ISMERI EUROPA

Evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013

Synthesis of national reports 2010

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1 Introduction

The purpose of this report is to synthesise the contents of the national reports on the performance of Cohesion policy so far over the programming period 2007-2013 and to bring out the main points which emerge from these. The focus, on the one hand, is on the implementation of the programmes agreed at the beginning of the period and on what has been achieved from the expenditure carried out so far – or, more precisely up to the end of 2009, which is the period covered by the latest Annual Implement Reports submitted in mid-2010. On the other, it is on the way in which programmes are being evaluated or in which Member States plan to carry out evaluations as the projects funded under Cohesion Policy are completed.

It considers, in turn:

- the macroeconomic context in which Cohesion policy is being implemented and how this has changed over the programming period since the measures being funded were initially formulated, focusing in particular on the effects of the economic recession and its aftermath on the conduct of policy both up to now and over the remainder of the programming period;
- the scale of the funding provided to support expenditure on regional development across the EU over the programming period and the payments made to Member States over the first half of the period;
- regional policy being pursued in different parts of the EU and how the Structural Funds – or, more specifically, the European Regional Development Fund (ERDF) and the Cohesion Fund – are contributing to this;
- the progress made in implementing Cohesion policy programmes to the end of 2009, as indicated by the data on both the expenditure funded up to then and the commitments made on the projects and measures to support, as well as the main reasons for programmes falling behind – or running ahead – of schedule and how far these are related to the economic recession;
- the information available to assess the outcome of programmes, or up to the end of 2009, three years into the programming period and, in particular, the suitability of the Annual Implementation Reports, which were introduced with the express intention of serving this end;
- the evidence on achievements contained in the Annual Implementation Reports and elsewhere in terms of the output produced by the projects funded and the results of this and how these compare with the targets or objectives set to monitor performance in the different policy areas;
- the contribution of the measures supported under Cohesion policy to the development of the regions being assisted in the light of economic developments;
- the evaluation strategy adopted in Member States to assess the effects and effectiveness of the programmes supported under Cohesion policy in the present programming period, given the greater freedom they have over this than in the past,

and the evidence available from evaluations of the programmes and measures in question.

It also presents (in an Annex) a few examples of good practice in evaluation which are identified in the national reports, focusing in particular on those which are aimed at assessing the success of intervention in attaining policy objectives and the effectiveness of the measures implemented in this regard.

A distinction is made throughout between the support provided under the Convergence Objective and that provided under the Competitiveness and Employment Objective. The report also covers the funding made available under the Territorial Cooperation Objective, though the focus is confined to cross-border programmes (those supported under INTERREG IVA), which are aimed at encouraging neighbouring regions separated by national borders to work together on mutually beneficial measures which further their joint development.

2 Background – macroeconomic context

All countries hit by recession but to differing extents

Since the Structural Fund programmes for the 2007-2013 period were formulated, the underlying economic conditions have changed radically. While the programmes were drawn up at a time which had seen sustained economic growth for a number of years at a relatively high rate virtually throughout the EU, since then all parts of the EU have been hit by the global recession which followed the financial crisis. The effect of the recession on national economies, however, varied across Member States in terms of both the timing and the scale of the downturn.

In many countries, GDP began to fall in mid-2008, and in Ireland, earlier, leading here and in Estonia and Latvia, to GDP in 2008 being 3-5% less in real terms than in 2007 (Table 1). GDP was also lower in 2008 than a year earlier in Italy, Denmark and Sweden as well as, marginally, in the UK.

In most other countries, GDP had either begun to fall by the end of 2008 or growth had slowed down markedly. The main exceptions were Bulgaria, Romania, Poland and Slovakia, in all of which growth year on year was still over 5%.
The downturn in economic activity picked up pace throughout the EU in the first part of 2009 and in all countries, with the sole exception of Poland, GDP was significantly lower over the year than in 2008 and in the countries where the effect of the recession was felt earliest, even further below the level in 2007. The reduction in GDP in 2009 was particularly pronounced in the three Baltic States – between 14% and 18% – Romania, Slovenia, Ireland and Finland (7-8% in each case).

The effect of the economic downturn in many of the EU12 countries (those which have entered the EU since 2004) was to interrupt the convergence of GDP per head which had been occurring at a rapid rate over the previous decade. In the three Baltic States, GDP per head in 2009 relative to the EU average was reduced to below the level in 2006 when the plans for the 2007-2013 period were being finalised and back in each case to the level in 2005 (and some 7-9 percentage points below the level immediately before the recession hit). In Ireland, GDP per head relative to the EU average was reduced by even more (by some

17 percentage points), taking the level back to what it had been before the turn of the century.

Table 1 GDP per head and GDP growth in EU Member States, 2003-2009

	GDP per head in PPS, EU27=100		GDP at constant prices, Annual % change			
	2006	2009	2003-06	2007	2008	2009
Belgium	118	116	2.5	2.9	1.0	-2.8
Denmark	124	117	2.7	1.6	-1.1	-5.2
Germany	116	116	1.8	2.7	1.0	-4.7
Ireland	145	128	5.3	5.6	-3.5	-7.6
France	109	108	2.2	2.4	0.2	-2.6
Italy	104	102	1.4	1.5	-1.3	-5.0
Luxembourg	270	271	4.9	6.6	1.4	-3.7
Netherlands	131	130	2.6	3.9	1.9	-3.9
Austria	125	123	2.9	3.7	2.2	-3.9
Finland	114	111	3.8	5.3	0.9	-8.0
Sweden	123	120	3.9	3.3	-0.4	-5.1
UK	120	116	2.6	2.7	-0.1	-5.0
Greece	93	93	3.7	4.3	1.3	-2.3
Spain	104	104	3.6	3.6	0.9	-3.7
Portugal	79	79	1.3	2.4	0.0	-2.6
Bulgaria	38	43	6.5	6.4	6.2	-4.9
Czech Republic	77	80	5.9	6.1	2.5	-4.1
Estonia	66	63	9.1	6.9	-5.1	-13.9
Cyprus	91	98	4.1	5.1	3.6	-1.7
Latvia	52	49	10.5	10.0	-4.2	-18.0
Lithuania	55	53	7.7	9.8	2.9	-14.7
Hungary	63	63	3.8	0.8	0.8	-6.7
Malta	77	78	2.8	3.7	2.6	-2.1
Poland	52	61	5.1	6.8	5.1	1.7
Romania	38	45	6.8	6.3	7.3	-7.1
Slovenia	88	88	4.9	6.9	3.7	-8.1
Slovakia	63	71	6.7	10.5	5.8	-4.8
EU27	100	100	2.6	3.0	0.5	-4.2

Source: Eurostat, National accounts

These figures, however, give only a partial indication of the scale of the fall in economic activity resulting from the global recession. A more meaningful measure of the effect of the recession is to relate what happened with what would have been expected to happen had growth continued at the same rate in 2008 and 2009 as over the preceding 4 years following the downturn at the beginning of the decade – in other words, had the recession not occurred.

On this basis, the effect of the recession was to reduce GDP in Lithuania by 25% in 2009 relative to what it would have been had growth continued at the same rate as over the 4 years 2003-2007, in Estonia by 30% and in Latvia, by as much as 35% – i.e. by over a third (Table 2).

Table 2 The effect of the recession on GDP in 2009 and forecast growth, 2010-2012

	2007-2009 Actual % change	2007-2009 Expected % change*	Difference in 2009 % of expected GDP	Estimated growth (%) in 2010**	Forecast growth (%) in 2011**	Forecast growth (%) in 2012**
Belgium	-1.8	5.3	-6.8	2.0	1.8	2.0
Denmark	-6.3	4.9	-10.7	2.3	1.9	1.8
Germany	-3.8	4.0	-7.5	3.7	2.2	2.0
Ireland	-10.9	11.1	-19.7	-0.2	0.9	1.9
France	-2.4	4.5	-6.6	1.6	1.6	1.8
Italy	-6.3	2.9	-8.9	1.1	1.1	1.4
Luxembourg	-2.3	11.0	-12.0	3.2	2.8	3.2
Netherlands	-2.1	5.9	-7.5	1.7	1.5	1.7
Austria	-1.8	6.3	-7.6	2.0	1.7	2.1
Finland	-7.2	8.6	-14.5	2.9	2.9	2.3
Sweden	-5.5	7.6	-12.2	4.8	3.3	2.3
UK	-5.0	5.4	-9.9	1.8	2.2	2.5
Greece	-1.1	7.8	-8.2	-4.2	-3.0	1.1
Spain	-2.9	7.4	-9.6	-0.2	0.7	1.7
Portugal	-2.6	3.1	-5.5	1.3	-1.0	0.8
Bulgaria	0.9	13.5	-11.0	-0.1	2.6	3.8
Czech Republic	-1.8	12.2	-12.5	2.4	2.3	3.1
Estonia	-18.3	17.8	-30.6	2.4	4.4	3.5
Cyprus	1.8	8.9	-6.5	0.5	1.5	2.2
Latvia	-21.4	21.8	-35.5	-0.4	3.3	4.0
Lithuania	-12.2	17.1	-25.1	0.4	2.8	3.2
Hungary	-5.9	6.1	-11.3	1.1	2.8	3.2
Malta	0.4	6.2	-5.5	3.1	2.0	2.2
Poland	6.9	11.3	-4.0	3.5	3.9	4.2
Romania	-0.3	13.8	-12.4	-1.9	1.5	3.8
Slovenia	-4.7	11.0	-14.2	1.1	1.9	2.6
Slovakia	0.8	15.9	-13.1	4.1	3.0	3.9
EU27	-3.7	5.4	-8.6	1.8	1.7	2.0

** Expected on the basis of the annual average growth rate, 2003-2007*

***European Commission, European Economy, November 2010*

Source: Eurostat, National accounts and author estimates

In Ireland too, the effect of the recession was substantial, GDP being reduced by almost 20%, while in Slovenia and Finland, it was reduced by just over 14%. In 5 other EU12 countries, GDP was reduced by between 11% and 13%, leaving only Cyprus, Malta and Poland, where the reduction was less than this. In Poland, GDP continued to grow in 2009, the only country in the Union where this was the case, but it was still 4% lower than it otherwise would have been had the recession not taken place and growth had continued at the same rate as over the period 2003-2007. In the EU15, the effect of the recession was in most cases less pronounced, since the trend rate of growth was in nearly all cases less than in the EU12, but still significant. In the case of the three EU15 Cohesion countries, GDP in 2009 was almost 10% lower than its expected level in Spain and around 8% lower in Greece, while in Portugal, partly reflecting the depressed rate of growth in earlier years, the reduction was only just over 5%. In Ireland, the effect of the recession was almost as large as in the Baltic States, GDP being almost 20% lower in 2009 than it would have been had growth continued on trend, while in the rest of the EU15, the reduction ranged from almost 15% in Finland and 12% in both Sweden and Luxembourg to just under 7% in Belgium and France.

Slow recovery or continued downturn in 2010, especially in the Cohesion countries

While the recovery began to get underway in most countries either in the latter part of 2009 or the first part of 2010, the pace at which this has so far occurred is relatively slow in many cases, especially in the EU12. According to the latest estimates, growth of GDP in 2010 is likely to have been well above trend in both Germany and Sweden, reflecting their strength in export markets, particularly for investment goods and consumer durables, the global demand for which was hit particularly hard by the recession but which has risen rapidly in the recovery. Growth is also expected to have been only slightly below trend in Denmark and Finland, while elsewhere in the EU15, apart from in the southern Member States and Ireland, growth is estimated to have been around 1.5-2%.

In Ireland, as in Spain, GDP is estimated to have been slightly lower in 2010 than in 2009, while in Italy and Portugal, it is estimated to have grown at just over 1%, well below trend. In Greece, moreover, GDP is estimated to have fallen by over 4%, partly as a result of fiscal tightening. In these countries, therefore, which include the three in receipt of assistance from the Cohesion Fund, the economic situation was worse in 2010 than in other parts of the EU15.

In the EU12 countries, the situation was not much better. In Bulgaria and Latvia, GDP is estimated to have been slightly lower in 2010 than in 2009 (in Latvia, bringing the overall reduction in GDP since 2007 to around 22%), in Romania, much lower (implying a decline of 9% since 2008). In Lithuania and Cyprus, the estimate is that growth was only around 0.5% and in Hungary and Slovenia, only around 1%. Although growth is expected to be higher in the other EU12 countries, it is still estimated to have been well below trend in most cases.

Recovery forecast to remain slow in southern countries and most of the EU12

The latest European Commission forecast for 2011 and 2012 (published in November) is for growth to continue at a relatively slow rate in most Member States. This is particularly the case in the three EU15 Cohesion countries as well as in Italy and Ireland. In both Greece and Portugal, GDP is forecast to decline in 2011, especially in the former, and to grow only slowly in 2012. While GDP is forecast to grow in 2011 in the other three countries, the rate is only around 1% or less, and in each case, the growth forecast for 2012 is well below trend, especially in Ireland and Spain.

This is also the case in the EU12 countries, where although growth is expected to pick up, the forecast for 2011 is 3% or less in all countries apart from Estonia, Latvia and Poland (under 2% in Cyprus, Romania and Slovenia), and for 2012, only slightly higher (4% or less in all countries apart from Poland) and again well below the rate experienced over the decade up until the crisis.

Given recovery at the rate forecast, there is little prospect of any quick upturn in the rate of job creation in most countries and, accordingly, of any marked reduction in unemployment over the next two years.

Rising unemployment and the need for job creation

The recession and the large-scale job losses which accompanied it in many Member States, allied to the limited creation of new jobs, led to unemployment rising sharply. At the end of 2007, unemployment was under 7% of the labour force in the EU and in no country, apart from Slovakia, was it above 9%. By the end of 2009, unemployment averaged over 9% in the EU and was over 10% in 9 Member States. In Estonia and Lithuania, it was over 15% and in Slovakia, only slightly below, while in Spain and Latvia, it was as high as 19-20% (Table 3).

Table 3 Unemployment in the EU, end-2007 to mid-2010

% of labour force

	End-2007	End-2009	Mid-2010
Belgium	7.2	8.2	8.6
Denmark	3.2	7.2	7.3
Germany	7.9	7.4	6.9
Ireland	4.8	12.9	13.7
France	7.8	9.8	9.9
Italy	6.7	8.4	8.4
Luxembourg	4.2	4.9	4.9
Netherlands	3.3	4.4	4.5
Austria	4.0	4.7	4.5
Finland	6.5	8.8	8.5
Sweden	6.0	8.9	8.1
UK	5.1	7.8	7.8
Greece	8.0	10.2	12.2
Spain	8.8	19.0	20.2
Portugal	7.8	10.2	11.0
Bulgaria	6.1	8.6	10.1
Czech Republic	4.8	7.5	7.1
Estonia	4.1	15.6	18.6
Cyprus	3.9	6.2	7.2
Latvia	5.5	19.9	19.5
Lithuania	4.4	15.9	18.2
Hungary	8.0	10.7	11.3
Malta	5.9	7.2	6.5
Poland	8.3	9.1	9.5
Romania	6.2	7.6	7.1
Slovenia	4.8	6.5	7.3
Slovakia	10.4	14.3	14.4
EU27	6.9	9.4	9.6

Source, Eurostat, Harmonised unemployment statistics

Unemployment has continued to increase during 2010 in most countries, rising to over 20% in Spain and to 18-19% in Estonia and Lithuania by the middle of the year, when there were 10 countries with a rate of over 10%. These comprised half of the EU12 countries and all three of the EU15 Cohesion countries together with Ireland. In these countries, therefore, the concern is not only with restoring the rate of economic growth to what it was before the recession but to do so in a way which generates a much higher rate of net job creation.

Accordingly, reducing unemployment and creating the jobs to achieve this has become a major policy aim since the Structural Fund plans for 2007-2013 were initially formulated. At the same time, employment growth was already an important objective in many of the EU12 countries, where, despite the relatively high rate of GDP growth before the onset of the recession, the employment rate had remained relatively low.

The recession, however, has been accompanied by efforts to save jobs and keep people in employment through a range of different measures taken by both governments and employers. The result has been a marked reduction in labour productivity in many countries, which is likely to unwind as recovery takes place, implying that net job creation might remain depressed for some time to come. In consequence, government efforts to expand employment, including through Cohesion policy, could well intensify over the next few years.

Expansionary budgetary measures countered the recession but led to large deficits

Although the recession has had a marked effect on GDP and employment, there is little question that the scale of the economic downturn and its effects on companies and individuals would have been much greater across the EU if Governments had not taken action to counter the reduction in economic activity which the recession caused. In the latter part of 2008 and the first part of 2009, Governments virtually throughout the EU introduced a series of measures, supported by the EU (in the form of the European Recovery Strategy), to expand public expenditure and/or reduce taxes on spending in order to prop up aggregate demand in the economy. As indicated below, these measures were reinforced by a relaxation of the regulations governing Structural Fund expenditure in an effort to encourage Member States to spend all the budget allocated to them.

While the measures succeeded in preventing demand from falling even further than it did, in combination with the effect of the recession itself on government revenue and social spending, they led to sharp increases in budget deficits and outstanding government debt which will need to be reduced to more sustainable levels in the coming years. Economic recovery and the growth that it brings- even if it occurs only at the modest rate now forecast- will in itself reduce both budget deficits and public debt. Nevertheless, there will still to be a need to cut back government expenditure and/or to raise taxes to reverse the expansionary measures taken over the past two years. The extent to which this is necessary, however, and the pressure on public expenditure, including for development purposes, varies markedly across countries, reflecting not only the scale of the counter-recessionary action but also the starting position in terms of the budget balance and outstanding debt before the financial crisis hit.

More than half the Member States (14 out of 26 – there are no data for Greece) had a budget deficit in 2007, after a sustained period of relatively high economic growth. In four of the countries (France, the UK, Portugal and Romania), the deficit was close to the 3% of GDP limit imposed by the Growth and stability pact and in a fifth, Hungary, 5% of GDP (Table 4).

By 2009, all Member States had a budget deficit and in 16 of them, it was over 5% of GDP. In Ireland, the deficit had risen to over 14% of GDP, in Spain and the UK, to over 11%, in Latvia to over 10% and in Portugal and Lithuania, to over 9%, while in Romania, it was only slightly less than this. Even in Poland, where economic growth was maintained in both 2009 and

2010, though at a lower rate than in the past, the price was a budget deficit of over 7% of GDP.

Table 4 Government net borrowing or lending in EU Member States, 2006-2009

% GDP

	2006	2007	2008	2009
Belgium	0.2	-0.3	-1.3	-6.0
Denmark	5.2	4.8	3.4	-2.7
Germany	-1.6	0.3	0.1	-3.0
Ireland	2.9	0.0	-7.3	-14.4
France	-2.3	-2.7	-3.3	-7.5
Italy	-3.4	-1.5	-2.7	-5.3
Luxembourg	1.4	3.7	3.0	-0.7
Netherlands	0.5	0.2	0.6	-5.4
Austria	-1.5	-0.4	-0.5	-3.5
Finland	4.0	5.2	4.2	-2.5
Sweden	2.3	3.6	2.2	-0.9
UK	-2.7	-2.7	-5.0	-11.4
Greece	:	:	:	:
Spain	2.0	1.9	-4.2	-11.1
Portugal	-4.1	-2.8	-2.9	-9.3
Bulgaria	1.9	1.1	1.7	-4.7
Czech Republic	-2.6	-0.7	-2.7	-5.8
Estonia	2.4	2.5	-2.8	-1.7
Cyprus	-1.2	3.4	0.9	-6.0
Latvia	-0.5	-0.3	-4.2	-10.2
Lithuania	-0.4	-1.0	-3.3	-9.2
Hungary	-9.3	-5.0	-3.7	-4.4
Malta	-2.7	-2.3	-4.8	-3.8
Poland	-3.6	-1.9	-3.7	-7.2
Romania	-2.2	-2.6	-5.7	-8.6
Slovenia	-1.3	0.0	-1.8	-5.8
Slovakia	-3.2	-1.8	-2.1	-7.9

Source: Eurostat, Government financial accounts

Pressure on development expenditure from prospective budgetary consolidation

Counter-recessionary policies seem to have been maintained in most countries in 2010, which means that the pressure on development expenditure was, in general, relatively limited. It also means that, in many cases, the budget deficit is likely to be bigger than in 2009, so that the extent of fiscal consolidation, which is planned to be implemented in virtually all countries from 2011 on, may be even greater as a result.

The potential pressure on development expenditure, and, as indicated below, the size of transfers to regional and local authorities which are responsible for undertaking much of the expenditure concerned, is, therefore, likely to build up in the coming year and to remain intense in many countries - especially those with large budget deficits - over the remainder of the programming period. This pressure could intensify further if the economic recovery turns out to be slower than is now being forecast, which might be the case if the measures taken to reduce budget deficits have more of an adverse impact on growth than the forecast assumes. Indeed, the risk is that the tax increases and public expenditure cuts which are now being implemented or planned across the EU push the economy into a deflationary spiral in which ever more restrictive measures are taken to counteract the depressing effect of slower growth on public finances.

This, it should be emphasised, does not necessarily mean that Member States, and regions, will succumb to this pressure by cutting back development expenditure, but it does imply an increasing need to justify the expenditure concerned in relation to spending in other areas, such as income support for those out of work or social services. Moreover, the evidence from previous episodes of budgetary consolidation in the EU have invariably led to reductions in public investment, which more than other elements of public spending tend to adversely affect growth and accordingly make it more difficult to reduce budget deficits[1].

In this situation, the role of the Structural Funds has become even more important than usual, especially in countries – the EU12 Member States and the Cohesion countries in the EU15 – where they already account for a large share of development expenditure. Indeed in some countries, as highlighted in the national reports, they have come to represent the main, or even the only, source of financing for development purposes. This is reported to be the case, in particular, in the three Baltic States, Bulgaria, Romania, Slovakia and Slovenia.

