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## ESPON 2.2.1

### Territorial Effects of Structural Funds

#### *First Interim Report*

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Submitted by Nordregio, Lead Partner for ESPON 2.2.1



March 2003

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# 1 Introduction

This report is the First Interim Report of the ESPON project 2.2.1 on the Territorial Effects of the Structural Funds. The project commenced in January 2003 by initially concentrating on further elaboration of the working method and on the policy concepts relevant to the project.

These two aspects were the main topics of an intensive discussion during the first project team meeting in February 2003. Based on those discussions the various working packages have been taken forward.

This chapter gives a brief introduction to the methodology applied in this project and the initial answers to requests concerning Territorial Impact Assessment and SWOT-Analysis put forward by ESPON 3.1. Thereafter the deliverables of the project produced thus far, and the work carried out to date are presented.

As the results are meant to be policy relevant, the work needs to be rooted in recent policy aims and debates. Chapter 2 summarises the work and discussions of the ESPON 2.2.1 project on spatial policy aims and particularly the interpretation of the overall concept of “territorial cohesion”.

Embedded in this discussion is the attempt to formulate a working hypothesis for the project. Chapter 3 provides an introduction to the work with the formulation of a working hypothesis based on a first meta-evaluation. The final working hypothesis will be presented in the Second Interim Report.

The Terms of Reference and the addendum to the contract for this project stress that the first interim report should focus on the question of indicators and data. The report is supposed to contain proposals on indicators and necessary data including an assessment of the availability of data at Community level. This is done in chapters 4 and 5 of this report. Chapter 4 presents the transformation of the conceptual debate on overall policy aims into indicators describing spatial development in Europe. It is underlined that the emphasis of this project is not on collecting new data on this issue, but rather on drawing upon the results of ESPON strand 1 projects and particularly upon the ESPON 1.1.1 project on polycentric development. The ‘core indicators’ work carried out in this project is in the field of analysing the geography of Structural Funds spending. Accordingly the main effort and added value of the indicator and data work consists in the collection of data on Structural Fund spending at regional level. Chapter 5 describes the work carried out and the approach developed for mapping Structural Fund spending at, preferably, the NUTS III level. The first results of this will be presented in the Second Interim Report.

Chapter 6 presents the next steps to be carried out in the ESPON 2.2.1 projects. The focus of this chapter is on deliverables for the Second Interim Report, which can then be fed into the debate on the next Cohesion Report.

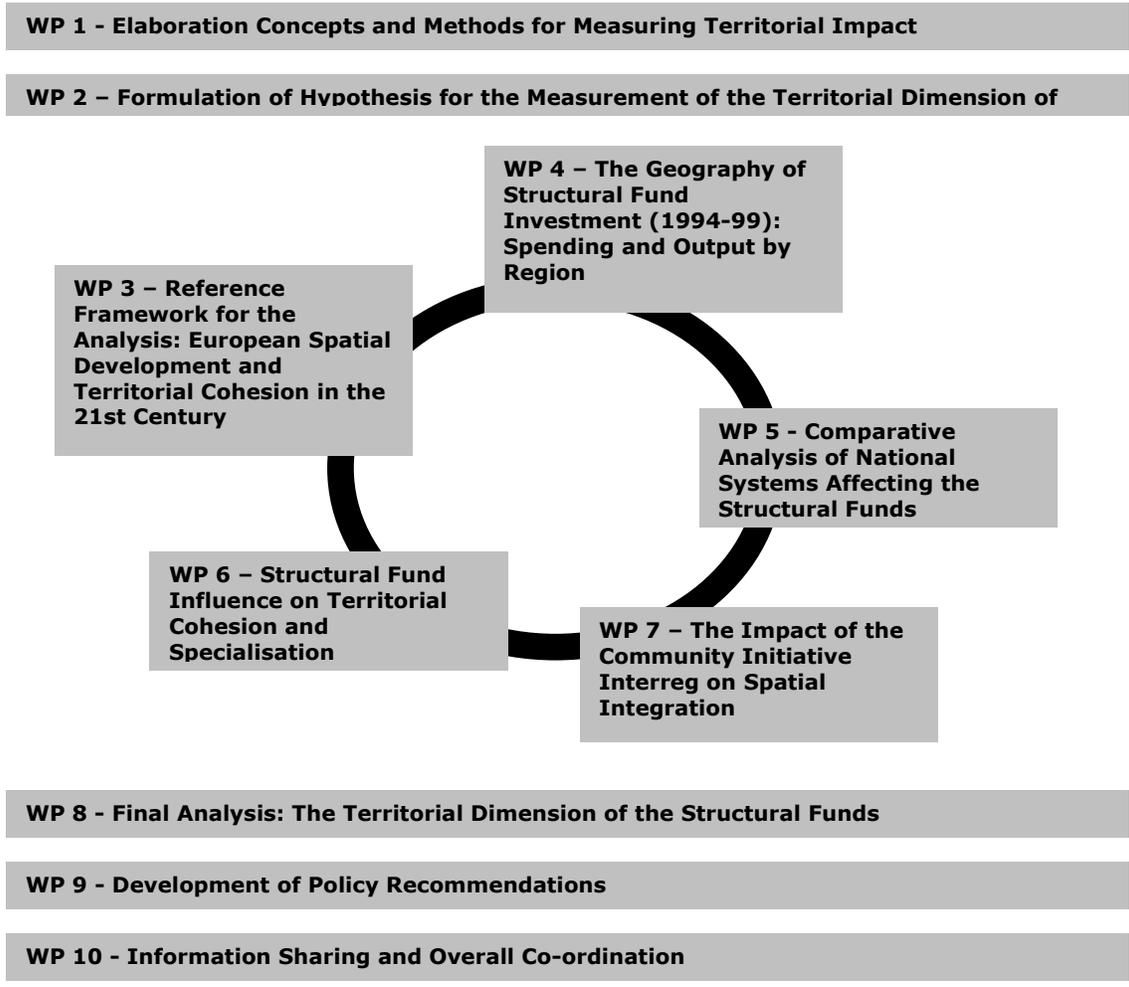
The entire report should be seen as a team effort contributed to by all of the project partners, under the leadership of Nordregio. Indeed, those partners who were not in charge of drafting certain sections have actively commented and enriched the debate with their insights.

