resulting from diverging trends during the sub-periods. At the end of a decade of growth, the crisis of the early 1990s compounded the effects of the closing-down of large (especially public) industrial firms and the end of the Special Intervention. The region fully recovered during the second half of the 1990s, when small

firms localised in industrial clusters showed a potential for growth, export and employment. However, this potential was eroded during the 2000s, especially in traditional industries (e.g. garment, footwear), due to competition from East Asia, and regional GDP stagnated even before the recent economic crisis hit (with severe consequences).

**Norte** at the end of the 1980s lacked basic infrastructures and social amenities, a situation exacerbated by strong internal territorial disparities (east/west) and a situation of peripherality compared to the core of Europe. This meant external diseconomies and a limited quality of life. The most critical situation in terms of development opportunities lay in human resource capabilities: the lowest level of schooling in the country, high drop-out levels, incipient professional training, the lowest rates in terms of secondary and university attendance and low R&D investment. Economically, the region was facing a number of challenges - such as the textile trade liberalisation in the WTO, the increased competition of the Single Market, and later, EU eastern enlargement and change of monetary policy. These challenges meant that the region had to face a considerable need for restructuring of an economic fabric largely dominated by the agricultural sector and small and micro firms. Today Norte has made significant progress in relation to basic infrastructure endowment (environmental and social infrastructure), education levels, overall accessibility and infra-regional connectivity, but fundamental weaknesses in the economy remain, as shown by the poor resilience to the joint effects of globalisation, the effects of the adoption of the Euro and the recent financial crisis, which have caused the region to regress.

In the late 1980s, **Andalucía** was one of the poorest regions in Spain with high unemployment levels, low education levels, and a lack of efficient transport and environmental infrastructure (regarding water supply, distribution and purification). Today, a large part of these needs have been met. Andalucía possesses transport infrastructures comparable to those in many regions of the most developed European countries. The main remaining needs in the environmental field are those related to wastewater treatment and purification in small and medium-sized municipalities. But on the whole, deficiencies have been reduced in the last decades and Andalucía has embraced a convergence process with European standards (GDP pc increased from 59 percent of the EU15 average in 1996 to 66 percent in 2007) and experienced unprecedented employment creation (unemployment decreased from 32 percent in 1993 to 12.7 percent in 2007). However, since 2007 the Andalucía economy has been adversely affected by a serious financial and real estate crisis, and the unemployment rate has again grown to over 30 percent. Nevertheless, important weaknesses remain, such as the lack of an entrepreneurial culture, the small average business size, underinvestment in R&D and innovation in the private sector. In spite of some interesting industrial developments (agri-food, aeronautical, ITC, renewable energy), the industrial base of the Andalucía economy remains limited.

**Basilicata** - In 1988, Basilicata was the poorest region in Italy, with a GDP per head of just over 63 percent of the national average. It faced particular structural challenges due to geological instability, mountainous terrain and geographic peripherality, and a relatively small population dispersed over many small towns and villages. The region was economically peripheral, with poor road, rail and airport connections to the rest of Italy and abroad. It also lacked urban or industrial agglomerations. With the highest proportion of employment in agriculture and the lowest proportion of services, the employment rate



was one of the lowest in the country, especially among women; the unemployment rate was almost 19 percent, and educational attainment was below the national average. The region was heavily dependent on external subsidies, had major deficiencies in entrepreneurship and the skills necessary for sustainable industrial development, and was not adequately exploiting its natural and cultural assets. Parts of the region were still underdeveloped, lacking basic infrastructures and services. At the time of the first Structural Funds programme in 1989, Basilicata was embarking on a period of economic growth, stimulated by massive reconstruction aid following the 1980 earthquake, as well as other special interventions by the national government, contributing to the attraction of major firms (e.g. Fiat and Barilla). However, while the region made some progress in addressing its structural problems - notably with the provision of basic services and development of tourism - its performance according to indicators such as new firm formation, SME development and innovation has been weak. The 2000s was generally a period of relative slowdown and declining competitiveness; industrial production declined by almost 12 percent between 2002 and 2004 due particularly to the crisis in Fiat and the stuffed furniture districts. The current economic crisis has imposed renewed pressure on the region, and it has suffered badly due to lack of its dependence a limited number of sectors, and outmigration of the young and skilled. Overall, thus, even though during the period since 1989 the region has converged economically, many of the key structural problems remain, notably under-representation in high-added value industrial sectors, and (despite progress) infrastructure deficits (particularly transport and social infrastructure).