A quantitative indication of the importance of Structural Funds – and, in particular, the ERDF and Cohesion Fund – to development expenditure is given below, though given the lack of the satisfactory data available on the spending of Member States and regions on development at regional level, this inevitably can only be approximate.

3 The contribution of the Structural Funds to development expenditure

The scale of EU funding for development and the division between Objectives

The overall amount of EU financial support from the Structural Funds and Cohesion Fund made available for the 2007-2013 period totals some EUR 344.3 billion. Of this, the European Social Fund (ESF) accounts for around EUR 76 billion or 22% of the total. The ERDF and the Cohesion Fund, which are the focus here, therefore, amount together to EUR 268.3 billion, of which the ERDF is by far the largest component, at some EUR 198.8 billion, or just under 58% of the total of the Structural Funds plus the Cohesion Fund (Table 5).

[1] On the relationship between public investment and economic growth and the importance of maintaining the former in times of budgetary consolidation, see *Investing in Europe's Future, Fifth Report on Economic, Social and Territorial Cohesion*, European Commission, November 2010, Chapter 2.

Table 5 Division of EU funding for development between Funds and Objectives, 2007-2013

	Convergence	Competitiveness +Employment	Territorial Cooperation	Multi-Objective	Total
Total amounts (EUR billion)					
Structural Funds+Cohesion Fund	246.2	45.4	7.8	44.9	344.3
of which: ESF	29.1	16.4		30.5	76.0
ERDF	150.8	29.0	7.8	11.2	198.8
Cohesion Fund	66.3			3.3	69.6
ERDF+Cohesion	217.1	29.0	7.8	14.4	268.3
Allocation between Objectives (% total)					
Structural Funds+Cohesion Fund	71.5	13.2	2.3	13.0	100.0
ERDF	75.9	14.6	3.9	5.6	100.0
ERDF+Cohesion	80.9	10.8	2.9	5.4	100.0

Source: DG Regio database

Most of the ERDF (around EUR 150.8 billion) and virtually all of the Cohesion Fund (EUR 66.3 billion) are allocated to the Convergence Objective, which accordingly absorbs 81% of the total of these two funds and almost 72% of the total of the Structural Funds. The remainder goes to the Competitiveness and Employment Objective (11% of the ERDF plus Cohesion Fund) and the Territorial Cooperation Objective (3% of the ERDF plus Cohesion Fund)[2], while EUR14.4 billion (just over 5% of the total of the two funds) is set aside for 'Multi-Objectives'. The latter is not divided *ex ante* between Objectives but goes, in particular, to Operational Programmes which cover more two or more NUTS 2 regions eligible for support under different Objective[3].

Overall the financial resources provided by the ERDF and Cohesion Fund amount together for the period 2007-2013 to an average of around 0.3% of EU GDP a year. For the EU12 countries, however, they are much bigger in relation to GDP. In each of the three Baltic States and in Hungary, the allocation for the period amounts to over 3% of GDP a year and in Poland, to just under 3% (Table 6).

In relation to development expenditure, they are much bigger still. There are no official data on national – and regional – expenditure on regional development across the EU, which is a serious gap in statistical information since, in the absence of such data, it is difficult to assess the importance of EU funding under Cohesion policy in relation to the resources being devoted by Member States and regions to pursuit of the same objectives[4].

[2] It should be noted that only the Cross-border cooperation strand of the Territorial Cooperation Objective is considered here – and in the national reports. This in practice accounts for the bulk of the funding provided from the ERDF for this Objective. The other two strands are Transnational cooperation, which supports cooperation between national, regional and local authorities within macro regions, such as those around the Baltic Sea and Mediterranean, and Interregional cooperation, which supports the exchange of information and networking between regions across the EU.

[3] An example is the Operational Programme for Macedonia-Thrace which covers three administrations: Central and Western Macedonia which are both Phasing-out regions and Eastern Macedonia which is a Convergence region.

[4] Even more seriously, very few countries publish, or even collect, data on details of public expenditure at NUTS 2 regional level which would enable the necessary statistics to be compiled for such a comparison. Italy is one of the few exceptions. See *Distribution of Competences in relation to Regional Development Policies in the Member States*

Table 6 Allocation of ERDF+ Cohesion Fund to Member States, 2007-2013 (average per year)

	Allocation 2007-2013			Funding remaining 2011-2015	
	EUR Million	% GDP	% Govt. capital expenditure	% GDP	% Govt. capital expenditure
Belgium	990.3	0.04	1.4	0.04	1.3
Denmark	254.8	0.02	0.7	0.02	0.8
Germany	16,108.0	0.10	3.3	0.10	3.4
Ireland	375.4	0.03	0.6	0.03	0.5
France	8,054.7	0.06	1.5	0.07	1.6
Italy	21,027.3	0.20	4.7	0.23	5.5
Luxembourg	25.2	0.01	0.2	0.01	0.2
Netherlands	830.0	0.02	0.5	0.02	0.5
Austria	680.1	0.04	1.1	0.04	1.1
Finland	977.4	0.08	2.6	0.08	2.6
Sweden	934.5	0.05	1.2	0.05	1.3
UK	5,416.0	0.05	1.2	0.05	1.3
Greece	15,846.5	0.97	28.2	1.09	*31.7*
Spain	26,600.4	0.36	6.3	0.37	6.5
Portugal	14,899.2	1.27	41.2	1.42	46.3
Bulgaria	5,488.2	2.24	41.5	2.55	47.2
Czech Republic	22,528.1	2.35	31.2	2.55	34.0
Estonia	3,011.9	3.10	53.7	2.92	50.4
Cyprus	492.7	0.42	8.5	0.45	9.1
Latvia	3,947.3	3.04	48.0	3.15	49.8
Lithuania	5,747.2	3.10	68.8	2.93	65.1
Hungary	21,292.1	3.27	77.7	3.54	84.1
Malta	728.1	1.81	55.2	2.02	61.7
Poland	55,514.7	2.55	41.9	2.70	44.4
Romania	15,528.9	1.91	31.4	2.24	36.8
Slovenia	1,411.6	0.57	9.9	0.62	10.7
Slovakia	9,866.0	2.24	49.3	2.48	54.7

Notes: Figures for allocation refer to the total funding agreed for the period, averaged over the 7 years and expressed as % of GDP and of General Government capital expenditure, both in 2009, the latter being the sum of gross fixed investment and capital transfers.

Capital transfers for the EU15 countries relate to the figures for 2007 in order to allow for the distortion in the figures for 2008 and 2009 resulting from transfers to banks and other enterprises as part of rescue plans

Figures for funding remaining relate to the total allocation less the amount already received by Member States up to Oct 2010, expressed as an annual amount over the period up to 2015 and again related to GDP and Government capital expenditure in 2009.

Figures for Greece for Government capital expenditure are estimated

Source: DG Regio database and Eurostat, National accounts and Government financial statistics

To give an indication of the scale of support provided under Cohesion policy, the average annual amount of financial resources provided by the ERDF and Cohesion Fund can be

of the European Union, report of a study undertaken by Ismeri Europa and Applica for DG Regional Policy, February, 2010.

related to the latest figure (for 2009) for total General Government capital expenditure (fixed investment plus capital transfers), which the Funds go towards financing[5].

In Hungary, where substantial cutbacks have been made to public expenditure, and most especially to capital spending, in recent years as part of the measures for restoring financial stability, the allocations from the ERDF and Cohesion Fund together, averaged over the period, amount to over 75% of General Government capital expenditure in 2009[6]. In Lithuania, where there have been equally severe reductions in public expenditure, again concentrated on investment and other capital spending[7], the allocation of the two funds amounts to an average of almost 70% of General Government capital expenditure and in Estonia and Malta to 54-55%, while in Latvia and Slovakia, the figure is almost 50%.

In these countries, therefore, the Structural Funds make a major contribution to development expenditure. This is less the case in Bulgaria and Poland, where funding from these sources amounts to over 40% of General Government capital spending, which is, nevertheless, still considerable, and in the Czech Republic and Romania, where it amounts to over 30%. In the EU15, funding is also of considerable importance in Portugal (where it is equivalent to 35% of capital spending) and Greece (where it is estimated to be around 30%, though there are no government accounts data for Greece available at present).

The importance of EU funding over the remainder of the 2007-2013 period

In practice, as indicated below, the amount which has so far been paid to Member States from the ERDF and Cohesion Fund for the period 2007-2013 is significantly less than the resources available. Accordingly, for many countries, there is still a substantial amount to be paid over the remainder of the period, which in principle extends to 2015 (given the 'n+2' rule - i.e. that Member States have up to two years to spend what is available to them). The funding concerned is set to be even more important than up to now as attempts to reduce government deficits limit the national funding likely to be available.

The amounts in question, assuming that they are spread over the period from October 2010 to the end of 2015, are even larger for nearly all countries, relative to government capital spending in 2009, than those indicated above. In Hungary, the average amount per year is equivalent to 84% of General Government capital expenditure in 2009, in another 5 EU12 countries (the three Baltic States, Slovakia and Malta) to 50% or more of this and in four more (Bulgaria, Poland, Romania and the Czech Republic), as well as in Portugal in the EU15, over a third.

[5] These data which come from Government Financial Statistics compiled and published by Eurostat are not ideal since they are net of receipts from asset transactions which are an important means of financing gross fixed investment in some countries, and, accordingly, do not indicate the amount spent on new investment.

[6] Government capital expenditure in Hungary was reduced by 27% in money terms between 2006 and 2009. Whether the actual contribution of the two funds to Government capital spending is more or less than this will depend on how it changes over the period - and in the specific case of Hungary, as well as some other countries, whether or not the recent cutbacks are reversed or reinforced.

[7] In Lithuania, Government capital expenditure was reduced by almost a third in money terms between 2008 and 2009 while Government public expenditure was cut by 4% in money terms, signifying a fall of closer to 10% in real terms

In all these countries, as well as in Greece (where the future funding available is estimated to be around a third of government capital spending), the Structural Funds are a critical source of finance for development expenditure over the remainder of the programming period. They are also, however, likely to be of great importance, according to the national reports, in many other countries where the scale of funding is much less relative to Government capital spending but where a likely acute shortage of the national funds severely limits the resources available for development expenditure. These countries include Spain and Italy, in both of which the Structural Funds are a much more important source of finance for Convergence regions than indicated by the average figure for the country as a whole. They also include Slovenia, as noted above, where the ERDF plus the Cohesion Fund amounts to only just over 10% of Government capital spending but where, given the state of public finances, it is the only reasonably certain source of medium-term funding for development.

In Italy, moreover, the importance of the Structural Funds for the development of the southern region was increased further in June 2010, when the Government announced cuts to planned national funding which are estimated at around a third (EUR 21.5 billion) in order to lower the budget deficit. If the cuts are implemented in full, the Structural Funds, together with the national-co-financing component, would become the main source of funding regional development policy in Italy (the Structural Funds alone covering 28% of development expenditure in the southern Italian regions).

The figures set out above, it should be emphasised, give only an approximate indication of the scale of the financial contribution of the ERDF and the Cohesion Fund to development expenditure across the EU – and, indeed, can only give a rough indication because of the lack of data available on such expenditure at regional level. Nevertheless, they show that the resources provided by the two Funds are not only of major importance for many countries but are likely to be increasing critical over the remainder of the programming period. This is the case for all of the EU12 countries receiving assistance under the Convergence Objective and for the three EU15 Cohesion countries, as well, Italy given the cutbacks being made to national funding for regional development.

The estimates of the scale of EU financial support are based on figures for Government capital expenditure in 2009 and implicitly assume that this figure gives a reasonable indication of the annual rate of expenditure over the remainder of the programming period. In practice, the actual level of expenditure may turn out to be very different from this. It may be higher because capital spending in 2009 was much lower than in the previous year or two, as in Hungary and the Baltic States, in which case, the relative contribution of EU funding will be correspondingly less than indicated above. On the other hand, however, it could turn out to be lower as Governments seek to reduce budget deficits, in which case the relative contribution would be even larger than indicated.

4 The implementation of Cohesion policy 2007-2010

The concern here is with the progress made in implementing Cohesion policy over the first 3-4 years of the programming period, starting with the aggregate payments made from the Structural Funds to Member States over the period 2007-2010, which covers the years when the EU economy was hit by the global financial crisis and subsequent economic recession. In this context, the Funds represented an important source of financial support for national and regional governments attempting to counter the recession by implementing expansionary fiscal measures. In practice, however, the amount paid to Member States from the Funds turned out to be significantly less than amount available because of delays in implementing the 2007-2013 programmes. These delays and the reasons for them are examined in more detail below after reviewing the evidence on the extent of the overall delay in implementation.

PAYMENTS FROM THE STRUCTURAL FUNDS TO MEMBER STATES

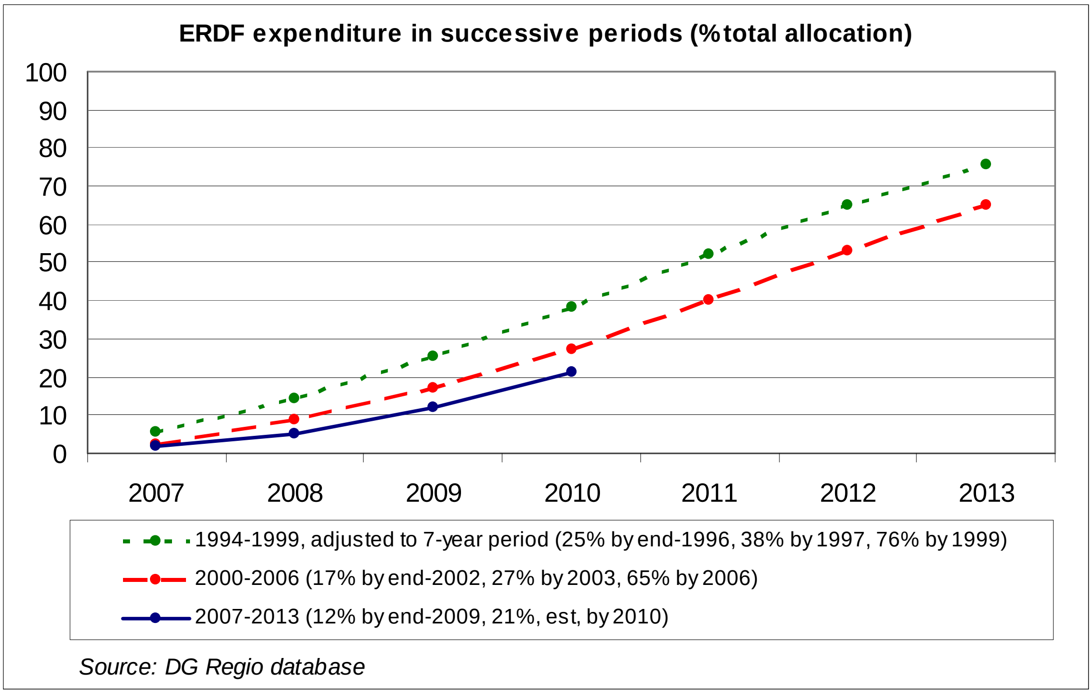
Payments in the current period lagging behind those in earlier periods

The payments made to Member States from Structural Funds, and in particular from the ERDF and Cohesion Fund, which are the focus here, are in response to claims which have been approved by the European Commission. Accordingly, relating the payments made up to a given point in time to the overall amount which it has been agreed Member States should receive from the Funds for the 2007-2013 period gives an indication of their progress in carrying out the programmes concerned. There are, of course, inevitable lags between projects or measures being initiated, expenditure being incurred, claims being made, payments being approved and the money being transferred, which need to be taken into account when interpreting the data on the last part of the process. Nevertheless, a comparison of the data on the time profile of payments for the present programming period with those for previous periods gives a basis for assessing progress in implementing the programmes.

The data on payments up to October 2010 strongly suggest that the implementation of the 2007-2013 programmes has lagged behind that in earlier periods. By the end of 2008, only 5% of the total amount of the ERDF made available to Member States for the period had been paid as compared with 9% at the equivalent time during the 2000-2006 programming period, which itself was well below the equivalent amount paid in the 1994-1999 period (14%)[8] (Figure 1, which shows the time profile of payments from the ERDF for the 2007-2013 period and what the profile would have been had it followed the same pattern as in the two earlier periods).

[8] Payments for the 1994-1999 period have been approximately adjusted to take account of this being a 6-year period instead of a 7-year one as in 2000-2006 and 2007-2013. - i.e. the fact that the period was shorter implies that the rate of payment each year can be expected to be higher in relation to the overall amount of funding available than in subsequent periods.

Figure 1 Time profile of payments from the ERDF to Member States for 2007-2013 as compared with earlier periods



By the end of 2009, payments for the present period amounted to 12% of the total funding available for the period as a whole as compared with 17% had the rate of expenditure been the same as in 2000-2006 and over 25% had it been the same as in 1995-1999. The gap between the rate of payment in earlier periods and the present one, therefore, widened in 2009. Moreover, it seems to have continued to widen in 2010, when at the end of the year, payments are estimated at around 21% of total amount of funding[9] as against 27% on the basis of the 2000-2006 profile and 38% on the basis of the 1999-1999 profile.

Much the same picture emerges if payments from the Cohesion Fund are also taken into account in addition to those from the ERDF. At the end of 2009, payments were similar in relation to the overall amount available for the 2007-2013 period as for the ERDF and by the end of 2010, it is estimated that around 20% of the amount available will have been paid out, which is a slightly smaller proportion than from the ERDF. Equally, payments made so far from the ESF are also very similar relative to the total budget.

There is, therefore, no sign in the payments data of the rate of implementation of programmes speeding up in 2010 enough to make good the slower implementation in the initial part of the current programming period than in earlier periods. At the same time, lags in the system might mean that the payments data give a misleading impression of the progress being made in implementing projects on the ground.

[9] The data on payments used to construct the figure go up to 20 October 2010. Estimates up to the end of the year have been made on the assumption that the rate of payment increases slightly in the remainder of the year. More specifically, it is assumed that payments up to 20 October represented 75% of the total payments for the year.

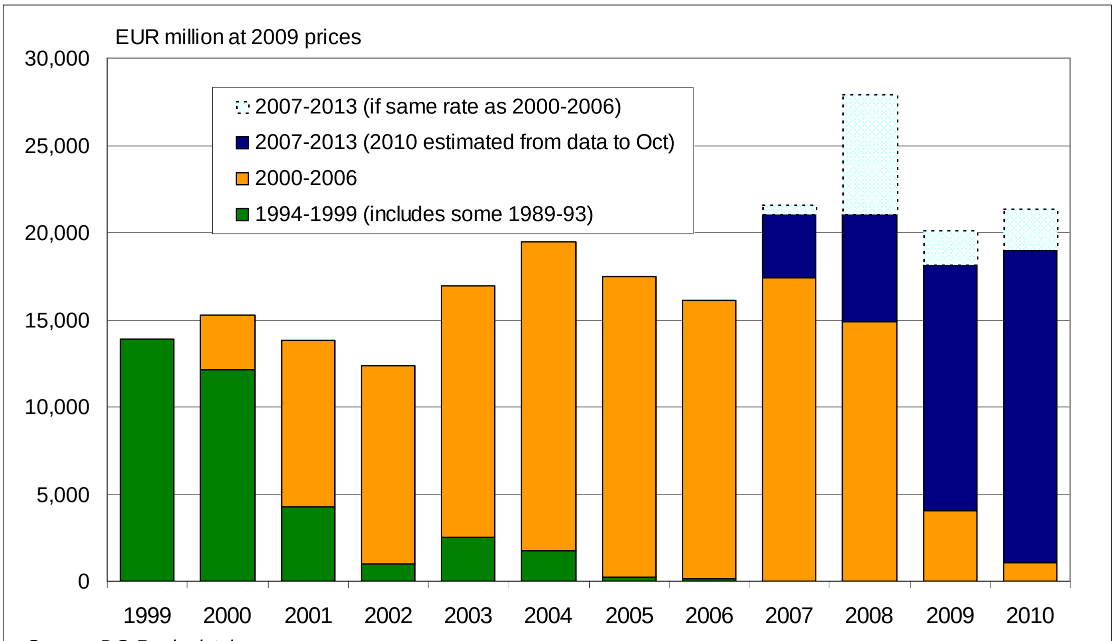
Total ERDF payments to Member States in 2007-2010 less than the funding available

Part of the reason for the comparatively slow rate of implementation of the 2007-2013 programmes, which is highlighted in many of the national reports, is the focus of Member States up to end of 2009 on spending all the funding available from the previous programming period. As part of the measures for combating the effects of the global recession, the regulation stipulating that the Structural Funds to which Member States are entitled should be spent within two years of funding being made available (the n+2 rule) was extended to three years in 2008. Managing Authorities across the EU were, therefore, given an extra year to spend the funding available to them for the 2000-2006 period. This meant that those that might have struggled to complete programmes on time and, accordingly lost funding as a result, could devote more time and effort to carrying out suitable projects.

It is instructive to look at the overall payments made to Member States from the ERDF rather than just those which relate to the 2007-2013 period, particularly over the recent period of recession when efforts were being made at EU level to expand expenditure to counter the economic downturn.

The data on payments from the ERDF to Member States indicate that, taking the funding available from all programming periods together, the overall amount transferred varied markedly in real terms (i.e. valued at 2009 prices) over the period 2000-2006. It reached a peak in 2004 (at close to EUR 20,000 at 2009 prices) largely because of payments from the previous period adding to those for the current period, before declining in 2005 and 2006 as payments from the earlier period were exhausted (Figure 2).

Figure 2 Payments from the ERDF to EU Member States under successive programming periods, 1999-2010



Source: DG Regio database

In 2007, payments were increased by those relating to the new programming period, which added even more to payments in 2008 as those from the previous period declined. In these two years, therefore, ERDF payments were higher in real terms than over earlier years, reflecting EU enlargement and the extension of the ERDF to cover the new Member States entering the Union.