## 1.1 Working Method

The working method has been described in the tendering document. It has been stressed that the combination of the notions of economic, social and territorial cohesion is an important element in the approach, which means that one cannot look at territorial entities in isolation but rather one must consider their role in regional, national and European (or global) space. Exploring the implications of how to address the specific territorial challenges in the policies is an important feature of the project.

In accordance with the services proposed in the tender this has been further elaborated in Working Packages 1 and 2. In Working Package 1 the conceptual debate has led to an improved understanding of the notion of “territorial cohesion” which will guide further work, especially within Working Packages 2 and 3. In Working Package 2, referring to the conceptual debate the work on the meta-evaluation leading towards the working hypothesis has begun, and the hypothesis will be formulated for the Second Interim Report. In Working Package 3, the conceptual is worked up into indicators describing European spatial

development. The work of this Working Package, however, relies on the work of the ESPON strand 1 projects, as the focus of this project is in analysing the effects of the Structural Funds (i.e. not primarily on describing and analysing spatial development in Europe). Accordingly, Working Package 4 is one of core elements of this project. In order for us to be in a position to see this package deliver tangible results as early as the Second Interim Report, the work had to be started earlier than anticipated in the tender and initial investigations on data accessibility and fine tuning of the assessment method have already been carried out.



The territorial impact assessment of the Structural Funds will be approached from three directions:

- **Territorial Development**  
Working Packages 3 and 4 deal mainly with analysis of the developments occurring across the European territory at the lowest level possible, where ongoing spatial development and the investments of Structural Funds will be mapped. The study team wishes to work closely with European statistical agencies as well as with the relevant national bodies. The range of available indicators is substantial, although most suffer from one or more failings when they are considered for application with regard to a trans-European study. Key indicators will be collected on a European level (EU, neighbouring and candidate countries).
- **Governance and Policy Development**  
Working Package 5 will partly draw upon the work carried out under Working Package 2, which address the policy dimension. This comprises the governance of the Structural Funds in the various countries as well as their conformity to national policies. The aim is to identify a set of potential

typologies for spatial policies. Another aspect of this dimension is the influence of Interreg on the formation of trans-national macro-regions. This will be analysed in Working Package 7.

▪ **Causal Links**

Comparing actual spatial development to actual Structural Fund investment by region shows where development and investment coexist. However, it does not allow for conclusions on the causal links between them. In order to pin down the territorial effects of the Structural Funds, a number of hotspots and cold spots will be analysed with regard to their causal effects. This work will be carried out in Working Package 6. These efforts will result in a typology being drawn up at the European level.