In 1989, Ireland still had one of the lowest per capita incomes in the EU. Major challenges at that time included the need to modernise infrastructure, develop indigenous industry and support market diversification, and tackle endemic unemployment. The country had very low per-capita income and output levels relative to other European countries, reflective of low productivity, high population dependency (in effect a low employment rate) and a weak industrial base; a very low labour demand, resulting in high short- and long-term unemployment and substantial emigration; a legacy of stark budgetary imbalances resulting in a high national debt; weak physical infrastructure in need of substantial upgrade and improvement, but with little prospect of such investment in the prevailing budgetary context; a weak indigenous industrial structure constrained by geographical peripherality from large international markets, underdeveloped human resources, skills and capabilities, and focused in low-value sectors with limited inherent international competitive advantages; and low levels of investment in R&D and innovation. Over the subsequent programme periods, the Irish economy grew rapidly, although not consistently, experienced substantial sectoral and structural change, addressed long-standing infrastructural deficits, transformed its labour market and saw very substantial increases in living standards. Before the present crisis took hold in 2008, Ireland's GDP per capita was among the highest levels in the EU.

## **9.2 Region facing transition or structural adjustment**

Since the German unification **Sachsen-Anhalt** has been dealing with the implications of the transition to the market economy. This has caused a number of structural peculiarities which have had an impact on the region's development prospects and potential: a legacy of large uncompetitive industrial trusts (oriented to the COMECON market, with low levels and

productivity, obsolete fixed assets and scarce R&D propensity), a marginalised SME sector, sectoral specialisation on the chemical industry and mining (with the consequent environmental implications), and a vastly neglected infrastructure. The fall of the communist regime led to de-industrialisation and massive layoffs, which were tackled with job creation, retirement and flexible labour schemes, social security, whilst at the same time investing in infrastructures and industrial assets. Whilst the social security and job schemes prevented large-scale social problems, and notwithstanding the considerable improvements in the region's environmental situation, external image and connectivity, Sachsen-Anhalt remains hampered in its development by fundamental shortcomings, such as a lack of entrepreneurial culture, low R&D and innovation propensity, poverty and outmigration.

**Nord-Pas-de-Calais** is one of the European regions that contributed substantially to the industrial revolution and experienced a strong industrial development until the middle of the 20<sup>th</sup> century. This development was mainly based on mining, steel, metallurgy and textile industries and was accompanied by a dynamic demographic and urban growth. In the 1970s, the region was strongly hit by the then economic crisis, resulting in the decline of all mining activities and a major recession in other industries. This led to the closure of hundreds of enterprises and extensive layoffs. As in other European regions facing a conversion process, Nord-Pas-de-Calais had to accommodate major structural difficulties including the concentration of activities on a few economic sectors, limited development of services, a workforce and training system focused on industrial activities, strong dependence of SMEs on large companies, and a limited entrepreneurship and innovation culture. From an environmental perspective, the region also suffered from pollution and/or declining industries that had a significant impact on the land and on the urban fabric.