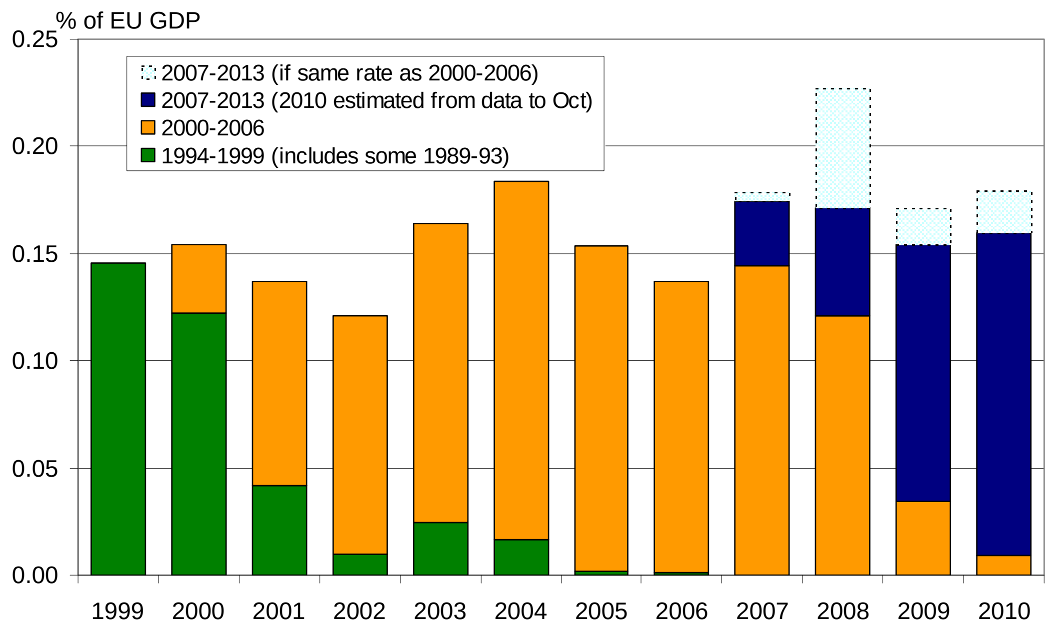
In 2009, however, overall payments from the Fund declined as those relating to the 2000-2006 period fell and payments for the 2007-2013 period did not increase sufficiently to compensate. In 2010, total payments increased slightly but were still below the level in 2007 and 2008 in real terms. At a time when the emphasis was on assisting Member States to counter the effects of the recession, therefore, the amount transferred from the ERDF fell instead of increasing.

This largely reflects the slow implementation of the 2007-2013 programmes. If implementation had proceeded at the same rate as in 2000-2006 and payments from the ERDF had matched this, then payments to Member States overall would have been almost a third larger in 2008 than they actually were (the dotted part of the bar in Figure 2).

In 2009, they would have been 11% larger and in 2010, almost 13% larger. In aggregate, therefore, if the payment rate relative to the total amount available from the ERDF for the 2007-2013 period had been the same as in 2000-2006, the amount transferred to Member States over the three years 2007-2010 would have been almost 20 % larger. Much the same conclusion can be drawn in respect of the total payments from the Structural Funds, given that the rate of implementation of both the Cohesion Fund and the ESF was similar to that of the ERDF, except that the overall amount of payment involved is correspondingly larger (over 70% larger than shown in Figure 2).

A similar picture emerges if payments from the ERDF are related to EU GDP to take account of EU enlargement (which raised both the size of the ERDF and the sums paid out) (Figure 3),

Figure 3 Payments from the ERDF to EU Member States relative to EU GDP under successive programming periods, 1999-2010



Note: EU GDP - EU15 1999-04, EU25 2005-07, EU27 2008-10

Source: DG Regio database and Eurostat national accounts for GDP

The main difference is that overall payments in 2007 and 2008 are slightly less in these terms than the peak in 2004, instead of being larger, and the decline in payments in 2009 and 2010 is also slightly less than indicated by the real terms figures.

Again, it is evident that the revenue received by Member States from the ERDF – and even more from the Structural Funds taken together – would have been significantly larger relative to GDP if the rate of payment had been the same as in the previous programming period. Although, therefore, the focus of Member States on spending all of the funding available to them from the 2000-2006 programmes may have increased the amount transferred to them in 2009, the slower implementation of the 2007-2013 programmes meant that the overall amount transferred in the years 2008-2010 was smaller than it might have been.

THE ALLOCATION OF EU FUNDING BETWEEN DEVELOPMENT PRIORITIES

EU funding both reinforces and complements national development policy

In general, the Structural Funds are used to support the regional development policy pursued in Member States, either by reinforcing national funding by being allocated between policy areas in much the same way as this or by complementing national policy by being concentrated in areas where national funding is less important. In the Convergence regions, the first is largely the case. This is especially so in the EU12 and EU15 Cohesion countries, where the finance provided by the Structural Funds – taking the ERDF and the Cohesion Fund together – represents a substantial proportion of the total, Funding in these regions, therefore, tends to be spread across a number of policy areas, each contributing to a broadly-based development strategy, encompassing both support for enterprise and, most especially, improvements in infrastructure to make the regions in question more attractive places in which to do business and in which to live. Indeed, investment in infrastructure accounts for around two-thirds of the total allocation in the EU12 countries on average and for only slightly less in the three EU15 Cohesion countries. The ERDF also contributes to a broadly-based strategy in regions supported under the Convergence Objective in Italy and Germany.

In regions assisted under the Competitiveness and Employment Objective – termed the 'Competitiveness' Objective in the rest of this report – EU funding is concentrated in most cases, though not all, on enterprise support and, in particular, on innovation, especially in SMEs, and on creating a business environment which strengthens their capacity to innovate. This is also the case in a number of regions in the more developed parts of the EU15 which are assisted under the Convergence Objective, which are already well endowed with basic infrastructure and where the focus of policy is on restructuring, to a large extent by encouraging SMEs to move into growth areas. The main difference between regions assisted under the two Objectives is mainly the scale of funding, which is many times larger in Convergence regions, rather than its allocation between policy areas.

In practice, the allocation of funding between broad policy areas in regions in the different parts of the EU is similar to that over the previous programming period, 2000-2006[10],

[10] See Ex-post evaluation of cohesion policy programmes 2000-2006 co-financed by the ERDF (Objective 1 and 2), Synthesis Report, Tables 1.7-1.9, pp 30-33. When comparing the division of funding, allowance needs to be made

indicating a relatively high degree of continuity in the strategies pursued from one period to the next. This is not too surprising as regards the EU10 countries, for which the previous period was very short (starting only in mid-2004), but it also reflects the deep-seated nature of the main problems which policy is attempting to tackle and the length of time it takes to bring about structural change which is a central aim in the regions concerned.

The main change from the previous period is the increased weight given to R&D and innovation, which reflects the Structural Fund guidelines and their emphasis on the pursuit of the Lisbon strategy. This primarily affects the nature of enterprise support, though how much the shift in allocation results from a genuine shift in priorities and the types of measure supported and how much from the adoption of a broad definition of innovation is an open question.

The allocation of funding has not altered significantly in most Member States since the programmes were drawn up at the beginning of the period (see Annex A at the end of this report for details of the allocation of funding in the different Member States under the two Objectives). As indicated below, however, there have been some changes both in emphasis and in the nature of projects supported in a number of countries. Most of the changes have been in the selection of projects within policy areas, or in the relative weight attached to different types of measure, to give more priority in the context of the recession to those which can be initiated more rapidly and built up more quickly and which, accordingly, have a faster impact on expenditure, and, therefore, on regional economies.

FINANCIAL IMPLEMENTATION OF PROGRAMMES IN MEMBER STATES

As indicated above, the payments made to Member States from the ERDF and Cohesion Fund in the current programming period have up to now lagged well behind those in the two preceding periods. The concern here to examine *certified expenditure*[11] on the programmes which has so far been carried out in regions across the EU and how this compares with the overall funding allocated for the current period, as an indication of the progress made in implementing the programmes. Expenditure in itself says nothing about what has been achieved by carrying out the programmes, which is the main focus of both the present report and the national reports on which it is based, but it is a prerequisite for producing the outputs and results on which the programmes, and the policy underlying them, is ultimately to be judged.

The main source of information on both expenditure and achievements is the Annual Implementation Reports which are produced for each Operational Programme across the EU. The Reports for 2009 were published in mid-2010 and contain details of progress on the programmes up to the end of 2009.

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for the support provided by the Cohesion Fund to the Objective 1 regions eligible, which, of course, was concentrated on Transport and Environmental infrastructure, and which is not included in the tables referred to.

[11] Expenditure undertaken by beneficiaries certified as being eligible for co-financing from the Structural Funds and Cohesion Fund.

Little expenditure on programmes up to end-2009 in most countries, lowest in EU12

At the at the end of 2009, three years into the programming period, expenditure, certified as being eligible to be co-financed from the ERDF and Cohesion Fund, amounted to just 7% of the total amount of funding allocated for the period (Table 7, which is based on the information in the DG Regio database compiled from the 2009 Annual Implementation Reports). In the EU12 countries, expenditure was significantly lower, only 4% of the funding allocated, than in the EU15 (9%).

Table 7 Expenditure rates for 2007-2013 programmes for EU aggregates and selected Member States at end-2009

% of total allocation

	EU15	EU12	EU27	IE	LT	ES	PL	GR	CZ	RO
Convergence Objective										
ERDF	7.3	5.2	6.3		18.8	8.3	5.6	5.2	4.6	1.2
CF	14.1	3.0	4.3		8.9	28.1	2.8	1.4	2.5	0.6
ESF	8.8	5.2	6.9		3.5	13.9	7.7	0.0		0.3
Total	8.0	4.4	5.9		13.1	12.0	4.9	4.1	3.7	0.8
Competitiveness Objective										
ERDF	9.6	8.1	9.5	21.2		11.4			7.7	
ESF	9.7	0.1	9.6	18.6		14.3			0.1	
Total	9.6	7.2	9.6	19.8		12.0			5.3	
Multi-Objective										
ERDF	7.7	2.8	6.3			11.5		6.2	0.4	
CF	2.2	2.7	2.2							
ESF	9.8	1.8	7.9			13.2		0.9	0.0	
Total	8.7	2.1	7.1			12.4		2.6	0.2	
Total Structural Funds										
ERDF	8.1	5.2	7.1	21.2	18.8	9.6	5.6	5.3	4.1	1.2
CF	10.3	3.0	4.1		8.9	28.1	2.8	1.4	2.5	0.6
ESF	9.6	4.0	8.1	18.6	3.5	13.5	7.7	0.8	0.0	0.3
Total	8.7	4.2	6.8	19.8	13.1	12.1	4.9	3.6	3.0	0.8

Notes: Expenditure relates to that certified as being eligible for co-financing
Source: DG Regio database

These average figures conceal significant differences between countries. Overall, progress in implementing programmes seems to have been most advanced in Ireland, where expenditure at the end of 2009 amounted to 20% of the total allocation for the period. This rate of expenditure was much higher than anywhere else in the EU. In other countries, it was well above 10% only in Belgium, Lithuania and Austria (around 13% each) and only slightly above 10% in Spain, Germany, Estonia and the UK (see Annex B Tables at the end of this report for details of expenditure relative to allocations for individual countries). At the other extreme, spending was just 1% of the overall allocation in Romania and Bulgaria and below 4% in a number of other EU12 countries – Malta, the Czech Republic, Slovakia and Hungary as well as Greece – while in Slovenia and Poland, as well as Portugal, it was only slightly higher at around 5%.

The expenditure rate was a little higher in regions assisted under the Competitiveness Objective (10% on average in the EU15) than in those supported under the Convergence Objective – 8% in the EU15 and 4% in the EU12. The expenditure rate was lowest of all for funding made available under the Cross-border strand of the Territorial Cooperation Objective (under 3% at end-2009).

Overall, expenditure relative to allocation was higher for the ERDF (7%) than for the Cohesion Fund (4%), reflecting perhaps the concentration of the latter on investment in infrastructure, which by its nature involves relatively long lead times in terms of planning and preparation before construction gets underway. At the same time, the rate of expenditure on Cohesion Fund-supported projects in Spain was much higher than for the ERDF (28%) and indeed much higher than in other countries, possibly because of large-scale projects being carried over from the previous programming period.

There is need, however, to be cautious about interpreting the data for expenditure since it can have different implications in different policy areas. In particular, in a number of Member States, the ERDF provides support for financial engineering measures in order to widen the funding available to firms, especially SMEs. But the development of these measures makes it difficult to assess progress from the data on expenditure incurred by Managing Authorities since this might well relate to spending on setting up the measures concerned, such as a venture capital fund, rather than transfers to the firms themselves from the fund. In Belgium, for example, the expenditure rate on the Convergence programme falls from 18% to 7% if these capital transfers are excluded, while the rate on the Competitiveness programme falls from 14% to 4%. While it is possible to make adjustments to the expenditure data in respect of these two programmes in Belgium from the information contained in the Annual Implementation Reports, such information is not always published.

Commitment rates of funding much higher than for expenditure

The data on the funding which has been committed by Member States and regions to projects or measures give a more favourable view of progress in implementing programmes. However, as emphasised below, these data are even more hazardous to interpret than those on expenditure, since the way that commitments are defined varies markedly across countries. In addition, the figures are of questionable reliability for some Member States as detailed investigation by national experts has demonstrated.

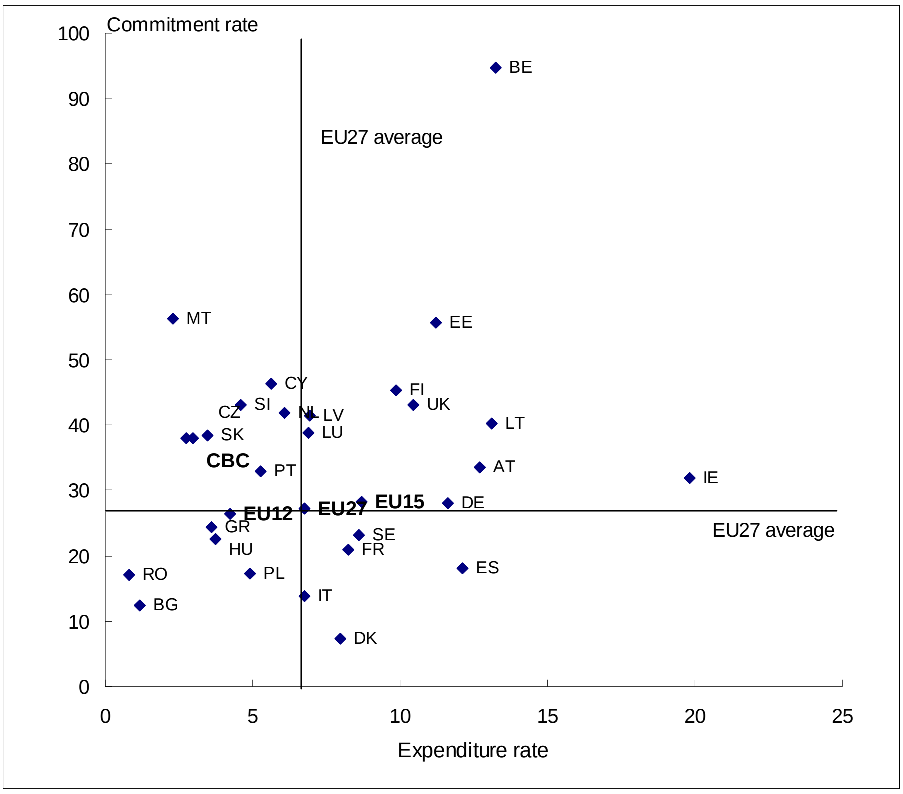
As expected, commitments, as recorded in the Annual Implementation Reports, are much higher relative to overall allocation than expenditure. At end-2009, commitments of the ERDF and the Cohesion Fund averaged around 27% of allocations across the EU for programmes for which data are available (data are not available for around 12% of total funding) (se Annex Tables). There was no significant difference between the EU15 and the EU12, on average, in commitment rates, though there were major differences between countries in each group. The highest commitment rate was in Belgium, where the ERDF was entirely committed by end-2009. In the EU15, the rate was also relatively high in the Netherlands (53%) and in Luxembourg (44%) and above average in Portugal, Finland, the UK, Ireland, Austria and Germany. By contrast, in Denmark, commitments amounted to just 7% of the funding allocated.

In the EU12, the commitment rate was relatively high (over 50%) in Malta and Estonia, in the first in contrast to the low expenditure rate (only 2% of allocations), but relatively low (under 20%) in Bulgaria, Romania and Poland, in line with their low expenditure rates.

The commitment rate of the ERDF under the Competitiveness Objective in the EU15 was slightly higher than under the Convergence Objective (28% as against 25%). For Cross-border Cooperation programmes, commitments amounted to around 38% of the funding allocated, significantly higher than under the other two Objectives.

Overall, four groups of countries can be identified in terms of commitment rates relative to expenditure (Figure 4).

Figure 4 Rates of expenditure and commitments on programmes co-financed by the ERDF and Cohesion Fund, as at end-2009



Note: Expenditure refers to certified eligible expenditure in relation to total allocation (EU plus national funding). Commitments refer to the funding committed to projects or measures relative to total allocation.
Source: DG Regio database

- countries with both higher than average commitment and expenditure rates – Belgium, Ireland, Estonia, Lithuania, Finland, the UK, Austria and Germany;
- countries with both low commitment and expenditure rates – Bulgaria, Rumania, Poland, Hungary, Greece and Italy;
- countries where commitment rates were higher than average but expenditure rates were relatively low – Malta, Cyprus, Slovenia, the Czech Republic, Slovakia and to a lesser extent the Netherlands, Latvia, Luxemburg and Portugal (Cross-border Cooperation programmes on average also fall into this category);
- countries where commitment rates were below average but expenditure rates were above average – Spain, France and Denmark.

For the countries in the first two groups, therefore, the data on expenditure and commitments are broadly consistent and point to the same conclusion – that progress in implementation is above average in the first case and below average in the second. The countries in the last two groups, however, pose difficulties of interpretation since the data point to opposing conclusions.

The commitment figures, however, even more than those for expenditure need to be interpreted with a great deal of caution. At most, they give a very approximate guide to differences in the rate of progress in implementing programmes across the EU, since there is no uniform way of defining commitments across countries. At one extreme, 'commitments' refer to projects for which a contract has been agreed and which are either underway or are ready to start. At the other, 'commitments' refer no more than to funding being set aside or earmarked for a particular purpose or to projects or measures which it is intended to carry out. The latter, for example, is the case in Belgium which explains the high figure. In practice, the way that the term is defined varies between these two extremes and, accordingly, the extent to which high rates signal relatively advanced progress in implementation of programmes also varies.

At the same time, low rates of commitment are likely to reflect relatively low rates of progress in implementing programmes, though there is a need also to take account of their content before passing judgement. This is particularly the case as regards programmes under the Convergence Objective in EU12 countries, such as Poland, where the major part of funding is allocated to infrastructure projects which, as noted above, tend to be slow to start up.

In addition, there is a question mark over the reliability of the commitment data in some cases, as pointed out in the German report, since in some cases commitments are less than expenditure which seems an unlikely occurrence. In Italy, the commitment data which are published in the Annual Implementation Reports, and included in the DG Regio database, are reported to be significantly higher than the national data compiled by the Italian Ministry of Finance. This could well be because of the inclusion in the former of resources set aside for particular purposes as well as real commitments where formal contracts have been agreed[12].

Commitment rates highest for territorial development and enterprise support

Overall, commitments up to the end of 2009 relative to total allocation were highest for projects relating to territorial development[13] (35% of funds committed) and enterprise support (33% of funds committed) (See Annex Tables B.1 and B.2). For the former, commitment rates were particularly high in many of the EU12 countries, especially in, Cyprus and the Czech Republic, where two thirds of the funds allocated had been committed, as well as in Slovakia, where commitments exceeded the total allocation.

For enterprise support, the relatively high overall rate of commitment reflects a high rate for investment grants to firms (which are the main item in the 'other investment in firms'

[12] In the original data reported for Sweden, the commitment of funding by end-2009 was around three times larger than the total allocation simply because commitments were expressed in Swedish Crowns and allocations in Euros.

[13] Territorial development is defined to cover a range of policy areas including social infrastructure, tourism and cultural activities and 'planning and rehabilitation (the clean-up of old industrial sites, urban regeneration, the renovation of towns and villages and so on).

category) in both the EU12 and the EU15. By end-2009, some Member States (Slovenia, Slovakia, Italy and Belgium) had committed almost all the funding allocated to this measure, while others (Greece, the Czech Republic and Estonia) more than all of the allocation. These generally high rates reflect the traditional nature of this measure and experience in operating it, though they also reflect the use of investment grants to assist companies survive the recession.

A wide diversity of performance is apparent as regards support for ICT, where commitment rates were relatively high in the EU12 particularly in Slovenia, Poland, the Czech Republic and Romania. By contrast, no commitments had been made by end-2009 in Bulgaria, Cyprus and very few in Malta.

In the case of support of innovation in SMEs, the commitment rate was very similar on average in the EU15 (24%) and the EU12 (22%). Commitments were low in Greece, Spain and, Italy as well as in Cyprus. This reflects in part the effect of the recession, as noted below.

Commitment rates generally low for investment in infrastructure

For investment in transport, the commitment rate overall was lower in the EU12 than in the EU15, especially in Poland and Hungary. On the other hand, it was above average as regards support of road building and improvement in the Czech Republic, the Baltic States, Cyprus, Malta and Slovenia. In the EU15 commitments were zero in Ireland and close to zero in Italy and Austria.

Commitments were equally low in relation to allocation as regards investment in the environment (17% of funds committed) and energy infrastructure (13% of funds committed).