The integration of this ESPON project in the wider ESPON context is important to the project team. Therefore, the project team has worked to cultivate active relations to the ESPON project 1.1.1 on polycentric development, ESPON project 1.1.2 on rural-urban relations, the ESPON project 2.2.2 on the territorial effects of pre-accession aid, the ESPON project 2.2.3 on the territorial effects of the Structural Funds in urban areas and the ESPON project 3.1 on the overall co-ordination of ESPON. At a later stage active contact with ESPON clients and policy makers is also envisaged in order to contest the policy relevance of the results envisaged by this ESPON project.

## 1.2 Approach to TIA

The ESPON co-ordination project 3.1 has asked us to answer a number of questions on the approach to Territorial Impact Assessment (TIA) followed in this project. Most of the questions, are answered in the course of this First Interim Report, or will be issues for the Second Interim Report. In the following we try to briefly summarise the answers to the various questions:

### First answers on the ESPON 3.1 “TIA Questionnaire”

#### Scoping

1) What is causing impacts

The project assesses impacts caused by Structural Funds interventions, i.e. EU funding and matching national co-funding. The project team is aware that these cannot be assessed in an isolated fashion. Thus attention will also be paid to national policies and the influence of Structural Funds policy on national and regional organisation and policy formulation.

As these factors are not the main driving forces for spatial development in certain cases additional aspects may be taken into consideration.

2) What is changed by the intervention

The answer to the question of what has changed by the intervention will be in the final outcome of the project. However, an initial hypothesis will be presented in the Second Interim Report.

3) Which territorial level of observation?

The intention is to collect data at the lowest geographical level possible. For the overall European analysis it is anticipated that this will predominantly take place at NUTS III level, in certain cases it may turn out that NUTS II must be accepted. For the analysis of hotspots and cold spots, however, more detailed data will be needed.

4) What has happened, what may happen in future?

The answer to the question on what has happened or may happen in future will be in the final outcome of the project. However, an initial hypothesis will be presented in the Second Interim Report.

#### Analysing

5) What output is registered, measured, appraised?

The answer to the question of the output registered will be in the final outcome of the project. The baseline for this discussion is the spending of Structural Fund money mapped at the regional level (cf. chapter 5). A first hypothesis will be presented in the Second Interim Report.

6) What is the topic described, and by which indicators? The answer to the question of the topic described will be in the final outcome of the project. A core issue is the measurement of Structural Fund spending mapped at the regional level (cf. chapter 5). However, initial results will be presented in the Second Interim Report.

7) Which goals are referred to? The main policy goals referred to are “territorial cohesion”, “balanced development”, “spatial integration” and “endowment”, cf. also chapter 2 of this report.

8) How is the analysis performed? The basic approach consists of mapping Structural Funds spending at the regional level and comparing this to various maps on spatial development also at the regional level. Based on this, an initial typology of regions shall be developed. In a second step the causality between Structural Fund spending and spatial development shall be investigated by means of a number of case studies.

For further information see the discussion on method in chapter 1.1 of this report and the descriptions of Working Packages 6 and 8 in the tender.

### **Concluding**

9) What is the concept of “territorial” applied? What makes territorial development policies unique is their holistic understanding of convergence and cohesion and the linkages between the micro and macro levels in the analysis. As argued by Pezzini “territorial development policies represent a new frontier in the search for sustainable growth, convergence and cohesion, an indispensable complement to traditional macroeconomic and structural policies.” (Pezzini 2003, 1)

Accordingly, the concept of territory is understood here as a cross-sectoral approach to space, which is – in distinction to spatial/space – characterised by clearly defined borders.

10) What do the results look like? These results are anticipated:

- A typology of key facts regarding regional development and Structural Funds investments
- A typology of the national and European policy influences on territorial cohesion
- An overview of the territorial effects of the Structural Funds in the future territory of the EU
- Policy recommendations as a basis for the future of the Structural Funds, including thematic recommendations and recommendations on institutional settings and instruments.

(For further information cf. tender Working Packages 8 and 9.)

## **1.3 SWOT Analysis**

In addition to the questionnaire on the method applied for Territorial Impact Assessment, the ESPON co-ordination project 3.1 also requested that we deliver a SWOT analysis in the course of the First, Second or Third Interim Report.

As work thus far has concentrated predominately on the conceptual and methodological aspects of the project, it was decided to answer the request on a SWOT analysis in the Second or Third Interim Report.

## 1.4 Deliverables

Thus far the project is proceeding in accordance with the timetable presented in the tender, as regards Working Package 4 the project is ahead schedule.