In **Nordrhein-Westfalen**, ERDF interventions have been concentrated on the Ruhrgebiet area for most of the period since 1989. Strongly dominated by coal and steel industries, the Ruhrgebiet suffered from the acceleration in the decline of these industries in the 1970s. One of the main consequences was rising unemployment rates, but the legacy of the old industries included large areas of derelict land in cities and associated environmental risks. Today, the Ruhrgebiet has undergone fundamental structural change, but the old industries have not only become much smaller, but also competitive again. SMEs and business-oriented services have developed dynamically, and the structure has shifted towards more innovative and technology-intensive sectors. Productivity has developed well, but unemployment rates remain high. R&D performance is improving, the environmental situation has improved, and the problem of wasteland has been significantly reduced. However, the educational endowment is below national levels, and the concentration of several overlapping problems in specific parts of the cities has increasingly become a problem. Unemployment and specifically long-term unemployment remain problematic.

**North East England** has suffered from a low level of output for many decades and has consistently lagged behind the UK average in gross value added, as well as the EU GDP average. Employment in the region fell dramatically in the early 1980s as manufacturing shrank in the recession. There was slow recovery from the late 1980s, followed by another dip in the early 1990s recession. From 2000 the North East saw modest employment growth but overall has performed worse than the UK since 1985. The narrowing of the gap with the

rest of the UK between 2000 and 2005 gave some confidence to the region, but the situation has deteriorated again since then. Overall activity rates at 74.7 percent (of 16-64 year olds) remain well below the UK average. Sectorally, the primary industries and most manufacturing sectors have continued to decline during the period, the main exceptions during the 1990s being motor vehicles and rubber and plastic products. Core industries such as metal fabrication, machinery, chemicals, and clothing all declined. The main growth opportunities were in consumer services, public services and business services, although the latter grew more slowly than the national picture. Knowledge intensive business services grew by 38% in the 1990s whereas the national growth in the same period was 79%. The North East had the slowest rate of growth of any UK region at that time. Productivity levels in 2002 were also lower than the national level for almost all industries. The region's history in large scale mining and manufacturing, followed by decades of encouragement of branch plants led to a low proportion of employment in small firms. Firm formation rates have been kept low by low levels of capital availability, low proportions of managerial and highly educated people, limited local markets for business services and a lagging economy. Birth rates of businesses remained low through the 2000s, mainly below 70% of the national average, although with a spike upwards in 2007. However, recent research suggests that the formation rate of high-growth firms during the early 2000s was similar to the national average. It is the lower birth rate among the mass of firms which has had the greatest impact on employment levels. The region has also lagged badly on measures of innovation, notably in the level of R&D activity. One consequence of the industrial restructuring away from traditional heavy industry has been a high level of derelict land needing reclamation, some of which in central urban locations offered good locations for future industrial development. In 1988, central government estimated there were around 5,900 hectares of derelict land in the North East of which 4,700 justified reclamation. This amounted to 14.6% of the estimated total for England. By 1993 that total had fallen to 5,100 hectares after 1,600 hectares had been reclaimed, but more had been added. Using a potentially different definition in 2002 the North East had 3,800 hectares of derelict land which fell further to 2,660 hectares in 2007, by which time the North East only accounted for 7.9% of all the derelict land in England. This set of issues has been the focus of recent programmes: low GVA; low productivity; low activity rates and high unemployment; poor performance in growth sectors; low firm formation rates; and low levels of innovation. The region also scores badly on wider indicators of social deprivation, and a need for regeneration, but these have been less emphasised in the current programme. These problems still exist though, especially in areas such as South East Northumberland, East Durham and Teesside.

### **9.3 Rural or peripheral regions facing reconversion, agricultural modernisation and economic diversification**

Two decades ago, Galicia was a peripheral region with poor external accessibility and internal connectivity, strongly dependent on low productivity primary sectors (agriculture and fishing) and was one of the poorest regions in Spain. A large proportion of the population lived scattered in rural areas without basic services (communications, phone lines, etc.). The region lacked efficient transport and environmental infrastructure and had low levels of educational attainment and technological knowledge, high unemployment and a fragmented entrepreneurial system based on small family-owned companies. On top of

this, a process of adjustment in traditional activities such as shipbuilding and the chemical industry raised serious concerns about the future. These deficiencies have been reduced over the last twenty years. Galicia has converged with the EU-15, reducing its GDP per capita gap by 8.7 percentage points from 50 to 59.5 percent (73.8 per cent if compensating for the differences in prices between countries with purchasing power standards).