The lengthy time it often takes to launch projects, especially those involving the construction of infrastructure, which account for a large share of the funding allocated in the EU12 countries, in particular, provides a possible explanation of why much of the finance available was not spent, or even committed, by the end of 2009. While this might be the case, the question which it is not possible to answer from the information available is how far the implementation of programmes in the different Member States lagged behind – or even ran ahead – of the planned schedule. Since neither the Annual Implementation Reports, nor any other official documents, contain details of such a schedule, there is no way of judging the extent of the delay in implementation relative to what was intended.

Despite the absence of information which would enable progress in carrying out programmes to be assessed in relation to plans, it is reasonable to suppose that the expenditure rates described above signify considerable delays in implementation. The next section reviews the reasons for these as indicated in the national reports. It should be noted, however, that although Managing Authorities across the EU generally admit to delays, they also express a widespread conviction that the implementation of programmes will catch up and that, in general, there are unlikely to be serious problems in spending all of the funding available for the period.

REASONS FOR DELAYS IN POLICY IMPLEMENTATION

There are a number of reasons for the slow implementation of programmes in the present programming period. They can be grouped into two broad categories. The first consists of those which are an inherent cause of delay at the beginning of a new period, which were also evident in previous periods. These are to do with the administrative burden of initiating new projects and putting new measures in place at the same time as managing the completion of projects from the previous programming period and trying to ensure that all the funding available is spent. These various tasks imply a significant work load for the authorities responsible. Moreover, there is an inevitable tendency to give more importance to the closure of the programmes from the previous period, since the deadline for this tends to be more pressing than that for the launching of new ones (though the n+2 rule means that there is a time constraint on the latter as well the former, even if slightly more distant).

This factor does not explain why the implementation of programmes should have been any slower in the present period than earlier ones but the fact that many of the authorities going through the process were new in 2007 might do so. Although most of the authorities in the EU12 Member States, which are the major recipients of Structural Fund support in the current period, had experience of preparing programmes for the 2004-2006 period after they entered the EU, the scale of funding involved was much smaller, the time horizon much shorter and such preparation was not accompanied by a need to complete the programmes of a previous period.

The second category of reason is to do with the recession which began to take effect in 2008 not long after the programmes for the period were launched. This slowed down the implementation of programmes in a number of ways, as well as prompting a reconsideration of the programmes themselves in some countries because of the radical change in economic circumstances, though as noted above, it has not led to any major re-allocation of funding between broad policy areas. At the same time, the effect of the recession was not only to slow down implementation: there is also evidence that it led to some speeding up of expenditure in particular areas in some countries.

These reasons and their relative importance across countries are considered in turn below in the light of national reports, starting with those in the first broad category.

Overlap of programming periods

At the time when the present programming period began in 2007, Member States were in the process of completing the programmes from the previous period. At the end of 2008 – the initial deadline for expenditure to be completed – over 10% of the allocation of the ERDF for the period remained to be spent across the EU25. Largely in response to the recession, this deadline was extended into 2009, so increasing the extent of overlap with the start of the present programming period 2007-2013. At the same time, priority tended to go to spending all of the allocation from the previous period.

Nevertheless, although the overlap was common to all countries, it affected some more than others. This is partly because of differences in the amount of funding remaining to be spent as the new programming period started, which were substantial, varying from 45% of the total for the period in Greece and over 60% in a number of the EU10 countries which only became eligible for funding from mid-2004 (the Czech Republic, Slovakia, Latvia and Malta[14]) to only around 10-11% in Ireland and Sweden. It is also, however, because of differences in administrative capacity, which themselves are reflected in the amount of expenditure which was still to be carried out at the end of 2006.

The overlap between programming periods is reported to be the main reason for delay in policy implementation in *Germany, France* and *Portugal*. For the latter two countries, it is also noted that the burden on management resulting from the overlap was even greater because there was a need to deal simultaneously with different objectives, regulations and guidelines because of the change in these between the two periods.

In *Italy*, because of the overlap, a delay of one year is reported in the design and approval of all the Operational Programmes for the 2007-2013 period.

Administrative causes of delay

The difficulties caused by the overlap of programming periods are largely to do with the limited extent of administrative capacity in a number of Member States which is highlighted when two sets of programmes need to be managed. In *Greece* and *Italy*, in particular, this is reported to be the main reason for the slow implementation of the 2007-2013 programmes, coupled with a concentration of effort on spending the 2000-2006 allocation, which involved a large amount of funding not only in Greece, as noted above, but also in Italy, where 30% of the allocation under Objective 1 remained to be spent at the end of 2006.

In *Greece*, although a special layer of administration dealing with the Structural Funds has been established, the improvements achieved have fallen well short of expectations. Instead, the new structure has led to some administrative confusion for officials, with two parallel systems in place, one for managing the Structural Funds and the other for all the remaining government programmes, resulting in further bureaucratic delays, partly because of a lack of cooperation between the two sets of officials involved.

In *Italy*, the limited capacity of the authorities to plan and administer programmes obstructed the implementation of policy and is a major reason why - despite an increased need for public expenditure in the context of the recession - a significant amount of funding available for the 2000-2006 programming period remained unspent at the end of 2009. (Data on payments from the ERDF indicate that over 7% of the total allocation to Italy for the period had not been paid as at October 2010.) The problem is also evident in particular policy areas, where partly because development strategies are not clearly defined and concrete objectives are not set, there is a shortage of projects ‘on the drawing board’ which can be started relatively quickly. These problems are most acute in the Convergence regions, but they also affect policy implementation in the Competitiveness regions if to a lesser extent.

In *Bulgaria*, administrative capacity is also reported to be a major problem, which extends beyond the authorities responsible for managing the Structural Funds. Deficiencies in

[14] See Ex-post Evaluation of Cohesion Policy programmes 2000-06 co-financed by the ERDF (Objective 1 &2), Synthesis report, Table 1.5, p.28.

national legislation governing procurement, inadequate terms of reference, inefficient control mechanisms and a lack of experience in preparing project proposals are all considered to have contributed to the delay in the launch of programmes for the current period. Further delays are reported to have been caused by difficulties in guaranteeing the requirements for advance payments and co-financing mechanisms as well as by inefficient arrangements for reimbursing expenditure. These deficiencies are widely recognised. The Commission has repeatedly pointed to the weaknesses in the procedures for audit and financial control and even froze payments under some Operational Programmes in 2008 because of fraud and mismanagement. As a result, the system has been streamlined and simplified though the effects have yet to be apparent. Efforts are being made to improve the situation and many managing authorities are in the process of undergoing institutional restructuring and the training of staff. Nevertheless, the deficiencies in administrative and planning arrangements have not only delayed the implementation of programmes for the present period but are also tending to deter companies from applying for funding.

In *Romania*, delays are put down to a large extent to the weak project management capacity of administrators in charge of the selection, evaluation and monitoring of projects and the insufficient number and experienced of personnel, who were poorly motivated, underpaid and overloaded with work. There were, accordingly, delays in launching calls for proposals, project evaluation and selection.

In *Slovenia*, the significant increase in allocation from the Structural Funds is reported to have increased the difficulty of managing funding and implementing programmes, especially at the beginning of the period. The reasons for this are:

- A lack of experienced staff;
- unclear guidelines in some cases in, for example, identifying eligible costs and defining reporting requirements;
- weak coordination between ministries;
- problems with the financial management system, including inadequate information and controls;
- unrealistic spending plans, especially in 2008.

Problems are particularly acute in relation to infrastructure projects, on transport and municipal waste management especially, where excessively bureaucratic procedures and difficulties in securing planning permission have delayed the implementation of the programmes concerned significantly.

Similar difficulties are reported in a number of EU12 Member States, including *Slovakia* and *Malta* as well as in *Poland*, where the emphasis on investment in transport networks and environmental infrastructure in the allocation of funding means that a large proportion of expenditure was subject to delay because of the lengthy procedures involved in planning, the purchase of land and the general preparation of projects before construction can begin. In *Greece* and *Cyprus* as well as *Slovenia*, delays are reported to be particularly lengthy in relation to the construction of waste treatment and disposal plants, not only because of the technical complexity of the projects but also because of planning difficulties caused by local communities being opposed to their construction in the area.

In *Latvia*, implementation of programmes was delayed in part because of fundamental problems in administrative systems, though unfavourable economic circumstances also contributed. The main problems have been:

- a lengthy delay in preparing the official documents regulating the use of the Structural Funds, which led to the postponement of programmes to 2008 and even in some cases to 2009;
- delays in preparing strategy documents to guide the implementation of programmes;
- delays in establishing the procedures for allocating funding;
- a lack of experience on the part of both the authorities responsible for managing the disbursement of funds and applicants alike, especially when dealing with financial engineering instruments.

These administrative problems were reinforced by the severe economic recession which hit Latvia in 2008 and which led to a need to modify programmes. In addition, fiscal constraints have resulted in a shortage of national resources for co-financing the projects originally envisaged, as described further below.

A lack of administrative capacity is also reported in *Estonia*, where experience illustrates the problems of implementing competitive tendering procedures for public procurement where there is insufficient competence to manage the process adequately. Competition between suppliers for public procurement contracts is reported to have resulted in lower quality and delays in implementation, due in part to procurement decisions being frequently taken to court by unsuccessful tenderers and to the fact that some smaller local governments and NGOs, in particular, lack the competence required.

Even in a number of EU15 countries with more experience in managing the Structural Funds and greater administrative capacity, the main reason for delay is still reported to be of an administrative nature. In *Finland*, delays in implementation are attributed to the late start of programmes due to administrative and technical complications. In *the UK*, it took longer than anticipated to get some of the basic delivery mechanisms in place, secure matching funding and establish good information systems to enable policy targets to be set and programme performance to be monitored.

In *Austria*, where a large proportion of the ERDF is allocated to support of innovation in SMEs, the implementation of the measure was delayed by the very selective approach adopted by the central government agencies concerned, which was aimed at minimising risk in an area which is inherently risky. This led to a reduction in the funding made available for such support in 2009. In addition, a number of transport projects have been removed from programmes because it turned out that they were too complicated to implement within the programming period and plans to establish a 'seed capital' fund were dropped because of the difficulty of setting it up. These difficulties are considered to have affected the overall implementation of programmes more than the economic recession.

Lack of administrative capacity as a cause of delay – summary

In sum, lack of administrative capacity was considered a major reason for delays in implementation in the majority of EU12 Member States – specifically in Estonia, Latvia, Lithuania, Poland (in respect of regional authorities, as reported below), Slovenia, Slovakia, Bulgaria and Romania. In part, especially in the last two countries, this can be attributed to lack of experience and the insufficient time available to build this up before the programming period got underway. In some of the countries, it can also be attributed to an inadequate number of staff, a situation which it may prove difficult to rectify in the context of budgetary consolidation and cutbacks in public expenditure. In Romania, in particular, therefore, where shortage of staff was cited as a key problem, a freeze on recruitment in public administration has recently been implemented, together with a 25% cut in public sector salaries, which is unlikely to enhance staff motivation, the low level of which was reported to be a further problem.

On the other hand, in the *Czech Republic*, the preparation of programmes and their initial implementation is reported to have gone relatively smoothly, despite the low rate of expenditure noted above (only 3% of allocation). The only Operational Programme where a significant delay in implementation is reported is that on R&D for Innovation, where this was due to the novel nature of the programme. Moreover, delays in expenditure generally were attributed in part to the time needed to set up an effective Integrated Information System, which became fully operational only towards the end of 2009.

This was also a reason for delay in *Cyprus*, where as in the Czech Republic, no other problems of lack of administrative capacity were reported, though here as in Malta, Poland, Slovenia and Slovakia as well as Greece, there are problems with excessive bureaucratic procedures surrounding planning regulations, which are not due to insufficient administrative capacity as such.

Lack of administrative capacity, however, was also reported to be an important reason for delay in Greece and Italy, where experience in implementing Structural Fund programmes extends over two decades, but where the ability to initiate a new round of programmes within a reasonable period of time remains limited. This can partly be attributed to lack of competence, or inclination, to plan ahead.

Similar problems of insufficient capacity on the part of the authorities to administer EU funding were not reported in other EU15 countries, including Spain and Portugal, where the scale of assistance provided to lagging regions is on a comparable scale. Though in Portugal, administrative delays were reported, these were caused by adapting the system in response to changes in the EU regulations for managing the funds, as indicated below, rather than by capacity problems as such. The same is the case for the administrative problems noted above in several other EU15 countries.

Changes in funding measures and institutional arrangements as causes of delay

In a number of countries, new measures were introduced in the 2007-2013 period. These almost inevitably cause some delay as prospective beneficiaries need to be informed about them, 'teething' problems need to be resolved and the authorities responsible need to gain experience of operating them in order to do so efficiently. Financial engineering instruments, such as venture capital funds, to provide finance for enterprises in place of non-refundable grants, are an example.

Institutional changes were a more widespread source of delay, again especially in EU12 countries, but not only. In *Poland*, responsibility for implementing the regional parts of the

Integration Programme for Regional Development was given to regional governments in the current period, which, since they did not have such responsibility in the previous period, had had no opportunity to gain experience of managing the funding involved. Accordingly, in 2007, they confronted problems which were completely new to them together with a substantially larger amount of funding than managing authorities in the 2004-2006 had had to deal with, which inevitably led to delays in programme implementation. This was reinforced by the slowdown in economic growth which tended to reduce the demand for funding, as indicated below.

In Slovakia, frequent changes in the division of competences between managing authorities and shifts of responsibility between Ministries were a major source of administrative instability which markedly slowed the pace of programme implementation. Similar problems occurred in Hungary and the Czech Republic, where significant institutional changes also took place.

In *Portugal*, it is reported that the new EU regulatory framework for managing, monitoring and controlling the Structural Funds, which was aimed at simplifying procedures while strengthening financial control, imposed new certification requirements and intensified the audit process. Accordingly, it involved a significantly greater adaptation of management structures and more resources than in previous programming periods, so that putting the necessary arrangements in place led to delays in programme implementation.

In *Spain*, the time required by regional authorities and intermediaries to set up new verification procedures led to delays in establishing operational indicators and certifying expenditure.

In *the UK*, major institutional changes in the way that regional development is managed are planned to occur in the near future with the abolition under the new Government of the Regional Development Agencies in England, While this has no relevance for the progress in implementing programmes up to now, it could well affect implementation – as well as the content of the programmes themselves – over the remainder of the current period.

On the other hand, continuity seems to be a major factor underlying relatively fast rates of programme implementation. In *France*, for example, the implementation rate for innovation and R&D measures relating to the poles of competitiveness policy which was initiated in the previous programming period is markedly higher than for the new measures for environmental protection, sustainable development and energy efficiency introduced in the present period. As noted above, therefore, the rate of absorption of funding tends to be faster for measures which are established and operational than those which are being launched for the first time.

An extreme example of a new measure causing a delay in the implementation of programmes is in *Romania*, where an attempt was made to set up a JEREMIE fund to provide an additional source of capital to SMEs in order to alleviate the effects of the financial crisis on them. However the complexity of setting it up in a way which conformed with Structural Fund regulations led to its approval being delayed until after the worst of the recession was over.

THE EFFECT OF THE RECESSION ON PROGRAMMES

The recession affected the implementation of programmes in most Member States. The main effect has been to slow down the rate of implementation but in some policy areas, especially relating to business support and innovation, it has also had the reverse effect of speeding up the rate of spending. It has equally led to some adjustment to programmes in some countries as governments sought to use the Structural Funds to help counter the downturn in economic activity.

Two factors have contributed to the slowdown in implementation. The first is the reduced demand for enterprise support – which, as noted above, is a major element in development strategies and, accordingly, in the allocation of EU funding, especially in EU15 countries – because of the closure of firms, their reduced capacity to contribute to investment and the greater uncertainty attached to future prospects. The second is the reduced ability of public authorities to take up the EU funding available because of a shortage of resources for co-financing expenditure. The importance of these two factors – and indeed whether they are evident at all – differs according not only to the severity of the economic downturn and its aftermath in terms of its effect on public finances but also to the content of programmes, which is reflected in the allocation between policy areas examined above.

At the same time, in a number of countries, governments used the Structural Funds to provide support to companies in financial difficulties, while, in some countries, there are cases of firms taking advantage of the downturn in sales and in production to divert efforts to R&D and to prepare for the future.

Enterprise demand for support affected by recession

The closure of plants and firms and the decline in production in many regions has increased the difficulty of implementing measures to support enterprise and the development of business clusters, especially those specialising in exporting. This was reported in *Finland* among other countries.

The demand from firms for support declined as the recession took hold, both because of the increased uncertainty about future market developments, and, accordingly, about the likely return from investment, and because of difficulties in providing the necessary co-financing, as a result not only of a decline in profits but also of reduced access to bank credit. SMEs, therefore, are reported to have postponed investment, the purchase of plant and equipment, R&D projects and the promotion and marketing of exports. This is considered a major reason for the delayed implementation of programmes in *Portugal, Spain, Germany, France, the UK, Ireland, Denmark* and *Slovenia* as well as *Finland* and to a lesser extent in *Belgium*. In *Spain*, similar difficulties were the reason for the delayed implementation of a JEREMIE fund in the Canarias.

All of these countries saw a reduction in the take-up of the financial support made available for SMEs, while in *Romania*, many companies which had already had their projects approved withdrew their application for support because of co-financing problems.

By contrast, there are a number of countries in which the recession had the opposite effect, of increasing demand from enterprises for funding, especially for research and innovation-related support. In these countries, firms used the opportunity provided by the reduction in sales, and the under-utilised resources which resulted from this, to initiate R&D and innovation projects. This was reported in *Finland*, *the Netherlands* (in the South region) and *Slovenia* as well as in *Germany*, where there was also increased demand for support of networking and cluster-type activities.

In *Estonia*, too, where the recession was especially severe, there was increased demand from firms for support of innovation and investment, as reflected in above-average rates of implementation of the measures concerned.

In *Latvia*, on the hand, while for some measure relating to support of Innovation there was increased demand from firms, for others, the reverse was the case. In particular, a number of projects involving the development of new products and the application of new technology which were underway had to be terminated because of the worsening financial situation of the firms concerned. At the same time, the demand from firms for support of 'high value-added investment', on which the return was more certain, has remained high. This suggests that because of uncertainty about future market developments, companies were willing to invest in less risky ventures but not in those involving investment in new products or new processes.

Public sector investment also affected by recession

Local and regional governments have major responsibility in many countries for undertaking investment projects, particularly as regards transport and environmental infrastructure. The recession has led in most cases to a worsening of government finances at this level because of falls in revenue from taxes on income, expenditure and business profits. The response in some cases has been to cut back on investment, causing several ERDF co-financed projects to be postponed or cancelled completely.

In *Greece*, the global recession together with the severe financial difficulties that the country has experienced seriously affected policy implementation in 2009 especially and up to early 2010 when the financial rescue package was agreed and uncertainty over national funds being available for co-financing was considerably reduced.

In *Ireland* too, the recession has adversely affected the ability of both of the two regions to implement the programmes as planned because of a lack of funds for co-financing. Indeed, because of this difficulty, the Irish Government negotiated a reduction in the national share of co-financing of the Operational Programme for the Border, Midlands and West region from 60% to 50%.

Similar problems have affected the implementation of programmes not only in *Estonia* but also in *Finland* where, as indicated above, the recession was deeper than in all other EU15 countries apart from Ireland.

In *the Netherlands*, it is reported that the crisis led to some project developers, mainly involved in infrastructure investment, experiencing financial difficulties, leading to delays or, in a few cases, the termination of projects.

In *Lithuania* as well, the deterioration in public finances and the consequent fiscal tightening has constrained the funds available for co-financing, but here, instead of postponing large numbers of projects, the Government took out a long term loan with the European Investment Bank (EIB) to use for this purpose. This was also the case in Slovakia, where a loan of EUR 1.3 billion from the EIB was negotiated in November 2010 to provide both co-financing and pre-financing of projects supported by the Structural Funds and Cohesion Fund.

Similarly, in *Latvia*, despite the deep recession and the budgetary consolidation which it has led to, the implementation of programmes has not been greatly affected partly because the Government gave a commitment to continue using the Structural Funds to finance economic development as a condition for receiving EIB and IMF loans.

In many other countries, there has been little effect so far on programmes. Indeed, there was a conscious effort to maintain high levels of public expenditure in order to counter the effects of the recession and, in a number of countries, especially in the EU12, the Structural Funds played an important role in this regard. This is the case in the *Baltic States*, where the effect of the recession on economic activity and public finances was particularly severe. It is also the case in *Bulgaria*, where the Structural Funds are regarded as being virtually the only source of capital for public intervention.

Similarly in *Poland*, the Funds are considered to have made a significant contribution to maintaining economic growth, even if at a low rate, when all other Member States were experiencing a fall in GDP. Here, it is reported in addition that the economic slowdown brought some benefits as well as costs, in that it forced businesses and some administrative authorities to streamline activities, concentrate on tackling key development problems and manage finances carefully.

Much the same is reported in the *Czech Republic*, where the effect of the crisis was not only to encourage authorities to improve the efficiency of administrative procedures but also to put in place a system of financial flows which was more 'beneficiary-friendly', in the sense of reducing delays in payment to them. In *Slovakia* too, a move was made to speed up payments to beneficiaries at the end of 2008.

On the other hand, in some Member States, *Germany* in particular, the focus of administrative effort on measures to counter the effects of the recession led to priority being given to national programmes which had a quick impact and could be implemented rapidly. This led to administrative capacity being diverted away from ERDF programmes and consequent delays in their implementation. Similarly, in *the Netherlands*, specifically in the Eastern region, delays are reported in the implementation of EU co-financed projects because of regional and local public authorities redistributing funding to other projects to combat the effects of the recession.

However, with notable exceptions, the recession has not led to any significant widespread reduction in public sector funding for development so far. Nevertheless, there is a serious possibility of cutbacks in 2011 and subsequent years as the full repercussions of the deterioration in public finances on the funding available to regional and local governments are felt. These stem not only from a reduction in the revenue from the taxes and charges they are responsible for but more importantly from a cutback in the transfers they receive from central government, which so far in most cases have been maintained or even increased as part of the means of countering the recession. This is especially the case in *France, Spain* and *Austria*.