For the First Interim Report deliverables were anticipated for Working Package 1:

1. Analysis of spatial policy concepts put forward in the ESDP and in the 2<sup>nd</sup> Cohesion Report, such as “territorial cohesion” and “balanced development”. ✓
2. Method for Territorial Impact Assessment of EU policies. ✓
3. Set of indicators for measuring territorial effects and territorial cohesion ✓

All three planned deliverables have been achieved in accordance with the tender and the timetable presented in the tender:

1. The conceptual debate necessary for the project is reflected in chapter 2 of this report.
2. The working method for this project was discussed during the first project meeting and necessary further elaborations of the approach presented in the tender have been discussed. Based on these discussions a more detailed time schedule for the project has been elaborated which is presented in the annex of this report.
3. Based on the conceptual work, an initial set of indicators for measuring and describing European spatial development and territorial cohesion have been elaborated. These are presented in chapter 4 of this report.

In addition, the collection of data on Structural Fund spending at regional level has been prepared.

In conclusion, the tasks required in the addendum to the contract have been achieved. Proposals on indicators and necessary data incl. assessments of the availability and comparability of data at Community level are presented in chapters 4 and 5 of this interim report.

## 2 Policy Concepts and Analytical Instruments for Analysing and Understanding the Territorial Impact of the Structural Funds (Working Package 1)

In order to assess the territorial impacts of the Structural Funds, it is necessary to take spatial policy aims as a point of reference. Taking into consideration that the Structural Funds are an integral part of European cohesion policy and that the ESDP aims at adding a territorial dimension to this, the concept of territorial cohesion seemed to be a logical point of departure.

The debate has however shown that the concept of territorial cohesion as e.g. put forward in the 2<sup>nd</sup> Cohesion Report is encumbered with a number of challenges regarding any attempt to operationalise it. Within the ESPON framework, a number of debates have already taken place on this issue. This chapter aims to summarise the main arguments of these debates in order to contribute to a constructive debate on the operationalisation of the ideas behind territorial cohesion and to the development of a framework for discussing the territorial impacts of the Structural Funds.

In so doing we first briefly provide some background information on EU spatial development policies (section 1) and on EU regional policies (section 2). Thereafter we approach the concept of territorial cohesion (section 3) reflecting the various strands of the discussion (e.g. ESDP, SF, Cohesion Report). Given the certain level of criticism as regards the cohesion concepts, related concepts such as “spatial integration” and “endowment” are also briefly discussed (section 4). Having discussed territorial cohesion and balance etc. in rather abstract terms, the discussion will then turn to the question of the geographical scale in question (section 5). Finally the chapter will conclude with some remarks (section 6) that point towards the discussion of indicators addressed in the next chapter.

## 2.1 The historical background of EU spatial development policies

Before addressing the concept of territorial cohesion, we will briefly address some aspects of the history of spatial policy at the European level.

European spatial policy is a fairly recent phenomenon. Since the 1960s the Council of Europe has stood as the principal international forum for the promotion of European regional planning theory. In many respects, it is the discussions carried out at the pan-European level under the auspices of the CEMAT (the European Conference of Ministers responsible for regional planning) that have paved the way for a genuine spatial development policy debate at the EU level<sup>1</sup>, culminating in the adoption of the European Spatial Development Perspective (ESDP).

Integral to this process have been the numerous attempts to conceptualise the European space. The first example was the well-known image produced by Keeble in the late seventies, which visualises the so-called “Centre and periphery” development paradigm. Keeble’s map represented the level of economic integration of each country, calculated simply in terms of geographic distance to other countries and relative trade.