**Burgenland**, on the other hand, whilst compared with other regions it lies at the heart of Europe, it has struggled historically with the typical problems of a rural agrarian region, exacerbated by its location at the eastern periphery of Austria and by the absence of conurbations. Due to the lack of employment opportunities, the participation rates remained well below the already-low average in Austria throughout the period observed, resulting in migration from the region. At the outset of Austria's accession to the EU, the region had deficiencies in modern business infrastructure, considerable internal disparities, accessibility deficiencies (particularly from the southern part of the province to the capital and poor connections to the national transport network). From the opening up of Eastern Europe and the forthcoming EU enlargement, Burgenland experienced increased pressure on innovation and the internationalisation of the economy. Following Austria's EU-accession and in the wake of Austria's good overall economic performance, which allowed a relatively stable development in the period of financial crisis from 2008, a process of catch-up actually took place compared to the EU15. Burgenland closed the gap, moving from 71 percent (1995) to 81 percent (2008) of the EU15 GDP per head. On a national level, Burgenland kept pace with Austrian national growth rates. Today, investment levels in Burgenland are well above average, as are the business start-up rates. It has been possible to develop a number of strengths, particularly in the renewable energy sector and in specific niches such as optoelectronics. It has been possible to revive tourism and reduce the dependency on employment in agriculture. The manufacturing sector, however, is marked by a lack of R&D thrust. R&D and innovation still represents a major challenge as the combination of EU-enlargement, internationalisation and technological change have increased the need in companies for capability and improved absorptive capacity in R&D. Overall, an economic transformation has occurred. Nevertheless, the basic needs of the region to create new jobs and reduce the number of commuters still exist. They are essentially permanent challenges that should be regarded in the context of missing agglomeration advantages. With increasing demand for innovative regional capacities and the trend of urbanisation, Burgenland is at risk of remaining 'the region in between' - between the cities of Vienna, Graz and western Hungarian cities. This requires more strategies directed at developing functional regions that extend beyond administrative boundaries and make greater use of the opportunities of urban areas for Burgenland. The whole economic fabric is still fragile.

Lastly, **Itä-Suomi** has for a long time been an archetypical example of a problem region in the Finnish and Nordic context. This region has lost population as a result of ongoing out-migration, and at the same time it has lagged behind the national averages in terms of conventional indicators of socio-economic development such as GDP per capita and unemployment rate. These problems reflect the region's peripherality: weak accessibility in both Finnish and EU contexts, low population density, a non-diversified production structure still highly reliant on the primary sector, territorial specificities (such as vast

forests, peripheral location at the external border of the European Union, sparse population, and long distances between its few and small urban centres), a productive fabric characterised by small companies, generally oriented towards the domestic markets. All these characteristics meant that Itä-Suomi has not been able to participate in and benefit from the wider Finnish movement towards knowledge-based industrial restructuring and growth during the 'boom years' of the 1990s. Although performing relatively well in a European context, economic performance in Itä-Suomi has continuously lagged behind the Finnish average, resulting in GDP per capita divergence between Itä-Suomi and Finland as a whole, which is now greater than at the beginning of the 1990s. Over the years, the region has experienced an ongoing spatial concentration of economic activities and population in the largest centres, which has also meant a progressive thinning-out of population in rural areas. Since 1995, these processes have not changed to any significant extent.



## 10. ANNEX 2: METHODS AND DATA

The methodology and data sources utilised for the research are explained in detail in the project's Inception and First Intermediate Reports, but a summary illustration of the main methodological and data aspects of the research is provided below.