In *Spain*, for example, the Government has introduced a fiscal consolidation programme which will affect the implementation of ERDF programmes in 2011. In particular, it has announced large cuts, delays and some cancelations in investment in transport infrastructure.

CHANGES IN THE ALLOCATION OF FUNDING PRIORITIES IN RESPONSE TO THE RECESSION

There have been in most countries only minor changes to the initial allocation of funding between broad policy areas. The shifts which have occurred have resulted from a re-assessment of priorities in the context of changes in economic conditions and the experience of implementing the programmes over the first year or two. These are not all direct effects of the recession, but a number are.

In many countries, such as in *Germany*, *Spain, Italy* and *Belgium*, the authorities have expressed the view that the recession ought not to affect cohesion programmes at all, since these have long-term structural objectives which should be independent of short-term cyclical fluctuations in the economy. In *Spain*, for example, the strategic report on the Spanish *National Strategic Reference Framework* stressed that the initial focus of ERDF programmes on fostering R&D, innovation and business development is even more important for tackling development problems since the economic recession hit than it was before.

Nevertheless, as indicated below, there are a number of examples of some modifications being made in the allocation of funding and, in particular, in the emphasis attached to different objectives.

In *Italy*, the cutback in national funding for development has led to national programmes for enterprise and research, education, the reclamation of old industrial sites and capacity building being terminated, while the programming approach has been weakened by some of the funding remaining being allocated to single projects proposed by the Prime Minister's office. There has been no significant change, however, in the allocation of the ERDF between policy areas since the structural problems which programmes are intended to tackle remain as they were before the recession, though overcoming them has become more urgent and difficult. The main modification has occurred within enterprise support measures to increase the resources allocated to improving the access of firms to credit – an aim which is also evident in many other countries, as indicated below –through setting up guarantee funds[15].

In the *Czech Republic*, the Strategic Report produced in 2009 confirmed that the overall strategy initially adopted was in line with the needs of the country. Nevertheless, a plan was drawn up in response to the recession by the interim Government at the beginning of 2010 to reallocate funding to policy areas where the need was greatest and where interventions were most effective. The plan, however, was never implemented on the grounds that it would

[15] The main change reported in the diversion of the ESF from support of investment in human capital to co-financing income support of the unemployed.

have taken too long to obtain European Commission approval. This may have been a deterrent to changing programmes in response to the crisis in other countries as well, though it is not mentioned explicitly in the national reports. Neither is mention made specifically of the political difficulty of shifting financial resources from one Ministry to another which switching the allocation of funding between broad policy areas often implies.

The use of the Structural Funds to counter the effects of the economic downturn

However, while the allocation of EU funding between broad objectives has not changed significantly in most countries, it is also the case that the recession and the widespread rise in unemployment which has resulted have put a premium on preserving jobs and, where possible, creating new ones. This was reflected in the Structural Funds being used to support businesses in many countries during the economic downturn in 2008 and 2009 and in funding being directed towards projects which could be implemented more quickly and which would, accordingly, produce results sooner.

In *Finland* and the *Belgian Flemish* region, therefore, the emphasis of enterprise support is reported to have shifted from growth to assisting SMEs to survive the recession.

In *the UK*, while the main thrust of programmes remained the same, the finance provided by the ERDF was diverted in some degree to help combat the effects of the recession in both Convergence and Competitiveness regions, particularly through support to business in 2008 and 2009 to help them survive the economic downturn. In South-West England, for example, a loan fund was established with support from the ERDF to assist firms in financial difficulties whose long-terms prospects were good, while in the North-East of England, a JESSICA urban investment fund and a JEREMIE venture capital fund were set up.

Likewise, in *Portugal*, the INVESTE I and II SMEs credit lines were established and were important in injecting financial resources into the economy and in helping companies overcome shortages of liquidity, which were aggravated by the funding restrictions imposed by banks and financial institutions.

In *Hungary*, a shift in the allocation of funding was made in 2009 in response to the recession, with more support being made available for business development, especially for SMEs, partly through expanding financial engineering measures.

In *Malta*, some funding intended for investment in public infrastructure was diverted to supporting businesses to mitigate the effects of the recession, in particular by increasing financial assistance to e-business development, R&D and innovation.

In *Latvia*, a review was carried out by the Government at the end of 2008 in the context of the planned reduction in the budget deficit for 2009 by over 4% of GDP with the aim of directing Cohesion policy to supporting economic recovery and identifying measures which did not directly contribute to this. The result was a shift in the allocation of the Structural Funds towards, in particular, support for business investment, assistance in exporting and the development of the scientific and research infrastructure. Two new measures were introduced in order to alleviate the liquidity squeeze on economically sound companies, which together amounted to some EUR 133.4 million of funding financed from the ERDF. In addition, the allocation of funding to investment in environmental infrastructure, cultural activities and school and college building was redirected towards energy efficiency measures, investment in renewable energy supply and local authority infrastructure.

A similar shift towards quicker acting investments projects, in part to support the construction industry hit particularly hard by the recession is also evident in other countries.

In *Lithuania*, as well as increased funding being put into financial engineering schemes to expand the capital available to businesses, additional financing from the ERDF (around EUR 140 million) was allocated to increasing the efficiency of energy use in apartment buildings and to the renovation of both private and public buildings as well as to social infrastructure.

In *the Netherlands*, in the Northern region in particular, part of the finance from the ERDF (though a much smaller amount - EUR 6.7 million) was re-allocated to investment in energy saving measures for the same reason.

In *the UK* again, in the Highlands and Islands, region, the ERDF was used to 'front-load' expenditure on investment considered vital for the future of the region, which included support for investment in renewable energy supply with particular emphasis on wind, wave and tidal methods of power generation. In addition, in the West Midlands, the programme co-financed under the Competitiveness Objective was reconfigured to some extent to help companies in the recession, in part through supporting energy saving measures including improving energy efficiency in housing.

In *France*, a range of measures were taken to accelerate the implementation of programmes as part of the Government's '*Plan de relance*' (recovery plan). These were focused, in particular, on sustainable development, ICT infrastructure and energy efficiency in housing, with a number of regions (such as Alsace, Champagne-Ardenne and Franche-Comté) introducing measures in respect of the last.

In *Greece*, efforts have been made in response to the crisis (and following a change in Government in 2009) to re-allocate funding to the support of tourism, entrepreneurship and new sources of energy supply, as well as the green economy. In addition, ERDF support for the domestic use of renewable energy was directed towards assisting low income groups.

Increased emphasis on employment in the focus of programmes likely to remain

There are signs that the increased weight given to job preservation and employment creation in the choice of projects and measures to support during the economic downturn is likely to carry over into the recovery period. This is especially the case with regard to enterprise support. The risk is that employment considerations will take precedence over longer-term objectives, such as restructuring or improving competitiveness through the application of new technology both of which might involve only limited job creation or even job destruction in the short-term.

For example, in *Portugal*, while the Structural Funds are regarded primarily as a means of helping to bring about structural change, there is pressure to direct funding towards policy areas that have immediate effects on employment.

SOME INITIAL ACHIEVEMENTS OF COHESION POLICY PROGRAMMES

All the national reports make clear that at this stage of the programming period – or at least up to the end of 2009 which is the period which the Annual Implementation Reports relate to – there is little documented evidence on the concrete achievements of programmes. The delay in implementing programmes means that comparatively few projects have been completed and that most are in the early stages of being carried out or have yet to begin in earnest.

This is especially true of infrastructure projects, which typically have to go through a lengthy planning and preparation process before actual construction can start. It applies, in particular, to those which were initiated in the present programming period and were not carried over from the previous one. As indicated above, these projects account for a large proportion of the total expenditure which it is planned to carry out under the Convergence Objective, especially in the EU12 countries. Many of them were still at a preparatory stage in 2009, though it is stated in a number of the national reports that they are set to begin generating significant expenditure this year and next.

The quality of the information in the Annual Implementation Reports

Member States and regions are required to produce, by the end of June each year, Annual Implementation Reports setting out the progress made in carrying out the programmes co-financed by the Structural Funds. As specified in Article 67 of the General Regulation:

'*The reports …. shall include the following information in order to obtain a clear view of the implementation of the operational programme:*

(a) the progress made in implementing the operational programme and priority axes in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 37(1)(c) at the level of the priority axis.'

The Article then goes on to list the financial information and other details which the report should contain, including '*the steps taken … to ensure the quality and effectiveness of implementation*'.

The reports are intended to be the prime source of information available to enable the implementation of programmes to be monitored and assessed – indeed, in practice, they are the only official source of information in this regard. As they stand, however, they do not serve this purpose. The information they contain is not sufficient to allow progress in implementing programmes to be meaningfully identified, still less assessed, by anyone external to the process.

This is highlighted in the national reports which emphasise the difficulties entailed in carrying out the main task they were intended to perform on the basis of the material available. The deficiencies of the Annual Implementation Reports (AIRs) are of two main kinds. They relate, first, to the quantitative data they include which are often not in a form to enable progress to be judged in a meaningful way, particularly so far as the outcomes of the programmes are concerned. Secondly, they relate to a lack of qualitative information to enable the quantitative data to be interpreted.

A focus on financial implementation rather than on achievements

In many cases, therefore, the information the reports contain refers in large measure to planned or anticipated outcomes rather than actual outcomes. This, however, is not always made clear in the reports and the distinction between actual and planned outcomes is often blurred. Equally, the focus in many cases is on inputs rather than outputs or results – on, for example, the number of projects undertaken, or even simply approved, or the number of enterprises assisted rather than what the projects have produced or what has been achieved by undertaking them.

The indicators reported, accordingly, relate more to monitoring progress in implementing the programme in financial terms than to than in terms of their outputs, to the process of selecting projects and spending the funding available more than to concrete outputs or results produced (such as increasing the innovative capacity of SMEs or reducing journey times). As such, the reports may serve a useful internal purpose of checking the financial implementation of programmes but this is of limited usefulness for outside observers interested in what the expenditure undertaken has actually achieved.

In *Poland*, as in many of the EU12 countries, this focus is in part explained, as the national report notes, by the strong social and political pressure on the authorities concerned to demonstrate their ability to spend EU funds, which has inevitably affected their approach to assessing progress in implementing programmes. The emphasis in the Implementation Reports, therefore, tends to be on financial rather than physical aspects.

This is also the case in *Bulgaria* and *Slovakia*, where the focus is reported equally to be on management procedures and administrative arrangements rather than on the projects themselves and what they are producing. This, however, is understandable given the lack of experience in managing financial resources from the Structural Funds and the effort which has been devoted to building the capacity to do so.

At the same time, it is important to emphasise, as noted above, that most projects were still only just getting underway at the end of 2009, in the EU12 countries particularly, so that there was in any case a limited amount of information on concrete achievements to report. However, as again pointed out in the *Polish* report, it is not always clear whether a lack of information on physical indicators means that no output has so far been produced by the projects funded or that output has been produced but there are simply no data because of the monitoring and reporting system is in the early stages of being developed.

Deficiencies in the quantitative information published

As a number of national reports point out, where indicators of outcomes are published in the AIRs, they tend to focus on outputs rather than results, which again may be because results have yet to become evident. Moreover, result indicators are largely confined to the number of jobs created and/or safeguarded, which, although it is a core indicator and of importance, especially in the present situation, jobs are often not the main purpose of the interventions which are reported on and in themselves give little indication of the progress made to achieving the purpose concerned.

A prominent example is support for innovation in SMEs, where the central aim is to improve their competitiveness and capacity for growth rather than to increase employment in the short-term, even though this might be a long-term aim. Yet while jobs created might be reported, meaningful indicators of competitiveness, such as growth of exports or productivity, are not.

In addition, a lack of comparability of the quantitative information reported increases the difficulty of making an overall assessment of Cohesion policy achievements across regions or, in some cases, even of the outcomes from individual programmes. A lack of consistency and harmonisation of the information presented in the AIRs is evident in a number of different aspects:

- In the choice of indicators and the information published by the authorities responsible for managing the different Operational Programmes in individual countries;
- In the definition and measurement of the indicators chosen, which applies even to core indicators such as the number of jobs created;
- In the indicators reported over time and in different documents by the same Managing Authority;
- In the setting of targets.

These problems make it difficult to compare the output and results of programmes across regions, which is a particular problem when trying to assess the overall outcome of programmes in individual countries, especially the larger ones. Equally, it makes it difficult if not impossible to produce any meaningful aggregate indicators of outcomes across the EU as a whole, such as the number of jobs created as a result of enterprise support.

More seriously, the lack of a clear link between the indicators reported and the objectives of policy, together with a lack of consistency over time in the indicators concerned, make it difficult to judge the performance of individual programmes – and of programmes in individual regions – in terms of their achievements.

These problems are examined in more detail below before considering the deficiencies in the qualitative information contained in the reports, which is essential to enable the quantitative indicators to be interpreted and their relationship to the targets set and the wider objectives of policy to be assessed.

Differences in the indicators reported and in their suitability for measuring outcomes

The indicators reported can vary significantly between Operational Programmes and, accordingly, between the regions they relate to. This is the case, in particular, in a number of the larger countries, in Germany, the UK and Poland, especially, and reflects an apparent lack of coordination between the authorities responsible. It also reflects the fact that the guidance provided on the indicators to use to monitor essentially similar measures is insufficiently detailed to ensure that a common approach is adopted. As a result, the indicators vary in terms of their appropriateness, or suitability, for measuring outcomes, as well as making comparisons across regions difficult. In the case of support to enterprises, for example, in some regions, an attempt is made to indicate the increase in value-added or

R&D expenditure in the firms receiving assistance, in others, indicators are limited to the number of firms assisted[16].

Differences in the definitions used to measure indicators

The way that particular indicators are defined and measured also tends to vary across programmes and, therefore, regions. This applies as much to the core indicators which all authorities are requested to monitor and report as to those which authorities select themselves to track the progress of projects or measures. There is, therefore, no standard way applied to measuring, for example, the number of jobs created, which is the most commonly reported core indictor, quite apart from the failure, in most cases, to distinguish between gross jobs and net jobs created (i.e. taking account of the jobs created displacing others or those that are lost as a result of the intervention).

This means that the definitions used, and the indicators which result, are of variable suitability. In some cases, jobs created refer only to those which directly result from the expenditure concerned, in others they also include all increases in employment which occurred in the firms and other beneficiaries receiving funding, irrespective of whether they were related to the funding or not. In addition, in some cases (as noted in the *Dutch* and *Lithuanian* reports as well as the *German*) the output indicators reported relate to the last year only (2009), in others to the cumulative outcome since the programme was initiated.

This difficulty again reflects a lack of common guidance on the way that indicators should be defined and measured. It is compounded by the inadequacy of the information in the AIRs themselves about how particular indicators are defined and measured in practice.

Although, therefore, the idea of identifying a set of core indicators which Member States and regions are required to maintain and report on is a potentially useful one, enabling the outcome of programmes to be aggregated across regions, or even the EU as a whole, so far it has not been applied in the consistent and coordinated way necessary to make aggregation meaningful.

Lack of consistency in reporting indicators over time

The lack of consistency in reporting indicators for different programmes extends to reporting them for the same programme at different points of time, such as in successive AIRs or in these and in the initial planning documents. This makes it difficult to track the performance of a particular programme as ii is implemented, as noted in the *German, Polish* and *Dutch* reports.

A related and more general difficulty, as pointed out in the *Latvian* report, is that of relating the indicators reported for particular projects or in particular policy areas, or fields of intervention, to overall policy objectives, which would enable performance in pursuing the latter to be assessed. In other words, little indication is given in the reports of how the

[16] For example, in the UK, the increase in value-added and R&D in assisted enterprises is reported in the Highlands and Islands region, receiving ERDF support under the Convergence Objective, but not in the other two regions also receiving support under this Objective. Similarly, in the German Convergence regions, it is reported that there is only one result indicator, jobs created, which is common to all the regions.

outcomes achieved from the various projects or measures contribute to attaining the end aim of the programme in the broad policy area concerned.

Question mark over the meaningfulness of the targets set

While some impression of the performance of programmes can be gained by comparing outputs or results to targets, this relies on the targets in question being both meaningful and realistic ones. In a number of cases in most countries, the targets set for particular indicators to be achieved by the end of the period, have already been exceeded or have almost been attained with four years of the period still to go. In other cases, the targets seem likely to be unattainable given the limited progress made up in the first three years. This raises an obvious questionmark over how far targets are meaningful, in the sense of representing a genuine means of judging performance rather than being set deliberately low in order that they can be easily achieved or, alternatively, being set at an unrealistically high level in relation to the resources provided or the policy effort required to meet them. In both cases, it is doubtful whether the targets in question are regarded an integral part of the process of monitoring, and assessing, the implementation of programmes so far as the managing authorities are concerned.

Inadequacy of the qualitative information provided

The difficulty of assessing achievements is not just to do with the nature of the quantitative data which goes into calculating the indicators or with how the targets are set. More generally, it is to do with a lack of sufficient qualitative information to be able to interpret either the targets or the indicators in a meaningful way. Where targets are published together with the outputs and results of expenditure up to end-2009, the official reports do not systematically provide a commentary on them or offer explanations of why, for example, some targets have already been exceeded or why others are a long way above what has so far been achieved.

No less importantly, the outputs and results reported are rarely related explicitly to the main objectives, or priorities, of the programmes, and, accordingly it is difficult if not impossible to put them into context. The significance, for example, of the provision of advisory services to x thousand SMEs or the construction of x hundred kms of new roads for end-objectives is, therefore, not immediately apparent and is rarely clarified. The AIRs tend to be short on the provision of the qualitative information which would help to interpret the indicators and enable the outcomes of projects to be assessed in terms of what they imply for both immediate and ultimate objectives.

A related point is that in the majority of EU15 countries, the ERDF represents a relatively small part of the overall financial support given to regional development, as indicated above. To assess its contribution, there is a need to be able to relate it to the much larger national, or regional, funding which is devoted to similar purposes and the uses to which it is put. This can only be done if the relevant information is made available to enable the role of the ERDF to be put into context, and perspective. Such information is not typically included in the AIRs – nor, indeed, as noted earlier, is it readily available elsewhere.

Examples of activities and achievements so far

As emphasised above, given the delayed implementation of programmes in most countries and given also the concentration of expenditure on infrastructure projects in many Convergence regions, especially in the EU12, it is only to be expected that in many cases, the tangible output reported is limited. Moreover, as noted above, much of the output or results which are reported relate to expected or planned outcomes rather than actual ones. Indeed, for regions in some countries, few actual outputs are reported at all, simply because the project or measures funded are still at an early stage and have yet to produce anything tangible.

Nevertheless, significant outputs have been produced in many regions, as is indicated below, where a few examples are given of the outcome up to the end of 2009 of the projects supported. It should be stressed that these examples are intended to be illustrative of the achievements indicated in the national reports, to which readers are referred for more examples.

Enterprise support

According to many of the national reports, progress in implementing measures of enterprise support has tended to be in advance of that in other policy areas, despite the delays reported in spending the resources allocated in many countries as a result of the recession. This can partly be attributable to the fact that the measures implemented in the previous programming period were, in many cases, continued in the present period, if perhaps with some increase in the emphasis given to R&D and innovation in line with the Lisbon agenda. Partly, however, it is also attributable to the increased emphasis put on providing assistance to businesses to help them through the economic downturn and to compensate for the lack of finance available from banks and other private sector sources of lending.

The most common physical indicators reported relate to the number of firms supported, the number of support centres established, cases of cooperation between enterprises and research institutions aided, the number of new products or processes which it was helped to develop and so on. These say relatively little about the tangible outcome of such measures but most AIRs stop short of reporting information about the latter.

In *Germany*, for example, it is reported that 151 business start-ups had been supported under the Convergence Objective by the end of 2009 in four of the regions receiving assistance and an estimated 5,550 jobs created as a result, while under the Competitiveness Objective, 326 start-ups had received assistance in 5 regions and over 7,300 jobs had been created.

In *France*, the main support to enterprises is reported to have been part of the *pôles de compétitivité* and *poles d'excellence* policies. Unlike in the previous programming period, when funding tended to go to academic institutions, support has been concentrated on the needs of business and more directly on regional development. An example is the construction of new building for more directly. A good example is provided by Limousin with the construction of a new building for the *Institut Carnot* (an interdisciplinary grouping of high-level research laboratories to carry out R&D projects in partnership with industry) in

Limousin as part of the ELPPYS *pôle de compétitivité* (specialising in micro-waves and photonics[17]).

In *Ireland*, the ERDF has co-financed six new Applied Research Centres and two new Incubation Centres in the Southern and Eastern region since 2007, while in the Border, Midland and Western region, one new Incubation Centre had been established with the help of ERDF support.

In *Cyprus*, measures to support R&D and clusters had helped 107 firms to upgrade their technology by the end of 2009, or around half the target number of firms for the period as a whole. In addition, 85 new firms had been created through schemes devised to assist young people and women to set up businesses.

In the *Czech Republic*, where, in many other countries progress in implementing programmes in the first three years of the period was very modest, around 130 new firms were estimated to have been created with ERDF support along with almost 3,600 new jobs, while five Science and Technology parks and five business incubators had been set up.

In *Spain*, the ERDF had co-financed some 3,363 ICT projects and had assisted over 3,260 companies and 3,153 centres, together with an additional 99,600 people, to connect to broadband. It had also co-financed the construction of the International Iberian Nanotechnology Laboratory (INL), which was completed in 2009 under the Spain-Portugal Cross-Border Cooperation Programme for 2007-2013 as a centre of excellence in applied nanotechnology research.