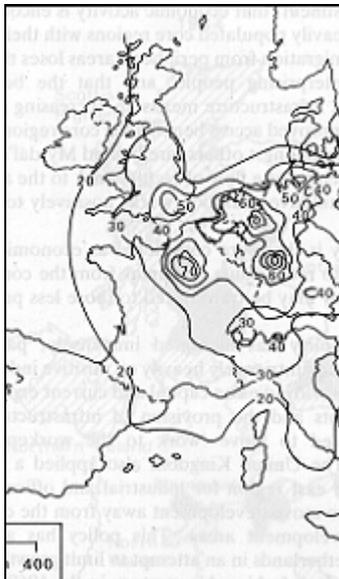


Fig.1 Keeble: Centre and periphery

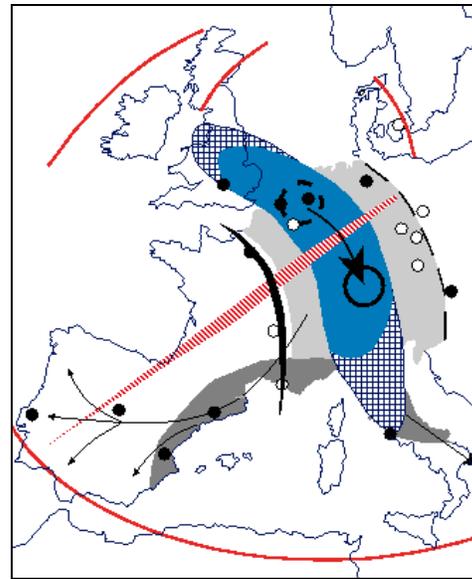


Fig. 2 Blue Banana: Reclus: Corridors and Axis

The territorial polarisation tendencies reflected by the rather descriptive policy images focusing on the centre-periphery dimension of Europe, are increasingly seen as factors hampering economic development in Europe. More recent spatial policy aims, not least those expressed in the ESDP, attempt to deploy a counterweight to traditional core-periphery-thinking, and aim at opening up the entire European territory for strengthening economic development in Europe. This is illustrated in spatial policy ideas such as “balanced spatial development” or “polycentric urban systems”.

The new policy paradigms predominantly involve a strong cross-sectoral or integrative dimension.

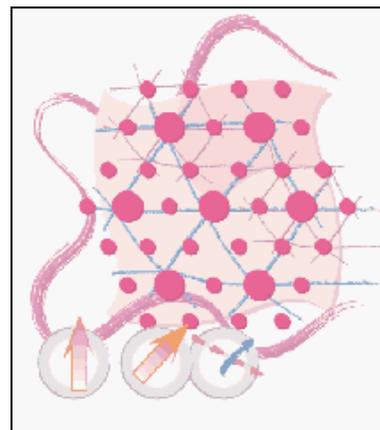


Fig.3 ESDP Polycentric aim.  
Vignette by Volker Smidt (SPESP)

<sup>1</sup> The 1984 landmark European Regional/Spatial planning Charter was adopted at the 6<sup>th</sup> CEMAT in Torremolinos, Spain.

When an image provides the visualisation required by the current dominant paradigm, it becomes a kind of policy icon. Before and after Keeble’s famous map, other attempts to develop indicators of the “Centre and periphery” paradigm, and produce images to visualise them, were carried out.

Spatial or territorial policy has strong links with a number of other policies, in particular those traditionally linked to physical planning. In this respect, the analysis and knowledge of developments in spatially relevant European policies, in particular regional, environmental and transport policies, as well as agricultural policy are at the core of an emerging spatial development policy at the EU level.

Debates similar to those now taking place at the European level can also be found at the national level. Taking a brief look at discussions at the national level, Pezzini (2003) underlines that in recent years, in most OCED countries, a change of direction in territorial polices has been identified along three main axes:

- From spatial redistribution to regional competitiveness. The focus is now no longer on the reduction of disparities *per se*, but rather on the potential regions can offer to enhance national growth
- From a sectoral approach to place-based policies that take a more cross-disciplinary approach to economic development
- From subsidies to indirect support for local economic environments that substitute direct payments with investment and other measures to improve the quality of the local environment.

## 2.2 Background information on EU regional policies

European regional policy broadly aims at promoting “economic and social cohesion and solidarity among Member States”, and this is one of the main tasks of the Community. To date, the solidarity funds: Structural Funds, Cohesion Funds and Pre-Accession Funds have been the main instruments used to pursue this cohesion objective. Ever since the accession of the Mediterranean countries to the EU and the introduction of cohesion policy, cohesion policy has referred to the policy of developing the least developed Member States through the Cohesion Fund. However, cohesion policy is aimed at regions and not countries, which has become crucial both as regards (a) tendencies towards increasing cohesion between countries and at the same time growing disparities between regions, and (b) the debate on the role of future Structural Funds in an enlarged Europe. In recent times, and particularly in the face of the challenges posed by the next round of accessions in 2004 (an unprecedented enlargement of 10 countries) however, the concern for cohesion and convergence has gone beyond this limited geographical focus and is now often seen in more holistic terms, as the current Member States want to retain some of the regional policy focus in their respective regions. Territorial cohesion has allowed for the extending of cohesion and convergence issues to all Member States, by connecting it to spatial policy and ESDP rather than limiting it to the regions strictly eligible for Cohesion policies in the strict sense. Here it is also necessary to bear in mind that convergence towards cohesion is a gradual process, while cohesion is a static conditions thus reached. This process-based nature of territorial cohesion thus allows for a more comprehensive and holistic view on development, convergence and cohesion.