### Desk-research

The study has relied on extensive desk-research of primary and secondary sources, including programme documentation such as: programme documents (and where applicable complements); annual and final implementation reports; evaluation documents; monitoring data held in different programme/public investment databases; independent studies and academic sources. The full list of sources utilised for each case study can be found in the case study reports, notably in the Annexes V (overview of sources used) and VI (references) at the end of each report. Data on the evolution of needs in the regions and for the econometric analysis was also drawn from Cambridge Econometrics' European Regional database, as well as from Eurostat and national statistics institutes' databases.

### Interviews

Each case study comprised the undertaking of in-depth, mainly face-to-face, semi-structured interviews with a wide range of privileged observers, notably: strategic and operational actors actively involved in the policy (programme and measure managers), external observers such as academics and evaluators, and a sample group of policy recipients and other stakeholders (such as environmental groups or other associations). Interviewees typically represented regional, local, but also national and European levels. The full list of interviewees is reported in each case study report in the reports' Annex IV (list of interviewees), but numbers ranged from a minimum of 20 in Burgenland, to a maximum of circa 70 in Campania (see table below for more detail). The minimum number of interviews to be undertaken was calibrated based on the number of programme periods and programmes to be covered (whether also national or only regional), as well as in consideration of whether the case study also required coverage of Cohesion Fund investments and of the institutional setting of each region.

Objective 1 / Convergence	Phasing-in/out	Objective 2 / RCE
	Burgenland (20)	
	Itä-Suomi (27)	
	Nord-Pas-de-Calais (38)	Aquitaine (33)
Sachsen-Anhalt (37)		Nordrhein-Westfalen (25)
Dytiki Ellada (48)		
	Ireland (31)	
Campania (73)	Basilicata (38)	
Norte (36)	Algarve (29)	
Andalucía (36), Galicia (38)		
		North-East England (35)

## Online survey

An online questionnaire was administered to a selected group of recipients for each case study. This included the interviewees, plus: local authority contacts; firms; regional and local social partners, and third-sector organisations; trade unions; and other interest groups. The number of people invited to the survey varied across case studies - ranging from c. 170 North-East England to c. 800 in Campania (see table below) - as did the response rates, across both case studies and questions (as the survey covered all programme periods, and not all actors were involved in all periods, not all questions were applicable to all respondents and not all respondents answered all questions). A summary of the metrics and main messages emerged from the online survey is provided in the Annex VII of each case study.

Objective 1 / Convergence	Phasing-in/out	Objective 2 / RCE
	Burgenland (241)	
	Itä-Suomi (374)	
	Nord-Pas-de-Calais (339)	Aquitaine (308)
Sachsen-Anhalt (314)		Nordrhein-Westfalen (247)
Dytiki Ellada (253)		
	Ireland (450)	
Campania (806)	Basilicata (270)	
Norte (528)	Algarve (354)	
Andalucía (499) Galicia (518)		
		North-East England (171)

## Regional Workshop

Each regional team organised a workshop to disseminate and discuss the preliminary findings of the case study research, validate these and obtain further insights. Workshops were held in the 15 regions during the summer/autumn 2012. The list of participants is provided in Annex VIII of case study reports.

## Expenditure analysis

The analysis presented in Chapter 4 and also parts of the analysis included in Chapter 7, draws from an exercise of gathering and reclassification of expenditure data undertaken by the regional teams. Reclassified data was analysed by the core team (LSE), who produced the diagrams and figures presented in the Chapters 4 (analysis of expenditure) of the current Final Report and case study reports.

The classification of expenditure was undertaken based on a set of seventeen categories of expenditure, comprising: innovation, entrepreneurship and industrial development, information society, transport, energy, environmental protection and risk prevention, tourism, culture, urban and rural regeneration, increasing the adaptability of workers and firms, enterprises and entrepreneurs, improving access to employment and sustainability, improving the social inclusion of less-favoured persons, improving human capital, investment in social infrastructure, mobilisation for reforms in the fields of employment and inclusion, strengthening institutional capacity at national, regional and local level,



reduction of additional costs hindering the outermost regions development and technical assistance. These categories could then be aggregated under the 8 themes utilised as the main analytical thread for the research.