Transport and telecommunications

Because of the long period required for preparation and planning, the output reported from transport projects was in general well short of the targets set for the programming period for the number of kilometres of road or rail constructed or upgraded. In a few cases, result indicators are also reported, in terms of the time savings from the projects carried out. Both sets of indicators, however, are difficult to interpret in the absence of information on needs or, in the case of time savings especially, on the prevailing situation

In *Lithuania*, for example, 27 out of 35 planned measures for improving transport safety in areas where the accident rate was highest had been implemented by end-2009, with almost 775 kms of roads constructed or improved. The aim was to reduce the high rate of road fatalities, among the highest in the EU, and in the first quarter of 2010, road deaths were down by 33% as compared with a year earlier. While this reduction cannot be attributed solely to the road improvement programme, it undoubtedly contributed to a significant extent. In addition, four of the 6 planned projects for developing international airports have been implemented, resulting in an additional 430,000 passengers a year accommodated in 2009, with the number expected to rise to 1.6 million by 2013. Such an achievement is important in a context where the national carrier went out of business in 2009 and where,

[17] The application of electromagnetic energy, the basic unit of which is the photon, incorporating optics, laser technology, electrical engineering, materials science, and information storage and processing.

accordingly it has become important to attract international airlines, and the passengers they carry, in order to boost tourism.

In most of the other EU12 countries, where transport was also a priority area for investment, relatively little progress in completing projects had been made by the end of 2009 and in general the output achieved was well short of the target set for the period.

The situation is similar in the EU15 countries, where the transport projects funded are predominantly in regions assisted under the Convergence Objective. *Spain* is an exception, where 6 projects involving the construction or improvement of motorways had been completed by the end of 2009, among them the new Malaga western by-pass extending for 21 kms. In addition, the new high-speed railway line from Madrid to Valencia via Abacete, co-financed by the ERDF and the Cohesion Fund, along with TENS-T aid, is due to be completed by December 2010.

In *Portugal*, a number of large-scale priority projects, in particular, the Lisbon-Madrid High Speed Train line, the Sines Harbour-Spain rail connection (both TEN-T projects) and the completion of the Lisbon Region Internal Ring motorway (CRIL), are planned to be carried out during the period. However, while the latter two projects are underway, work is still at an early stage and there is as yet no data on physical output.

In *Italy*, in Puglia, for example, three projects for improving the rail network, covering 20 kms of railway line had been completed in relation to a target for the period of 34 projects covering 170 kms of line.

In *Germany*, just under 10 kms of road are reported to had been constructed by end-2009 under the Convergence Objective and around 95 kms improved, while 147 kms of railway line had also been were also constructed (122 kms of them as part of TEN-T), with an estimated aggregate savings in journey times from the latter valued at EUR 151,000 a year.

In the *French DOMs*, though most major transport projects had started at the end of 2009, only a few had been completed. One of them was the Route des Tamarins, an expressway intended to ease traffic jams on the island of La Réunion. On *mainland France*, the ERDF co-financed the provision of broadband under the Competitiveness Objective in areas not previously covered in Bretagne, Centre, Franche-Comté, Languedoc-Roussillon (where 150,000 people were provided with access) and Rhône-Alpes.

In *Ireland*, the ERDF helped finance the National Broadband Scheme, half of the planned area to be covered being completed by the end of 2009, serving a population of 110,600 and providing access to high-speed communications to 14,500 businesses in the Southern and Eastern region and to almost 44,700 houses and nearly 2,700 businesses in the Border, Midland and Western region.

The Environment and energy

A significant part of EU financing from both the ERDF and the Cohesion Fund is allocated to investment in environmental infrastructure, mainly in improving the supply of drinking water and waste water treatment through the construction of plants and pipelines.

Although relatively little of the investment planed had taken place by the end of 2009, some results are reported in a number of countries. For example, in *Germany*, over 240 thousand additional people had been connected to waste water treatment plants by the end of 2008 (no data are reported as yet for 2009).

In the *Czech Republic*, some 66 kms of sewerage pipeline had been constructed or renovated by end-2009, just over half of the target of 120 kms, and 244 thousand people had been newly connected to the main drainage system – and to waste water treatment plants – by the end of 2008.

In Spain, four waste water treatment plants had been modernised by the end of 2009 and 13 new treatment plants are in the process of construction, most of them in Galicia.

In *Italy*, in Calabria, 53 kms of water mains had been completed by end-2009 in relation to a target of 215 kms for the period and 30 kms of sewerage pipeline had been built as compared with a target 80 kms.

Less progress had been achieved in *Lithuania*, by the end of 2009, only two of the 220 planned projects having been completed by the end of 2009. In *Poland*, mainly in Kujawsko-Pomorskie, Podkarpackie, Świętokrzyskie and Dolnośląskie, some 39.7 kms of water mains had been constructed and an additional 4,456 people had been connected to a supply of fresh drinking water as a result, while 176.3 kms of sewerage pipeline had been built and 17,241 people connected to main drainage.

A smaller amount of funding is allocated to support of investment in the development of renewable energy supply. As in other areas of investment in infrastructure, there are relatively few tangible indications of progress reported in this regard.

In *Estonia*, the capacity to generate electricity from renewable energy sources had been expanded by almost 25% in the first three years of the programming period and the heat generated from CHP (Combined Heat and Power) plants and boiler houses using renewables by over 15%.

In *Ireland*, one of the most tangible achievements up to 2009 was the completion of 49 new small-scale gas-fired CHP (Combined Heat and Power) installations, 37 biomass projects and two solar thermal projects.

Territorial development

A significant proportion of funding is also allocated to a range of measures which broadly relate to Territorial development. These include support for investment in social infrastructure, including in hospitals and schools, the regeneration of urban and rural areas, the reclamation of old industrial sites and improvements in cultural and tourist amenities. Up to the end of 2009, relatively few projects in this area had been completed across the EU and few examples of output are cited in the national reports.

One example reported, however, is a programme for modernising schools in *Portugal* under which 16 secondary schools and 20 primary schools were modernised and refurbished over the first three years of the period in Norte, Centro and Alentejo. This not only contributed to the policy of improving the education system in a country where the relative number of young people leaving school without adequate qualifications is the highest in the EU, but it also provided work for companies in the construction industry and created jobs at a time when the industry was hit particularly hard by the recession.

An additional example is in *Italy*, in Vale d'Aosta, where 2,245 square metres of polluted land had been reclaimed by the end of 2009 as against a target of 4.000 square metres.

Impact on regional development

All national reports are unanimous in emphasising that it as yet too early in the programming period to assess the effects of intervention supported by EU funding on the development of the regions assisted and on the ultimate objectives of Cohesion policy, especially given the widespread delays in the implementation of the programmes. As indicated above, initial outputs and results of the programmes will in many cases only appear in 2011-2012 and the overall impact is not likely to become evident until the very end of the period or later.

This is particularly the case given the relative concentration of expenditure on investment in infrastructure, such as transport networks, where the impact of projects on economic development and social cohesion in the regions assisted will only begin to appear to any significant extent sometime after they have been completed. Such a lengthy lag is in part an inevitable consequence of the nature of the interventions concerned, though it could have been reduced if the programmes had been launched more promptly.

Significant effects likely from continuation and extension of programmes from previous period

Nevertheless, the common expectation expressed in the national reports is that the programmes are likely to have a significant effect on regional development given their contents and focus. Indeed, many of the policy measures being taken are a continuation of those initiated in the previous period, or even in a few cases before, and their effect in a number of cases is becoming increasingly apparent. This raises a question over how far it is sensible and meaningful to attempt to separate the effects of programmes between funding periods when in practice the financing provided has effectively extended across the periods concerned for many regions.

In *France*, for example, EU Cohesion policy, and the support provided by the ERDF in the previous period, is reported to have strongly reinforced the interest in, and commitment, to innovation support policies at regional level, which has continued in this period and is important for strengthening industrial competitiveness.

In *Spain*, there is reported to be clear evidence that ERDF support in this and the previous period has increased business investment in innovation, as well as helping to set up the Spanish centre for industrial technological development (CDTI), which can be expected to contribute to improving the competitiveness of Spanish industry.

In *Italy*, from the experience of the previous period, the continuation of innovation policies in regions assisted under the Competitiveness Objective can be expected to have a significant effect in boosting the investment of SMEs in new technology and helping them diversify into new activities, so helping to strengthen regional competeveness.

In *Portugal*, the urban renewal measures developed under the POLIS Programme which was initiated in the 2000-2006 programming period, combined with the infrastructure projects supported by EU funding, helped to improve the quality of life in the major cities in the country. In the present period, this programme has been extended to smaller towns and cities and can be expected to have similar effects there, as well as helping to moderate the migration of people from rural areas to the major cities.

In *Greece*, it is held that large projects already initiated in the previous programming period are likely to have the most impact on regional development, especially transport projects given the need to improve connections with the rest of the EU. The 2,000 kms of trans-European motorway which have already been constructed have reduced average travel time by 16% and comparable results can be expected from the projects being continued in the current period. Equally, the extension of the Athens Metro in the previous period resulted in a notable reduction in congestion and air pollution in the city, so that the planned extension of an additional 8.2 kms of metro line can be expected to lead to similar improvements (even if major delays in construction are occurring).

Cohesion policy providing important support to policies for sustainable development

It is also reported that Cohesion policy is helping to create the basis for sustained regional development.

For example, in *Ireland*, despite the small scale of support from the ERDF in the present period, the managing authorities interviewed in the preparation of the national report highlighted the "demonstration effects" of Cohesion policy which has influenced the orientation of national expenditure in the regions. The focus on innovation, enterprise and the knowledge economy is held to have created a framework for sustainable development in the future.

In *the UK*, in Cornwall and the Isles of Scilly, the measures funded under the Convergence Objective, are increasing the capacity of the region to take advantage of business opportunities in the low carbon economy, so increasing its chances of achieving sustainable development in the long-term. A particular example is investment in the development of renewable energy from wave power, which is both enhancing the science and knowledge base of the region and creating new business, and job, opportunities.

Cohesion policy as a catalyst for local development

There is also equally evidence that Cohesion policy is helping to stimulate local development in some countries and providing the basis at least for a reduction in disparities within (NUTS 2) regions.

In *Latvia*, a significant indirect effect of Cohesion policy in the recession has been to increase the ability of municipal authorities to plan their own regional development programmes by providing funding to them. They can, therefore, determine investment according to their needs instead of adapting their development programmes to the EU funding available under sectoral policies decided at national level, which is potential step towards reducing the wide regional disparities which exist in the country below NUTS 2 level.

In *Poland*, the availability of Cohesion policy funding is reported to have had a significant influence already on local communities, by mobilising participation in the pursuit of common development goals, so helping to strengthen social cohesion and reduce territorial disparities.

Macroeconomic estimates of the effect of Structural Fund support

In *Austria*, a preliminary study of the impact of EU Cohesion policy found systematic differences between regions that had received Structural Fund support since 1995 and those that had not. In Burgenland, the region with the highest level of funding, a clear economic catching-up process was evident. The implication is that continued funding in the current period can be expected to produce similar effects.

In both *Spain* and *Germany*, the effects of Cohesion policy have been estimated by means of econometric models. In *Spain*, estimates from such models are that GDP over the period 2000-2006 was increased by around 5-6% and imply that a similar effect can be expected for the current period. In *Germany* ex ante analysis of the effect of the support provided by the Structural Funds over the 2007-2013 period in the Eastern Länder using the HERMIN macroeconomic model estimated that the effect is to likely to be to increase GDP by around 1.5% a year in the years 2009-2015.

Structural Fund contribution to countering the recession and maintaining investment levels

The most tangible effect of the support provided under Cohesion policy has been to help counter the effects of the recession. The importance of this is widely emphasised in the national reports, as indicated above. While the funding provided during the economic downturn came from the 2000-2006 programming period as well as from 2007-2013, the latter represented the largest part of the financial support taken up by Member States in the two-years 2008 and 2009. In many Member States, therefore, the ERDF made an essential contribution to assisting businesses which were viable in the long-run to survive the short-run fall in sales and the severe limitation on access to bank credit.

At the same time, it has helped to combat the after-effects of the economic recession by maintaining public investment levels, particularly in the EU12 Member States and the EU15 Cohesion countries, though also in countries where the scale of funding is much less but where public finances are severely limited. This is likely to continue to be the case over much of the remainder of the programming period.

For example, in the *Czech Republic*, public investment levels were maintained during the recession as co-financing of the EU funded projects was considered an absolute priority by policy-makers.

In *Latvia*, EU Cohesion policy is reported to have enabled investment projects to continue that would otherwise have been stopped especially in transport, water supply, waste water treatment and waste management, so not only providing valuable support for the construction industry but strengthening infrastructure essential for long-term sustainable development.

In *Portugal*, the finance provided by the ERDF and the Cohesion Fund is held to be decisive in meeting the need for environmental and transport infrastructure that persists in a number of the less developed regions, as well as for the modernisation of social infrastructure.

In *Italy*, the availability of ERDF support for Convergence regions is reported to be fundamental to maintaining adequate levels of public investment in a context of cutbacks in national funding, as indicated above. In a number of areas, such as R&D, transport, education and energy, an appreciable impact on the development of the regions concerned can be expected from the evidence of previous periods, if implementation proceeds without major problems.

5 Approach to evaluating the 2007-2013 programmes across the EU

Under the regulations for the 2007-2013 period, unlike in the preceding period, Member States are to decide on the evaluations they carry out and when they undertake them as well as on their scope, the methods they use and the extent to which they are independent of government. How Member States have used this freedom and the approach they have adopted to evaluation vary considerably between countries. While some have implemented a policy of extensive evaluation covering specific policy areas as well as whole programmes, others have reduced their evaluation activity, even where they are in receipt of large-scale support from the Structural Funds. In addition, while evaluations in some countries, especially in the EU12, tend to focus on financial aspects of policy implementation, on the process involved in spending the funds received, in others, they are concerned in many cases with assessing the effectiveness in achieving the objectives of policy in terms of the output produced, the results obtained and the impact on regional development.

In sum, therefore, some Member States have accorded a central place to evaluation in the policy-making process and are attempting to base decisions on regional development programmes on the evidence on the effectiveness of different measures. In other countries, by contrast, evaluation is a peripheral activity, if it is undertaken at all, all with little or no influence on the content of programmes and the form which policy measures take.

Summary of Member State arrangements for evaluating programmes

The present situation as indicated by the national reports is reviewed below country by country, starting with the EU15 Member States which, in most cases, over 20 years experience of managing Cohesion policy programmes, and taking those in receipt of the largest amounts from the Structural Funds, in relation to GDP, first. In addition, some examples of good practice in evaluation, taken from the national reports, are set out in the Annex.

Portugal

In Portugal, evaluations have been extended much further in the current programming period than in the previous one. A common evaluation plan for all regions (Overall Evaluation Plan for the NSRF and Operational Programmes 2007-2013) has been defined by the NSRF Observatory and is monitored by a national evaluation network, which includes the Managing Authorities of all the Operational Programmes.

Several evaluations are currently underway and a number of thematic/cross-cutting studies are planned as well as of Operational Programmes as a whole, together with assessments of monitoring systems and procedures. A number of evaluations of programme implementation have been completed, which are focused on management procedures.

Greece

In Greece, there is no tradition or experience of evidence-based policy-making and the evaluations carried out in the previous period had no real influence on development policy. There is, therefore, no evaluation culture in the administration and no plan for carrying out evaluations in the current period. Related to this, there is a lack of indicators to judge the performance of policy and an absence of transparency about decisions taken or the effects of measures. As indicated in the national report, while Operational Programmes are decided in relation to development needs, the content of programmes is determined primarily by the 'maturity' of the prospective projects to finance, or their ability to be completed within the n+2 time period, rather by their expected impact.

Spain

Evaluations are regarded as important for providing support for policy-making at the central level, though they are mainly carried out when there is a perceived need to assess particular policies. No evaluations have been carried out for the current period, except the strategic assessment in 2009 of the NSRF, and there are no plans for evaluation of programmes. Two evaluations, however, one on environmental measures and one on support of RTDI, are scheduled for 2011, while an evaluation has also been commissioned of the impact of the Madrid-Alabcete-Valencia high-speed train line.

There are, moreover, a number of examples of good practice in evaluation carried out on measures implemented in the previous programming period, including of support for RTDI on productivity and of aid for ICT on firm performance.

Italy

There is a strong tradition of evaluation but it currently has low priority in the Italian administration. No evaluations of the ERDF had been carried out on either Convergence Objective or Competitiveness Objective programmes at national level as at end-2009. Some Italian regions, however, have launched calls for tender on evaluations in 2009 and 2010 or have started internal evaluations and in some Competitiveness regions have initiated studies on support of RTDI, which should produce results in 1-2 years time. The only evaluations which have been completed for the 2007-2013 programming period are the "ex-ante" studies.

Some examples of good practice in evaluation can be identified from the previous period and are still relevant in the present period since the initiatives have continued (Evaluation of R&D aid schemes as part of the NOP Research 2000-2006; evaluation of the *PIA Innovazione* as part of the NOP Industry 2000-2006; evaluation of the implementation of the regional IT network – RUPAR in Puglia)[18].

Germany

There is a plurality of approaches to evaluation in the current period across the country. Some Länder have opted for ongoing evaluations over the programming period, others have decided to carry out mid-term evaluations. Most Länder – but not all – have drawn up an evaluation plan defining their approaches. So far, 11 studies from 6 Länder are available. There seems to be a tendency at least in the Länder which have opted for ongoing evaluations to tackle very specific questions. According to the Managing Authorities in question, the flexible approach adopted is beneficial because it provides support quickly and continuously.

UK

Evaluations are generally regarded as important in the UK to support policy decisions and to assess those that have been made, Evaluations of development policy, however, tend to take place at regional rather than national level. Each of the Regional Development Agencies in England has responsibility for undertaking evaluations as relevant according to a timetable that they decide, and there are currently no plans to conduct a national evaluation of the UK ERDF 2007-2013 programme as a whole, though this will be reviewed again in 2011.

So far, a number of interim ex-ante Programme Reviews have been carried out, focused on assessing the relevance of the initial plans in the context of the major changes in the economic environment which have subsequently occurred.

Mid-term evaluations of the outcome of programmes up to that point are generally planned for 2011.

France

In France, evaluation of programmes is coordinated at national level and is regarded as playing an important role in policy-making. The national evaluation of the "*Pôles de compétitivité*" and the "*Ex ante evaluation of the conception of innovation and sustainable development in the CPER and ERDF OPs*" are the most recently completed. A number of other evaluation studies have been launched recently at regional level, but relatively few reports are as yet available. The mid-term evaluation of programmes was partly completed in 2010 and the remaining part will be finished in 2011.

Three initiatives taken by DATAR at national level can be considered examples of good practice: the setting up of scoreboards of progress in respect of programmes, the earmarking of innovation (or the innovative dimension) in all projects funded by the CPER

[18] See *Ex Post Evaluation of Cohesion Policy Programmes 2000-2006 financed by the European Regional Development Fund in Objective 1 and 2 regions*, Working package 1: Coordination, analysis and synthesis, Task 4: Development and achievements in Member States, Italy for a list of the evaluations carried out in Italy for the 2000-2006 period and a summary of their findings.

and ERDF as a criterion for assessing them; and the *Ex ante evaluation of the conceptions of innovation sustainable development in the ERDF OPs and CPER 2007-2013*, cited above.

Belgium

In Belgium, evaluation of ERDF co-financed programmes is the responsibility of the three regions each of which have adopted a similar strategy. All three regions re-assessed the appropriateness of the options taken and the priorities pursued by the 2007-2013 programmes at the end of 2009 in the context of the economic recession and its aftermath. Several evaluations of particular policy areas are currently underway in the different regions and will be finalised by the end of this year. All three regions plan to carry out mid term-evaluations in 2011 and to update these at the end of the programming period.

Austria

There is a strong tradition of evaluation in Austria and it plays an important role in support of policy-making. In addition, there is a regular exchange of information and views on administrative and funding issues relating to the Structural Funds, organised by OEROK (the Austrian Conference on Spatial Planning), which play a coordinating role in respect of the Funds.

However, there is as yet no common evaluation strategy for Structural Fund-programmes across the country. Moreover, there has been a significant reduction in evaluation activities in the current period as compared with past, with only a few evaluations carried out, the main ones being internal to the authorities concerned which remain unpublished.

Ireland

In Ireland, a number of evaluations have been carried out in the past which remain useful for assessing policies in relation to development problems in the current period. However, no evaluations for the 2007-2013 period have so far been carried out in either of the two regions, but in both mid-term evaluations are planned to be launched at the end of 2010

Netherlands

In the Netherlands, no evaluations or similar studies have as yet been completed for the current funding period for the ERDF co-financed Operational Programmes, except the ex-ante evaluations. Nevertheless, national development policies have been evaluated. Moreover, a mid-term review of Operational programmes is in preparation which will be available towards the end of 2010.

Finland

In Finland, a set of evaluations of the support provided by the ERDF for the period 2009-2013 is at present being carried out, in the form of a number of integrated studies on broad policy areas (enterprise support, innovation and networking, accessibility and the environment, and sustainable development) which covers all the four Operational Programmes in mainland Finland. The evaluations are co-ordinated by an evaluation consortium and are being undertaken in two phases 2009-2011 and 2011-2013.

Sweden

In Sweden, there is ongoing evaluation of programmes by three separate teams. Three of the 5 reports which are planned for each of the programmes have so far been produced. The reports are aimed at reviewing the implementation of programmes, the results so far and their potential to contribute to regional growth. The first set of reports was concerned with the initial stages of programmes. The second set focused on broad policy issues, including sustainable growth and regional accessibility. The third set considered measures to support innovation. The main focus of the evaluations has been on the implementation of the programmes and the projects funded and how far the allocation of support is in line with the stated objectives of the programmes. Although there are attempts to assess the impact of programmes, they stop short of the counterfactual analysis which is needed to distinguish the policy effects from other factors.