### Milestones in European Regional Policy

1957	Treaty of Rome addresses “the differences existing between the various regions and the backwardness of the less favoured regions”
1958	Creation of two sector-based Funds: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF)
1973	Accession of the UK, Denmark and Ireland
1975	Creation of the European Regional Development Fund (ERDF) to redistribute part of the MS’s budget contribution to the poorest regions
1981	Accession of Greece
1986	Accession of Spain and Portugal and the Single European Act lays the legal basis for cohesion policy
1989-93	Delors I: overhaul in the operation of Structural Funds and doubling of funds
1992	The Treaty of Maastricht designates cohesion as one of the main objectives of the EU and creates the Cohesion Fund to support projects in the field of transport and environment in

1993	Greece, Ireland, Portugal and Spain to prepare for their insertion into EMU Creation of the Financial Fund for Fisheries Guidance (FIFG)
1994-99	Delors II: continuity of Structural policy
1996	First Cohesion Report
1997	Treaty of Amsterdam confirms the importance of cohesion and includes a new Title on Employment
2000-06	Financial Perspective: reform of the Structural Funds and adjustment in the operation of the Cohesion Fund. Creation of the Instrument for Structural Policies for Pre-Accession (ISPA) and the Special Accession Programme for Agriculture and Rural Development (SAPARD) to complement the PHARE Programme.
2002	Second Report on Social and Economic Cohesion

In the current funding structure the European Structural Funds include the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), the European Regional Development Fund (ERDF) and the Financial Fund for Fisheries Guidance (FIFG). Of these, the ESF, EAGGF and FIFG are thematically based funds, whereas the ERDF focuses more on the transfer of resources from richer to poorer Member States in the spirit of solidarity enshrined in the EC Treaty. Arguably, these transfers have been made within the framework of a development strategy that aims to improve the competitiveness of the local system in underdeveloped territories. The question remains however as to whether there is in fact such a strategy accompanying resource transfers, or whether the right strategy has been adopted. In any case, it is timely to define a new (or at least to modify the “existing”) one by putting greater emphasis on the definition of key policies that can stimulate development, rather than in the amount of funds, particularly in view of the imminence of a massively enlarged and demonstrably poorer Europe.

**In the 1994-99 period the Structural Funds** concentrated on a number of key regional objectives, namely:

- Objective 1 – structural adjustment and development of less developed regions
- Objective 2 – conversion of regions severely affected by industrial decline
- Objective 3 – combating long-term unemployment and facilitating the occupational integration of young people and persons excluded from the labour market
- Objective 4 – assistance for workers in employment to adapt to industrial change and new production systems through retraining,
- Objective 5a – speeding up the adjustment of agricultural and fisheries structures,
- Objective 5b – facilitating development of rural areas, and
- Objective 6 – promotion of development in regions with exceptionally low population density.

Four of these seven objectives, namely objectives 1, 2, 5b and 6 are spatially restricted in their remit. There is no explicit spatial restriction applied to objectives 3, 4 and 5a. These correspond to objectives 1 and 2 for the current **period 2000-2006**, after “concentration”.

## 2.3 Defining the conceptual framework for analysis.

### If territorial cohesion is the answer, what is the question?

The policy instruments and objectives and their development path over the last decades reflect a more general shift in development thinking. In recent years the sharper focus on European competitiveness outlined for instance by the Lisbon goals of 2000 set for Employment, Economic Reforms and Social Cohesion have rendered social and economic cohesion instrumental in achieving the ambitious policy goals set for European societies in the global economy. The persistence of social and economic disparities within and across the Member States is however a serious hindrance to these goals, and as such has strengthened the role of policies aimed at improving the competitiveness of regions. In order to chart these shifts more analytically the concept of competitiveness in particular needs to be further elaborated.

Instead of merely analysing the degree of convergence between the different regions we need to consider the limitations of many less endowed regions in competitive terms, regions that cannot be helped adequately by simple Structural Funds (financial) intervention. Given the intrinsic openness of regional and

local territories, both to the movement of goods and the movement of production factors, regions and local territories operate in a context of inter-regional trade within a regime of “absolute advantage” and not within a regime of “comparative advantage”. If their absolute competitiveness is inadequate or declining with respect to other regions, the spontaneous adjustment mechanisms which in the latter regime always ensured a role in the international division of labour – even to countries structurally inefficient in all production sectors – either does not exist or are inadequate to re-establish equilibrium. (Weak conditions, due to inadequacies in production factors, adverse geographical circumstances or poor accessibility, may well result in mass unemployment and, if public transfers of income are not sufficient, eventually to emigration and possible abandonment.)