Data on expenditure were collected for each region from their respective date of EU accession, with the limitations illustrated in the table below. In some cases, for instance in relation to the expenditure in the regions of multi-regional and national OPs, it has not been possible to acquire actual expenditure data. In such cases, the regional teams provided estimates of expenditure based on financial allocations and population shares or other criteria.

Case Study	Programmes covered	Information gaps	Additional info	Last year tracked (for 2007-2013)
Austria - Burgenland	ROPs only	No gaps	-	2010
Finland - Itä-Suomi	ROPs only	No gaps	-	2011
France - Aquitaine	ROPs only	Few 1989-1993 ROP measures missing data. Partial data only on expenditure in 2000-2006. ERDF data only for 2007-2013.	Total expenditure for 2000-2006 includes also other programmes (some Community Initiatives).	Unknown
France - Nord-Pas-de-Calais	ROPs only	No gaps. ERDF data only for 2007-2013.	-	2010
Germany - Nordrhein-Westfalen	ROPs only	ERDF data only.	-	2010
Germany - Sachsen-Anhalt	1989-1993 and 1994-1999 ROPs; 2000-2006 and 2007-2013: ROPs and NOPs Transport.	Expenditure data in the region from the NOPs not available for 1989-1993 and 1994-1999. Partial NOPs data for 2000-2006 and 2007-2013.	-	2011
Greece - Dytiki-Ellada	ROPs and NOPs + Cohesion Fund	No information on 1989-1993 NOP expenditure in the region. Cohesion Fund data missing.	Total expenditure includes: 1989-1993 ROP; for the remaining periods, ROPs, NOPs and Cohesion Fund.	2012
Ireland	CF for 89-93, NOPs for 94-99, and, since 2000-2006, ROPs	1989-1993: data on Cohesion Fund allocations missing. 2000-2006: Data on NOPs allocations partly missing and data on NOPs expenditure entirely missing. No expenditure or allocation data for the 2000-2006 Southern and Eastern ROP. 2007-2013: ROPs allocations missing.	Total expenditure includes the following programmes/funds: Cohesion Fund (1989-1993), NOPs in 1994-99, ROPs in BMW region in 2000-06, ROPs in 2007-13.	2010

Case Study	Programmes covered	Information gaps	Additional info	Last year tracked (for 2007-2013)
Italy Basilicata	- ROPs and NOPs in all periods except for 2007-2013 (ROP only)	No data for 1989-1993. ERDF data only.	-	2011
Italy Campania	- ROPs and NOPs	No regionalised expenditure data for 1989-1993 NOPs; for the 1994-1999 period, data on NOPs and ROPs expenditure is missing for a few measures.	-	2012
Portugal Algarve	- ROPs and NOPs in all periods + Cohesion Fund	Information for some NOPs for 1994-1999 missing.	-	2010
Portugal Norte	- ROPs and NOPs in all periods + Cohesion Fund	-	-	Unknown
Spain Andalucía	- ROPs for 89-93. ROPs and NOPs in rest of periods	1989-1993: no information on NOPs allocations. and expenditure; no data on ROP allocations. 1994-1999: NOPs and ROPs allocations missing for some measures. 2000-2006: NOPs allocations missing for some measures. 2007-2013: information on NOPs allocations missing for some measures. Cohesion Fund allocations not available.	Total expenditure for 1994-1999 also includes some Community Initiatives.	2011
Spain Galicia	- ROPs and NOPs in all periods + Cohesion Fund	1989-1993: No data on ROP allocations and MOPs allocations and expenditure. 1994-1999: no data on NOPs allocations. 2000-2006 no data on NOPs allocations. Cohesion Fund allocations not available.	-	2011
UK - North East England	- ROPs only in all periods	No data for 1989-1993.	-	2010

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