Denmark

In Denmark, a number of evaluations have been carried out in the 2007-2013 period on selected projects. These focus predominantly on the primary output produced and there is little investigation of the results achieved and still less of the wider effects, though given the very small scale of support received from the ERDF, this is perhaps only to be expected.

Luxembourg

In Luxembourg, there is a general lack of interest in evaluations in the public administration, which is content to rely on a continuous internal process of monitoring financial and physical indicators and the annual reports of programme stakeholders. Nevertheless, evaluations are currently being carried out on research and innovation policy by two national agencies (Luxinnovation, co-funded by the ERDF; and the National Research Fund).

Estonia

In Estonia, evaluation has assumed importance in the process of managing Cohesion policy and evaluations of Structural Fund interventions have been coordinated under an evaluation plan since 2008. Under the plan, a mid-term evaluation of the Operational Programmes is scheduled for 2011 and the evaluation of the NSRF in 2012. As of September 2010, two evaluations have been carried out, one in 2009 analysing the appropriateness of the OP in the light of the global economic crisis, the other in 2010 examining the appropriateness of the criteria applied to project selection.

Latvia

In Latvia, an evaluation plan for the period has been drawn up which is expected to provide comprehensive evidence of the effects of the programmes implemented. The most notable studies, because they will fill a gap in evaluation evidence, relate to the ESF and are intended to assess the impact of EU co-funding of education, labour market polices and support to entrepreneurship. Few evaluations have been undertaken as yet for the current period and two of those which have are concerned with the process of managing the funds (the

"Effectiveness of the EU funds financial management and control system" and a "Preliminary study on the possibilities of EU funds management system simplification").

Lithuania

In Lithuania, *ex ante* evaluations of the 2007-2013 programmes were carried out in 2006 and it is planned to follow these up with ongoing and *ex post* evaluations in due course. A *Plan for Evaluation* has been drawn up setting out the principles of proportionality, independence, partnership and transparency which all evaluations need to comply with. So far there is little evaluation evidence available for the present period, but those carried out for the 2004-2006 period provide a useful insight into the potential effects of current programmes.

Hungary

In Hungary, an "evaluation framework system" has been established in the current programming period, giving rise to a shift from the *ad-hoc* arrangements in the previous period to a more coherent system with a 3-year rolling plan of the evaluations which are intended to be carried out.

A number of evaluations have been carried out in the first three years of the present period, including on the development of industrial parks. In addition, a coordinated joint evaluation between Czech, Polish and Hungarian experts is being undertaken to assess the effect of Cohesion policy on job creation and job maintenance.

Poland

In Poland, there is an active and growing use of evaluation in planning and managing Cohesion policy programmes and since accession to the EU, over 400 separate evaluations have been carried out, almost certainly more than in any other country. Special guidelines on evaluation have been prepared and agreed for the current programming period and a strategic plan has been drawn up for the current programming period which brings together the annual plans formulated by each Managing Authority. The evaluation units in each of the latter are coordinated by a central unit established in the Ministry for Regional Development. There are a number of examples of good practice in evaluation among those which have been undertaken, some of which are presented below.

Czech Republic

In the Czech Republic, evaluations tend to be more in the nature of studies carried out by the National Body for Coordination (NOK) and commissioned by Managing authorities. These mainly focus on monitoring indicators, though they have also examined absorption capacity, project selection criteria and the impact of the economic recession on the implementation of Cohesion policy. The studies are usually based on qualitative methods (e.g. surveys among successful and/or unsuccessful applicants or focus groups) with some consideration of quantitative data, though usually only basic statistics. They focus only to a limited extent on evaluating results and impacts of intervention. A recent initiative in 2010 to analyse the regional dimension of the national Operational Programmes in particular policy areas, however, is an interesting and potentially important exercise.

Slovakia

In Slovakia, there is a lack of an evaluation strategy. Several evaluations were launched at the beginning of the present period which focused on management procedures, financial progress, the rate of physical implementation of programmes and potential improvement of indicators. The methods used were mainly qualitative (i.e. detailed analysis of internal manuals; assessment of strengths and weaknesses; desk research and semi-structured interviews), though they are regarded as providing valuable support to Managing Authorities to improve the system of programme implementation.

Bulgaria

In Bulgaria, almost no evaluations have so far been launched in the present period, though Managing Authorities have published calls for tender on evaluation and in some cases have appointed external evaluators. They have also have set out evaluation plans for a mid-term review. These suggest the use of various methods, such as interviews, focus groups of beneficiaries and applicants and analysis of data and official documents. There has, however, been some partial evaluation of the first schemes supported under the Environment Operational Programme and the Regional Development Operational Programme,, which highlighted shortcomings in the quality of projects and their selection, implementation and monitoring.

Romania

A planned schedule of evaluations was drawn up for each of the Operational Programmes when they were formulated. Interim evaluations of the Increasing Economic Competitiveness Programme and the Transport Programme and two on the Regional Operational Programme have been carried out so far, each of them focusing on the implementation of the programmes and operational issues. The evaluation of the Regional Programme was conducted internally and only the summary of the findings and recommendations have been published (in the AIR for 2009). The Economic Competitiveness and Transport evaluations were carried out b y external consultants and while the latter has been published (together with recommendation to improve management capacity through training and increased use of external expertise and increasing expenditure rate by simplifying reimbursement and audit procedures), the former has not because the quality was considered to be inadequate.

Malta

In Malta, there is no tradition of evaluations and very few detailed assessments of public policy are carried out. No evaluations have so far been undertaken on current programmes, apart from the *ex ante* evaluations. However, evaluations of a the effectiveness of projects co-financed by the Structural Funds in 2004-2006 were carried out, which examined the achievements of a sample of 13 initiatives and made recommendations for the future for monitoring and data collection which remain relevant for the current programming period.

Slovenia

In Slovenia, as elsewhere in the EU12, there is no history of evidence-based policy making and evaluations were introduced largely to conform with EU Cohesion Policy requirements. However, an evaluation plan drawn up by the Managing authority was adopted in mid-2008. Two evaluations had been carried out for the current period (9 were undertaken for period 2004-2006 in addition to *ex-ante* evaluations) up to end-2009, though only one these was on an ERDF-financed intervention (*Evaluation of the regional development priority axis*), which focused on the main strengths and weaknesses of programme implementation. A call for tender for framework contracts on ongoing evaluations of Operational Programmes was published in November 2009 and a list of potential evaluators decided in August 2010.

Cyprus

In Cyprus, evaluation is extremely weak because of limited experience and capacity because of the shortage of specialised evaluators. The evaluations carried out in the current programming period were those implemented by the European Commission (strategic evaluations on Innovation and the Knowledge based Economy, Environment and Risk Prevention, and Transport Investment Priorities). The only relevant study undertaken by the national authorities was an assessment at the end of 2009 of the system of indicators used in the two Operational Programmes.

6 Conclusions and main challenges

A number of conclusions can be drawn from the above review of developments across the EU in respect of Cohesion policy and the experience so far in implementing the programmes for the 2007-2013 period co-financed by the ERDF and the Cohesion Fund.

First, it is evident that there has been a delay in implementing the programmes agreed for the current period in nearly all Member States, which in some cases meant that very little expenditure took place in the first three years of the period. This delay had a number of causes, some of which occur regularly because of the overlap in programming periods and the burden this imposes on managing authorities and because of the time it takes to initiate new programmes. The delay, however, was significantly longer than in previous periods.

Some of the delay was directly related to the economic recession and its effect on the take-up of financial support as well as in forcing a reassessment of programmes in the new economic - and fiscal - circumstances. The extension from two to three years in the time which Member States had to spend the funding available for the previous programming period, as a response to the economic downturn, may also have contributed. It is evident, moreover, that the lack of experience of most of the countries receiving the bulk of the funding contributed to the delay, though equally there were serious delays in countries which had gone through the process of moving from one programming period to another several times before. Indeed, in some of these countries, there seems to be a trend towards a lengthening of delays in spending the Structural Funds available to them from one programming period to the next, which appears to have been unaffected by the introduction of the n+2 rule. This deserves urgent consideration.

Whatever the causes of the delay, the fact that it occurred has a number of implications. It meant that Member States collectively failed to take advantage of a significant part of the financial support available to them from the Structural Funds in 2008 and 2009 when there was a commonly agreed need for expenditure. It means now that the amount of funding available over the remainder of the programming period is that much larger than it would otherwise be. Although this does not necessarily mean that Member States and regions will have difficulty in spending all of their allocation from the Funds – indeed, all of them seem confident that they will not have such a difficulty – it does mean that there is an increased risk that priority will be focused on spending within the time allowed rather than on what the funding is spent on and what is achieved as a result.

Secondly, irrespective of Member States' failure to use all of the funding available to them, it is evident that the Structural Funds played an important role in helping to counter the effects of the economic downturn by providing much needed additional finance. It is equally evident that the Funds are likely to play an even more important role in the coming period in many Member States as national funding for regional development purposes is cut back, or at least severely constrained, by the priority given to reducing budget deficits in the aftermath of the recession.

Indeed, in a number of cases, especially in the EU12 countries, though also in Greece and Portugal, the Structural Funds could well be the only source of finance for development expenditure, which is vital for relieving the constraints on sustained growth of many lagging regions across the EU and for preventing the already large disparities with other regions from widening further.

Thirdly, the apparent cutbacks in the national funding of development expenditure and the increasing focus on the Structural Funds as a replacement source raises a questionmark over additionality – that EU funding should be additional to the national funding which was already planned for regional development and not a substitute for it – and whether and how the principle will be enforced. It also raises a question over the links between the deployment of the Structural Funds and the operation of the renewed Growth and Stability Pact. The issue is how the implementation of the latter will ensure that it is not at the expense of development expenditure and, accordingly, not only of the pursuit of cohesion objectives, which is a central element of the EU Treaty, but also of public investment which is likely to increase the potential for growth, which itself is important for reducing the budget deficit.

Fourthly, the constraints on funding could prove beneficial insofar as they encourage the more efficient use of the finance available. This seems already to be happening in some countries, where the focus is not so much on redesigning development strategies but making them more effective. It implies, for example, attempting to interpret and respond to the needs of enterprises and of the identifying innovative companies to support more carefully. It also implies an increased concentration of resources on the infrastructure projects most likely to contribute to regional development instead of spreading finance relatively widely to support more rather than fewer individual projects, but inevitably of a smaller size. At the same time, however, to realise these potential gains requires an efficient administration with the capacity to take the action needed. Given the evident problems of the authorities in many countries – in some EU15 Member States as well as those in the EU12 – to manage the funding available in the first three years of the current period, there has to be serious doubts about whether the incentive to increase efficiency which the constraints on expenditure imply will prove effective in most of the main recipient countries.

Fifthly, and not ;least importantly, the exercise of reviewing the progress made in implementing the Cohesion policy programmes for the 2007-2013 period has drawn attention forcibly to the deficiencies of the information which exists in the present way that the programmes are reported on. The Annual Implementation Reports, which were introduced with the express intention of enabling progress in pursing development policies to be monitored and assessed, fail to serve this purpose. The quantitative information they contain is of variable relevance in terms of the objectives of the programmes and in many cases lacks both consistency and comparability across both policy measures and programmes. Moreover, the qualitative information included rarely provides the details required to enable the quantitative indicators to be properly interpreted.

Accordingly, it makes for difficulty in tracking the progress made in implementing programmes over time, to put the quantitative indicators reported into context and to interpret their implications and to link them with the end objectives of the programmes concerned. As highlighted in the national reports, the physical indicators of programme outcomes, including the core indicators, are of limited usefulness in assessing what programmes have achieved in the absence of this kind of qualitative information.

Part of the difficulty of using the indicators stems from the fact that they are defined and measured differently across programmes and not always in the most satisfactory and meaningful ways. Accordingly, while some indicators provide a useful insight into the outcome of particular measures, others which are applied do not. It is not enough, therefore, to identify core indicators which all authorities need to report. There is also a need to apply a common set of rules for how the indicators concerned – such as the number of jobs created – should be measured. This need is urgent if the core indicators are to serve the purpose they were intended for in the present programming period.

The equally need to try to ensure that the indicators applied and reported are the most appropriate ones for assessing programme achievements. As noted in the report, the number of jobs created, which is the main core indicator, is useful for assessing measures where employment creation is the main objective, but this is often not the case even for enterprise support. Moreover, the focus on job is liable to detract attention away from the primary aim, which might be to do with innovation or restructuring and which, accordingly, would be better captured by increases in productivity or shifts in employment between activities.

A sixth conclusion that emerges is that approaches to evaluation differ widely across the EU. While some Member States and regions have extended their activities in this respect from the last programming period and are looking to apply more robust methods to help identify the effects of the policies implemented, others have reduced their activities and make little effort to assess policy outcomes or the effectiveness of the programmes carried out.

It is also evident that most of the evaluations which have been undertaken in the present programming period have focused on the financial and management aspects of the implementation of Cohesion policy rather than on the output and results achieved. At the same time, many programmes are still in the early stages of implementation when there are few tangible outcomes to evaluate, so it may be that attention will shift towards these aspects as the period goes on.

Annex A: Division of funding between policy areas

The way that the financial support provided by the Structural Funds and Cohesion Fund is allocated between broad policy areas reflects the regional development strategy being pursued in different parts of the EU – or more precisely the contribution of EU funding to the implementation of the strategy. The division of funding between broad policy areas[19], taking the ERDF and the Cohesion Fund together, is examined in turn below for each of the three Objectives under which financial assistance is provided, before considering the progress made in implementing the programmes concerned. In each case, the division of funding relates to the situation at end-2009, which, as noted, is very similar to the initial division determined at the beginning of the programming period

Convergence Objective

Funding allocated mainly to infrastructure in the EU12 and EU15 Cohesion countries

In the EU12, a substantial proportion of EU funding is allocated to infrastructure – on improving transport networks (35% of the total on average) and on investment in environmental facilities (for improving water supply and waste water treatment, especially) as well as in energy supply (the two together accounting for 25% of the total). With investment in social facilities (such as hospitals), it means that over two-thirds of funding (68%) in these countries taken together is allocated to strengthening the endowment of infrastructure (Table A.1). This reflects the poor situation in this regard in most regions in the countries concerned, with much basic infrastructure either non-existent (as in the case of waste water treatment plants in many rural areas), inadequate or in a bad state of repair.

Although there is some variation between countries in the relative amount of funding intended for the different types of infrastructure – more going to transport in Poland and Slovakia, more to the environment in Romania and Malta, more to social facilities in the three Baltic States – planned support for infrastructure ranges from 62% of total funding over the period (in Slovenia) to 75% (in Slovakia).

Most of the funding for Transport is allocated to investment in roads in most countries (just under 60% on average), the only exceptions being Latvia, Lithuania and Slovenia, though the last is the only country where more support is planned to go to rail than to roads (and then only marginally). The corollary of the large share of funding allocated to infrastructure is that only just over 20% of funding on average is planned to go to enterprise support, most of it to measures related to R&D, ICT and innovation (especially in SMEs). This share varies from 29% in Slovenia to 13% in Bulgaria, where a much larger share of funding than elsewhere (just over 8%) is allocated to Technical assistance to help build the capacity to manage EU funding.

In Convergence regions in the EU15, much more of EU funding is allocated to enterprise support (a third on average), though it is still the case that over half (around 54%) is assigned to transport, environmental, energy and social infrastructure (Table A.2). This partly reflects

[19] It should be noted that the policy areas identified here are not the same as the priority areas, or axes, defined in different Operational Programmes. An attempt has been made to define policy areas, and to allocate fields of intervention between them, in a common and rational way across countries.

the significant part of EU financial support in three of the countries coming from the Cohesion Fund (16% in Spain, 21% in Portugal and 23% in Greece), earmarked for investment in transport and the environment.

The three EU15 Cohesion countries account for around 60% of the total resources from the ERDF and Cohesion Fund allocated under the Convergence Objective to the EU15 (in this case together with those allocated to multi-Objective - see Box) for the 2007-2013 period, Italy accounting for a further 21% and Germany for 13%. Altogether, these 5 countries receive almost 95% of the total funding to the EU15 under this Objective, with the other 4 countries (Belgium, France, Austria and the UK) accounting for only just over 5%.

Multi-Objective

A significant amount of funding in some countries is classified as 'multi-Objective' - overall, just over 5% of the ERDF plus Cohesion Fund. To simplify the presentation, this amount is included under the Convergence Objective in the case of Greece, Spain, Portugal and France (where the amount is very small) and under the Competitiveness and Employment Objective in the case of the Czech Republic, Hungary and Slovakia.

There is much more variation in the allocation between broad policy areas in the EU15 than in the EU12. In Greece, partly reflecting the finance received from the Cohesion Fund, 59% of EU funding is allocated to transport, environmental and energy infrastructure and a further 10% to social infrastructure. In Spain, a similar proportion is intended for the first three areas (57% of funding) but less for social infrastructure (4%). Nevertheless, over 60% of funding is allocated to infrastructure. In Portugal, less is allocated to transport and the environment, but more to social infrastructure (12%), support for investment in infrastructure overall accounting for around half of the total allocation.

In rest of EU15, more funding allocated to enterprise support

The allocation of funding to infrastructure is much the same in the French DOMs as in Portugal, while In Italy, similar shares are allocated to investment in transport and the environment and a smaller share to social infrastructure. In Germany, just over a quarter of EU funding under the Convergence Objective is allocated to investment in transport but much smaller shares to environmental and social infrastructure (around 16% in total).

As compared with the EU12, the allocation of funding within transport to road and rail is much more balanced in the EU15, though this disguises a sharp difference between countries. In both Germany and Greece, roads account for much of the support for investment in transport (in Greece, for 23% of total EU funding); in Spain, Italy and Portugal, on the other hand, much more is planned to be spent on rail than on roads.

In all of these countries, apart from Germany, only around 35% or less of EU funding (much less in Greece and the French DOMs) is allocated to enterprise support, which is the main area for funding under the Convergence Objective in the other EU15 countries receiving support (accounting for over 80% of funding in Burgenland in Austria and over 60% in Hainaut). In these countries, there is less need for further investment in infrastructure and the focus of intervention is very much on restructuring the business sector. In both the Belgium and the UK regions, however, a significant share of support is allocated to making the regions more attractive places in which to live and do business through urban regeneration and the clean-up of old industrial sites.

Table A.1 Allocation of ERDF plus Cohesion Fund under Convergence Objective between broad policy areas, EU12 countries

% Total EU funding

	BG	CZ	EE	LV	LT	HU	MT	PL	RO	SI	SK	EU12	EU27
ICT and related services	0.1	1.2	2.5	4.3	2.7	1.1	3.4	2.7	1.1	0.3	10.4	2.4	3.0
Innovation support for SMEs	5.3	6.9	6.0	6.4	9.8	5.4	3.0	5.6	3.7	20.6	2.4	5.9	7.5
Other investment in firms	2.5	1.7	2.1	1.5	2.8	9.5	1.1	2.8	5.3	3.6	0.6	3.7	5.1
RTDI and linked activities	4.7	11.9	13.7	10.0	7.7	3.5	5.8	12.6	4.3	4.8	1.5	8.9	10.0
Total Enterprise support	**12.7**	**21.8**	**24.3**	**22.1**	**23.0**	**19.5**	**13.3**	**23.7**	**14.3**	**29.3**	**14.9**	**20.9**	**25.6**
Education and training	0.6	1.6				1.0					0.2	0.4	0.3
Labour market policies		0.2		0.4	0.3	0.4		0.0	0.2			0.1	0.2
Total Human resources	**0.6**	**1.8**		**0.4**	**0.3**	**1.3**		**0.0**	**0.2**		**0.2**	**0.5**	**0.5**
Rail	8.5	13.5	4.9	6.4	9.9	8.5		9.9	11.9	13.4	14.6	10.5	10.1
Road	19.4	18.4	14.1	13.0	11.8	15.4	18.2	27.2	18.4	13.0	22.9	21.1	17.2
Other	7.0	4.8	3.6	10.1	5.0	1.8	7.1	3.8	4.0	3.1	2.3	3.9	4.4
Total Transport	**34.9**	**36.7**	**22.7**	**29.5**	**26.6**	**25.8**	**25.3**	**40.8**	**34.3**	**29.5**	**39.9**	**35.5**	**31.7**
Energy infrastructure	4.4	5.7	2.4	3.2	8.3	1.8	4.8	4.0	3.9	4.8	2.0	4.0	3.8
Environment and risk prevention	27.9	19.5	25.1	19.9	15.3	30.1	32.8	15.9	30.2	23.0	21.7	21.3	19.9
Total Environment+energy	**32.3**	**25.2**	**27.6**	**23.1**	**23.6**	**31.9**	**37.6**	**19.9**	**34.1**	**27.8**	**23.6**	**25.2**	**23.7**
Planning and rehabilitation	2.7	3.2	0.5	6.6	4.4	2.8	1.4	1.7	5.8	1.9	2.6	2.8	3.5
Social Infrastructure	4.7	4.2	17.2	13.7	15.3	10.9	8.1	6.7	4.2	5.0	11.3	7.6	7.4
Tourism and culture	3.7	4.5	5.8	2.1	5.2	3.8	12.8	3.6	3.6	4.9	4.0	3.9	4.1
Other													0.2
Total Territorial develop.	**11.2**	**11.9**	**23.5**	**22.4**	**24.9**	**17.5**	**22.3**	**12.0**	**13.6**	**11.7**	**17.8**	**14.3**	**15.2**
Total Technical assistance	8.4	2.6	2.0	2.4	1.6	4.0	1.4	3.6	3.6	1.7	3.6	3.5	3.4
Total Convergence Obj	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total, EUR million	5,488.2	20,463.0	3,011.9	3,979.8	5,747.2	19,466.4	728.1	55,514.7	15,528.9	3,345.3	8,564.6	141,838.1	217,126.8

Note: As at end-2009

Source: DG Regio database

Table A.2 Allocation of ERDF and Cohesion Fund under Convergence Objective between broad policy areas, EU15 countries