Camagni (2002) identifies three possible strategies of development or survival for underdeveloped territories, which are very much in line with the three main axis of territorial policies identified by Pezzini (2003):

1. Carrying out political lobbying aiming to secure public transfer
2. Improving competitiveness of the territorial (economic) system
3. Attracting investment from other regions and from abroad.

There are those that contend that the EU Structural Funds are mainly implemented in order to ensure the second approach. Thus an assessment needs to focus on the (relative) change of the competitiveness of a region aided by SF spending. There are those however who interpret the current state of affairs through an approach that concentrates exclusively on securing public transfers and therefore raises a real “moral dilemma”, that is, condoning wasting the opportunity to develop since there is knowledge that funds will continue to be available. However, in carrying out a territorial impact assessment, the focus cannot merely be on economic competitiveness, but the analysis needs also to assess other aspects of the endowment and spatial policy debate (cf. discussion on spatial policies). This brings us back to the policy concept of territorial cohesion as the main policy aim against which the Structural Funds are to be assessed.

### **2.3.1 Debates within the ESPON process**

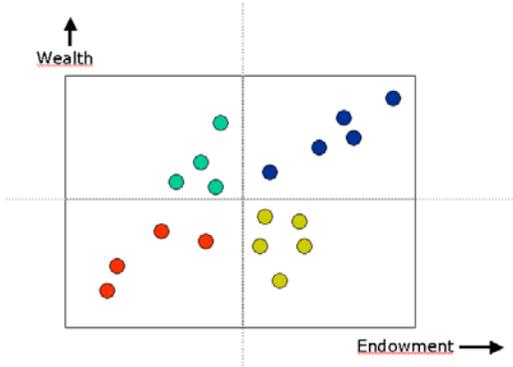
The idea of territorial cohesion as it has recently been advocated in the European debate is directly linked to the overall aims of cohesion policy in Europe. In this context the policy goal of cohesion is set in terms of “harmonious economic development” with a specific geographical dimension, i.e. reducing disparities between the levels of economic development of the various regions and the backwardness of the least favoured regions etc., while the main indicator used to measure “economic development” up to now has been GDP per capita, which in fact is an indicator of “economic growth”. Shifting the focus from social and economic cohesion towards territorial cohesion brings into focus the need to develop the idea of territorial development (policies) and indicators more suited to this more complex and less linear process.

What makes territorial development policies unique is their holistic understanding of convergence and cohesion and the linkages between the micro and macro levels in the analysis. As argued by Pezzini “territorial development policies represents a new frontier in the search for sustainable growth, convergence and cohesion, an indispensable complement to traditional macroeconomic and structural policies.” (Pezzini 2003, 1)

Derived from the debate on cohesion, four conclusions were put forward within the ESPON community.

- Firstly, Hanquet and de Boe made the point that territorial cohesion is defined as an aim, which is consistent with the political interests prevailing today. As far as the concept corresponds to political reality, there is no point in “measuring” territorial cohesion, as political concepts are not considered appropriate for operationalisation in terms of indicators etc.
- Secondly, Ulied and Turró stressed that the cohesion debate should not focus on single indicators such as e.g. GDP per capita. Moreover, it should also be noted that the process of cohesion is such that convergence can mean a “levelling down” as well as a “levelling up” (Cohesion is not only a result of sufficient amounts of people increasing their wealth, it can also be the result of a sufficient amount decreasing their wealth.) Moreover, there is the paradox that high migration flows from poorer countries to richer ones will produce automatic cohesion, as migration will increase GDP/capita in

poor countries (by reducing their population) and reduce GDP/ per capita in rich countries (by increasing their population).



In the diagram, a number of territories (regions, countries...) are placed according to their wealth and territorial endowment (social and economic infrastructure supporting development). Generally speaking, wealthier territories also have higher endowment, but other possibilities are also possible. Taking “Wealth”, or “Growth”, or “Development” e.g. measured in the easiest way as just GDP per capita, the diagram illustrates that more cohesion (less vertical distance between the points) can be achieved by either increasing the position of the points at the lower level or by decreasing the position of the points in the upper fields. Independent of this, it is possible to increase the positions concerning territorial endowment.