% Total EU funding

	BE	DE	GR	ES	FR	IT	AT	PT	UK	EU15
ICT and related services		1.3	5.7	2.7	1.8	5.9	1.5	3.5	3.9	3.9
Innovation support for SMEs	11.2	13.5	8.0	10.8	4.5	9.3	19.9	9.7	22.2	10.2
Other investment in firms	35.9	20.3	3.1	9.3	6.8	1.2	30.9	6.7	3.7	7.5
RTDI and linked activities	15.1	12.8	3.4	9.0	7.2	19.4	28.6	14.6	18.6	11.8
Total Enterprise support	**62.2**	**48.0**	**20.3**	**31.8**	**20.3**	**35.7**	**81.0**	**34.6**	**48.4**	**33.3**
Education and training		0.1			0.1			0.3	0.4	0.1
Labour market policies		0.0	0.6			0.7		0.7	0.5	0.4
Total Human resources		**0.2**	**0.6**		**0.1**	**0.7**		**1.0**	**0.9**	**0.5**
Rail		6.8	5.1	14.8	4.3	10.3		9.7	3.4	9.5
Road	1.6	17.0	23.2	9.6	5.5	3.4		5.4	2.6	10.8
Other	3.3	2.8	4.4	5.7	8.2	6.6		3.9	8.1	5.1
Total Transport	**4.9**	**26.6**	**32.7**	**30.1**	**18.0**	**20.3**		**18.9**	**14.1**	**25.4**
Energy infrastructure	2.6	2.2	3.9	1.3	2.2	8.2	2.9	1.7	6.1	3.5
Environment and risk prevention	6.7	9.7	22.3	25.3	18.3	10.1		17.6	7.8	17.5
Total Environment+energy	**9.3**	**11.9**	**26.3**	**26.6**	**20.6**	**18.3**	**2.9**	**19.3**	**13.9**	**21.1**
Planning and rehabilitation	11.7	5.1	3.0	3.7	5.5	7.1		2.9	9.6	4.6
Social Infrastructure	1.7	4.3	10.2	3.9	11.6	6.3	0.3	12.1	5.6	7.2
Tourism and culture	9.1	1.9	4.1	2.8	6.2	8.1	10.5	3.7	4.9	4.4
Other					14.1			0.2		0.4
Total Territorial develop.	**22.5**	**11.3**	**17.4**	**10.4**	**37.5**	**21.5**	**10.8**	**19.0**	**20.2**	**16.6**
Total Technical assistance	1.1	2.0	2.7	1.1	3.6	3.5	5.4	7.3	2.5	3.1
Total Convergence Obj	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total, EUR million	449.2	11,361.1	13,870.2	17,963.4	2,279.3	17,882.9	125.0	9,527.3	1,830.3	75,288.7

Note: As at end-2009

Source: DG Regio database

Table A.3 Allocation of ERDF under Competitiveness Objective between broad policy areas, EU15 countries

% Total EU funding

	BE	DK	DE	IE	ES	FR	IT	LU	NL	AT	PT	FI	SE	UK	EU15	EU27
ICT and related services	0.2	3.2	1.7		5.2	5.7	5.1	3.0	3.9	0.6	2.3	6.3	3.8	0.9	3.7	6.4
Innovation support for SMEs	20.1	47.3	17.4	4.3	11.1	20.1	20.6	13.0	23.7	29.2	15.7	31.1	33.4	35.4	21.2	18.2
Other investment in firms	16.9	1.1	12.3	10.7	9.8	4.1	1.7		4.8	15.3	3.4	10.2	11.0	10.2	8.1	7.4
RTDI and linked activities	20.5	31.7	19.9	36.6	16.7	22.9	18.1	53.0	16.5	35.0	11.1	27.0	23.3	24.8	21.2	20.4
Total Enterprise support	**57.7**	**83.3**	**51.3**	**51.6**	**42.8**	**52.8**	**45.5**	**69.0**	**48.9**	**80.1**	**32.5**	**74.6**	**71.5**	**71.3**	**54.1**	**52.4**
Education and training	0.9		6.5			0.6	0.0		1.9	1.7	0.2	0.3		0.8	1.5	1.2
Labour market policies	0.5		5.9			0.6	0.5		4.7	2.4	1.5	0.5		3.0	1.9	1.6
Total Human resources	**1.4**		**12.4**			**1.2**	**0.5**		**6.6**	**4.1**	**1.7**	**0.8**		**3.8**	**3.4**	**2.8**
Rail			0.4	7.6	7.3	3.9	1.3		0.1			1.0	1.2		2.5	2.1
Road	1.3		0.9	12.0	0.4	0.2	1.1		0.7		10.8	1.3	0.9	0.2	0.9	1.7
Other	4.5		1.4		9.4	4.8	4.3		4.0	1.1	3.4	1.2	4.6	0.3	4.0	3.5
Total Transport	**5.9**		**2.7**	**19.6**	**17.0**	**8.8**	**6.8**		**4.8**	**1.1**	**14.2**	**3.5**	**6.8**	**0.4**	**7.5**	**7.2**
Energy infrastructure	2.6		4.9	6.7	3.7	9.1	13.1	9.0	6.0	4.8	3.5	4.6	6.6	5.0	6.5	5.5
Environment and risk prevention	6.6		7.6	6.9	17.0	13.7	16.0	15.0	8.1	1.6	16.9	3.4	1.5	6.0	10.9	11.0
Total Environment+energy	**9.2**		**12.4**	**13.6**	**20.7**	**22.7**	**29.0**	**24.0**	**14.1**	**6.4**	**20.4**	**8.0**	**8.1**	**10.9**	**17.4**	**16.4**
Planning and rehabilitation	17.6		8.6	6.8	6.0	4.9	3.7	3.0	13.3	3.9	5.3	0.2	1.5	6.9	6.1	6.2
Social Infrastructure	1.8	3.2	1.4	4.9	3.2	1.9	3.7		1.5	0.1	11.1	0.2	3.2	1.3	2.4	4.7
Tourism and culture	4.0	9.6	8.5	1.7	4.3	4.6	7.7		6.7	2.2	6.2	8.4	5.0	1.8	5.4	5.8
Other					5.0						5.3				1.0	0.8
Total Territorial develop.	**23.4**	**12.9**	**18.5**	**13.5**	**18.5**	**11.5**	**15.1**	**3.0**	**21.5**	**6.1**	**27.9**	**8.8**	**9.7**	**10.0**	**14.9**	**17.5**
Total Technical assistance	2.5	3.8	2.7	1.8	0.9	3.0	3.1	4.0	4.1	2.1	3.3	4.3	4.0	3.5	2.7	3.6
Total Competitiveness Obj	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total, EUR million	541.1	254.8	4,746.9	375.4	4,859.5	5,736.2	3,144.4	25.2	830.0	555.0	627.2	977.4	934.5	3,585.7	27,193.4	32,873.2

Note: As at end-2009

Source: DG Regio database

Competitiveness and Employment Objective

Enterprise support main focus of funding allocation but not in southern countries

Enterprise support is even more the focus of funding under the Competitiveness and Employment Objective, accounting for well over half of the ERDF going to the regions assisted under this Objective in the EU15 – over 80% in Denmark and Austria and over 70% in Finland, Sweden and the UK (Table A.3). Within this, much of the funding goes to Innovation in SMEs or to the support of RTDI, reflecting the emphasis on pursuit of the Lisbon strategy.

At the same time, over 45% of funding under the Competitiveness Objective in Portugal is allocated to investment in infrastructure, almost as much as under the Convergence Objective, and in Spain, over 40%., much of it assigned to environmental facilities. In both Ireland and Italy, moreover, investment in infrastructure accounts for only slightly less than 40% of the allocation, a large part going to transport in Ireland (mainly roads) and the environment and energy in Italy.

Table A.4 Allocation of funding under Competitiveness Objective in EU12 countries

% Total EU funding

	CZ	CY	HU	SK	EU12
ICT and related services	25.0	3.1	20.6	14.1	19.2
Innovation support for SMEs	1.5	6.9	3.9	7.8	4.2
Other investment in firms	0.1	10.5	10.1		4.2
RTDI and linked activities	1.6	9.1	7.6	56.0	16.6
Total Enterprise support	**28.2**	**29.6**	**42.2**	**77.9**	**44.2**
Education and training	0.1				0.0
Labour market policies	0.3				0.1
Total Human resources	**0.4**				**0.2**
Rail					
Road		6.7	14.7		5.3
Other		5.4	0.7	0.9	0.9
Total Transport		**12.1**	**15.3**	**0.9**	**6.2**
Energy infrastructure	0.8	1.2	0.7		0.6
Environment and risk prevention	14.4	36.5	7.6	0.7	11.0
Total Environment+energy	**15.2**	**37.7**	**8.3**	**0.7**	**11.6**
Planning and rehabilitation	9.7	8.4	7.2	1.3	6.9
Social Infrastructure	17.2	2.0	17.7	16.3	15.8
Tourism and culture	13.9	6.4	6.0	0.2	7.6
Other					
Total Territorial develop.	**40.8**	**16.8**	**30.9**	**17.8**	**30.3**
Total Technical assistance	15.3	3.8	3.2	2.8	7.6
Total Competitiveness Obj	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total, EUR million	2,065.1	492.7	1,825.6	1,296.4	5,679.8

Note: As at end-2009

Source: DG Regio database

Under the Competitiveness Objective in the EU12 countries – in Cyprus and the capital city regions in the Czech Republic, Hungary and Slovakia – the allocation of funding varies more than under the Convergence Objective, with 78% going to enterprise support in Slovakia but only 28% in the Czech Republic (Table A.4).

In the Czech Republic, a significant part of funding is allocated to investment in social infrastructure, as in Slovakia and Hungary, but also to support of tourism and cultural activities as well as planning and rehabilitation, while in Cyprus, the main focus of the allocation is on environmental infrastructure.

Territorial Cooperation Objective – Cross-border cooperation

The allocation of the ERDF funding under the Cross-border cooperation strand of the Territorial Cooperation Objective is much more evenly distributed across policy areas than under the Convergence or Competitiveness Objective. Over the EU as a whole, around a quarter of the total is planned to go on enterprise support – around half of this to support of innovation in SMEs – just under a quarter on Territorial development, mostly on support of tourism and cultural activities, 20% on the environment and energy infrastructure and 13% on transport (Table A.5).

Table A.5 Allocation of funding under the Cross-border cooperation strand of Territorial cooperation Objective, 2007-2013

% Total EU funding

	EU27
ICT and related services	3.8
Innovation support for SMEs	12.8
Other investment in firms	0.4
RTDI and linked activities	7.9
Enterprise environment	**24.9**
Education and training	4.0
Labour market policies	6.3
Human resources	**10.2**
Rail	1.1
Road	3.7
Other	8.3
Transport	**13.1**
Energy infrastructure	4.3
Environment and risk prevention	16.1
Environment and energy	**20.4**
Planning and rehabilitation	2.2
Social Infrastructure	6.4
Tourism and culture	13.4
Other	0.1
Territorial development	**22.1**
Technical assistance	**9.4**
Total	**100.0**

Source: DG Regio database

Annex B: Commitment rates of ERDF and Cohesion Fund by policy area across the EU

Table B.1. Commitments in relation to the total allocation of the ERDF and Cohesion Fund in EU12 Member States, 2007-2013

% total allocation

	BG	CZ	EE	CY	LV	LT	HU	MT	PL	RO	SI	SK	EU12	EU27	CBC
ICT and related services	0	49	32	0	39	19	11	2	58	45	64	36	42	33	29
Innovation support for SMEs	33	10	26	8	64	67	20	93	10	21	44	18	22	23	32
Other investment in firms	59	102	234	53	21	48	60	0	35	5	80	89	49	47	11
RTDI and linked activities	27	12	37	24	10	20	27	104	49	37	80	18	36	33	33
Total Enterprise support	**36**	**23**	**51**	**28**	**32**	**43**	**38**	**67**	**39**	**22**	**54**	**28**	**35**	**33**	**32**
Education and training	85	11					0					0	12	12	31
Labour market policies		57			18	0	2		45	0			18	26	34
Total Human resources	**85**	**16**			**18**	**15**	**1**		**45**	**0**		**0**	**13**	**19**	**33**
Rail	5	43	81		26	15	0		4	0	0	2	12	16	53
Road	1	82	54	0	93	78	10	60	8	29	64	22	25	27	58
Other	41	34	76	145	16	19	33	29	8	5	17	2	19	19	26
Total Transport	**10**	**62**	**63**	**64**	**52**	**44**	**9**	**51**	**7**	**16**	**30**	**13**	**20**	**23**	**37**
Energy infrastructure	1	16	38	109	15	75	12	60	1	9	3	41	14	13	34
Environment and risk prevention	0	11	56	48	36	47	18	49	5	21	42	39	17	17	48
Total Environment+energy	**0**	**12**	**54**	**50**	**34**	**57**	**18**	**51**	**4**	**20**	**35**	**40**	**17**	**17**	**45**
Planning and rehabilitation	0	43	2	151	53	22	30	83	24	0	18	188	35	27	49
Social Infrastructure	1	60	62	0	26	29	25	34	32	17	32	120	42	37	24
Tourism and culture	0	99	56	31	15	19	40	74	33	24	91	82	50	40	47
Other														20	19
Total Territorial develop.	**0**	**70**	**59**	**88**	**33**	**25**	**29**	**60**	**32**	**12**	**54**	**122**	**43**	**35**	**41**
Total Technical assistance	14	36	27	0	39	27	118	100	17	11	101	34	38	31	39
Total	**10**	**40**	**56**	**50**	**39**	**42**	**26**	**56**	**17**	**17**	**43**	**42**	**27**	**26**	**38**

Note: Commitments as at end-2009 for most Operational Programmes; end-2008 for some. CBC=Cross-border Cooperation strand of Territorial Cooperation Objective

Source: DG Rego database

Table B.2 Commitments in relation to the total allocation of the ERDF and Cohesion Fund in EU15 Member States, 2007-2013

% total allocation

	BE	DK	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	FI	SE	UK	EU15
ICT and related services		5	7		16	22	41	17	0	3	0	31	17	26	20	21
Innovation support for SMEs	71	9	21	50	1	8	19	8	42	75	16	40	45	29	41	24
Other investment in firms	100	20	49	44	131	11	25	79		30	48	48	41	53	56	45
RTDI and linked activities	105	9	25	65	54	14	34	15	54	47	38	57	30	39	30	31
Total Enterprise support	**96**	**9**	**32**	**59**	**34**	**12**	**28**	**15**	**50**	**55**	**32**	**48**	**37**	**36**	**38**	**31**
Education and training	103		4				37	0		62	24	9	108		25	12
Labour market policies	207		22		87		38	1		10	33	3	54		37	28
Total Human resources	**143**		**13**		**87**		**38**	**1**		**25**	**29**	**5**	**75**		**34**	**22**
Rail			40	0	6	37	21	4		118		2	63	42	26	26
Road	198		33	0	40	34	60	6		112		37	39	100	12	36
Other	124		31		20	17	21	0		51	3	24	112	86	9	19
Total Transport	**148**		**35**	**0**	**32**	**32**	**29**	**3**		**61**	**3**	**26**	**71**	**80**	**13**	**29**
Energy infrastructure	32		24	30	0	1	26	8	107	34	57	2	15	8	11	11
Environment and risk prevention	132		19	0	23	12	27	9	0	33	38	15	49	41	13	17
Total Environment+energy	**101**		**21**	**15**	**20**	**11**	**27**	**9**	**40**	**33**	**52**	**13**	**30**	**14**	**12**	**16**
Planning and rehabilitation	83		22	5	15	9	17	1	0	36	25	35	22	76	33	19
Social Infrastructure	33	0	8	0	11	30	34	2		49	4	69	215	45	34	27
Tourism and culture	135	7	30	0	5	8	25	13		111	24	26	50	40	67	23
Other					0		17					31				20
Total Territorial develop	**96**	**5**	**21**	**3**	**10**	**16**	**24**	**5**	**0**	**60**	**24**	**50**	**53**	**47**	**40**	**23**
Total Technical assistance	78	9	40	2	19	4	23	11	0	79	47	8	31	0	27	17
Total	**100**	**8**	**29**	**33**	**26**	**19**	**27**	**10**	**44**	**53**	**33**	**39**	**39**	**37**	**34**	**26**

Note: Commitments as at end-2009 for most Operational Programmes; end-2008 for some. CBC=Cross-border Cooperation strand of Territorial Cooperation Objective

Source: DG Rego database

Annex C: Examples of good practice in evaluation

Country	Title	Policy area	Aim	Method	Time period	Main results and how they have been used
Austria	Impact Monitoring OP Regional Competitiveness Steiermark	Several areas of intervention of the OP Regional Competitiveness Steiermark 2007-2013, covering Enterprise support and, Territorial development	Internal evaluation of specific aspects of the implementation of the OP for 2007-2013, with support of an external consultant.	The effects of funded projects are monitored by a newly-designed method (*prozessorientiertes Wirkungsmonitoring*), which analyses the processes that lead from the outputs of the programme (i.e. projects and their outputs) to the desired results and impacts. It was a pilot application of the Logci Model approach carried out by an external evaluator (ÖAR, Convelop).	The evaluation refers to the programming period 2007-2013 and was finalised in 2010.	The application of the method brings out the ways in which impacts are achieved and their relative importance in quantitative terms Linkages within and between areas of intervention as well as between programmes were identified and represented.
Denmark	Evaluation of the "Copenhagen Finance IT Region" (CIFR) project	Enterprise environment	The evaluation focuses primarily on the results and impact of the project, but also on the improvement in long-term competitiveness as well as on the potential for improving competitiveness in the future.	Use of baseline indicator to measure the effect on performance.		The evaluation is an example of good practice in identifying measurable indicators that are useful for the final evaluation of projects.

Country	Title	Policy area	Aim	Method	Time period	Main results and how they have been used
Lithuania	The Most Effective Forms of the Use of EU Structural Assistance For Business Support	Enterprise and Business		The study covers 10 targets of support and assesses the experience of the previous programming period. It provides an example of a well applied case study method which spans all EU countries. The compiled a great deal of information on the experience of other countries.	The study covers the programming period 2000-2006.	The study compares the experience of other countries with Lithuania and so comes to useful conclusions of what is needed for the country to move closer to the situation in the rest of the EU. It also provides an extensive review of the legislative base and relevant infrastructure. The study is forward-looking and attempts to quantify the social and economic benefits arising from the finance received.

Poland	*"Ocena korzyści uzyskiwanych przez Państwa UE-15 w wyniku realizacji polityki spójności w Polsce"* (Evaluation of gains to EU-15 countries from implementation of Cohesion policy in Poland)		The main aim of the evaluation is to measure the direct and indirect benefits for the EU-15 of the funding provided to Poland under Cohesion policy in Poland.	CAWI, documents analysis, macroeconomic research, interviews, and case studies.	Published in 2009	The authors stress that the gains to the EU-15 are significant but still less than those to Poland.
Country	**Title**	**Policy area**	**Aim**	**Method**	**Time period**	**Main results and how they have been used**
Poland	*"Polskie ministerstwa jako organizacje uczące się"* (Polish Ministries as learning organisations)		The purpose of the study is to identify and analyse factors and processes of organisational learning.	The method is to set out an empirical model of organisation learning and apply it to selected Ministries responsible for major elements of Cohesion policy.	Published in 2009	This line of research may be of importance for developing good governance in public administration.

	"Nowoczesne metody pomiaru oddziaływania inwestycji infrastrukturalnych i taborowych w transporcie" (Modern methods for measuring the impact of infrastructure and rolling stock investment In transport)	Infrastructure and Transport	The report considers important issues involved in the development of transport in Poland	The evaluation uses a set of five techniques (not in used before in Poland) and analyses their usefulness for tackling the issues concerned through applying them to Poland.	Published 2009	
Spain	*"Impacto de la I+D+i en el sector productivo español*', (Impact of RTDI on Spanish industry)	RTDI	The aim of the study is to asses the effect of support for RTDI in overcoming barriers to innovation and increasing RTDI activities in firms.	The evaluation uses a counterfactual method and advanced econometric techniques allied with good quality data (from the Technological Innovation Survey)	Published in 2009	Firms assisted are found to increase expenditure on RTDI by almost a third as compared with a control group
Country	**Title**	**Policy area**	**Aim**	**Method**	**Time period**	**Main results and how they have been used**

Spain	*"Informe de Evaluación de las Convocatorias TIC"*, (Evaluation Report on Public Calls for aids to ICT)	ICT	The purpose of the evaluation is to estimate the effects of the ICT aid scheme in Madrid on the market results of beneficiary firms.	A three-fold method is used: 1) analysis of data for assisted firms 2) questionnaire sent to 233 participating firms (137 replies) 3) interviews to check the quantitative results of the analysis.	Published in 2008	The results show that forms which received ICT aid on average performed better than other firms.
UK	Good Practice Guide for English ERDF and ESF programmes 2007-2013	General	Provide a comprehensive assessment of the impact of policy aimed at reducing regional disparities across England.	Case studies evaluations of programme and project level approaches implemented through the 2000-2006 Structural Fund Objective 1 and 2 programmes in England	The Guide was published in 2006 and the research covers the programming period 2000-2006	The research emphasises coordination and a strategic approach to delivery, ensuring integration of programme activity with the wider 'sustainable communities' agenda, the role of voluntary sectors as delivery partners and the importance of collaboration between delivery partnerships and mainstream service delivery agencies
	Research to Improve the Assessment of Additionality, BIS 2009	General	Bring together key quantitative information on deadweight, displacement, leakage, substitution, multipliers and additionality from several evaluations.	The research is based on the results of over 280 evaluations covering a range of development and regeneration interventions across the UK Kingdom since 2000.	The research includes data collected from 2000 to 2007 and was published in 2009.	The research should be of value in gauging the impact of the ERDF over the programming period 2007-2013.