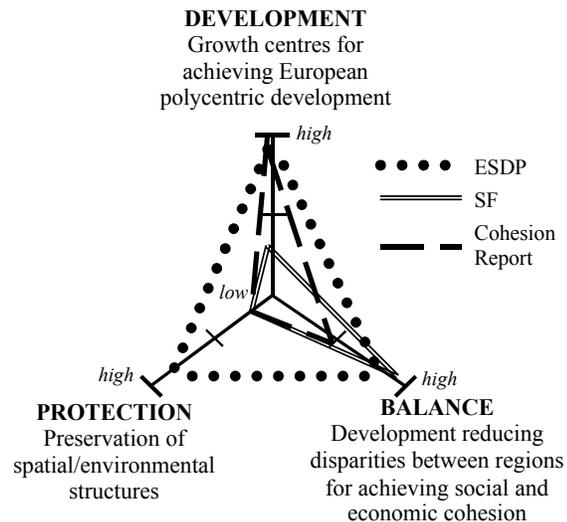
- Thirdly, as has been indicated by the Report on Economic and Social Cohesion amongst other studies, regional disparities in economic development within countries are often larger than between countries. Similarly, disparities may also be larger within cities in a given region than between regions and one should not forget about disparities between neighbourhoods in a given city. A European policy needs to take all these different kinds of disparities into account. Questions also arise as to whether cohesion can be achieved simultaneously at all levels, or whether certain levels are to be prioritised.
- Fourthly, the appropriate territorial focus for such a cohesion policy needs to be defined. Is cohesion policy mainly necessary within the European Union or parts of it, or is this kind of policy to be directed in particular to the EU in its wider geographical context? Where economic disparities generate social and political conflicts e.g. across the Mediterranean. (Northern African and Middle Eastern Countries, Turkey) With regard to our ESPON project, we probably have to admit that the Structural Funds do not address this issue, which is therefore beyond the scope of our study. This is despite the fact that the territorial impact of the Structural Funds is likely to increase differences across the Mediterranean.

These debates are in line with the debate found in the ESDP where it is clearly stated that the objectives of development, balance/cohesion and protection need to be reconciled.

### 2.3.2 From territorial cohesion to territorial balance?

“Policy aimed exclusively at balance would lead to weakening economically stronger regions, and simultaneously, increasing the dependency of less favoured regions. Development alone would favour an increase of regional disparities. An overemphasis on protection or preservation of spatial structures, on the other hand, bears the risk of stagnation since it might slow down modernisation trends.” (CEC 1999:11)

Thus the ESDP document arrives at the policy aim of balanced and sustainable development. As compared to the cohesion focus expressed in the Structural Funds, the argument clearly favours the strengthening of growth poles (economic motors / motor-regions) in order to support the competitiveness of the EU.



This is the ideological base of the policy idea encompassed in the concepts of polycentric development, understood as one form of “balance”. Needless to say, a well “balanced” territory is not necessarily an isotropic territory with all places having the same economic development, or cities of the same size; but a diversified and well-integrated structure where each single place has a minimum level of development conditions in terms of basic infrastructure and access to services. It can be argued that, to a certain extent, such development conditions have already been achieved to the point that differences are increasingly a matter of improving efficiency or environmental quality.

The 2nd Cohesion Report as well as the Structural Funds take a different approach and focus predominantly on the aspects of competitiveness and cohesion, which correspond generally to the ESDP aims of development and balance.

In the chapter on territorial cohesion, the development tendency towards a EU-wide centre-periphery division is outlined and special emphasis is put on the need to counter balance this. In this context, the development of growth centres for achieving polycentric development is stressed and becomes more dominant than traditional cohesion aspects. (CEC 2001:29-33)

Taking the Structural Funds into account, it can be argued that the focus is more on structural contributions to “harmonious economic development”, i.e. supporting developments which contribute to reducing disparities between the levels of economic development of the various regions and the backwardness of the least favoured regions etc.

Thus taking the ESDP as the point of departure for assessing the territorial impacts of Structural Funds, implies assessing the Structural Funds against policy aims which are partly conflicting with the explicit policy aims of the Structural Funds, i.e. attention to less favoured areas versus attention to areas with growth potentials and growth-motor functions. This dilemma is not least reflected in Pezzini’s conclusion that a change of direction in territorial policies is taking place from spatial redistribution to regional competitiveness, i.e. the focus is no longer on the reduction of disparities as such, but rather on the potential regions can offer to enhance national or European economic growth. Indeed, one of the major aspects made by putting forward the concept of territorial cohesion, not least in the 2<sup>nd</sup> Cohesion Report, is the strengthening of the territorial or spatial dimension in policy making.

## **2.4 Related concepts of interest**

Given the challenges of the concept of territorial cohesion, one may want to focus on the major achievement of territorial cohesion, i.e. advocating the territorial dimension, and find a suitable way of dealing with the cohesion aspect within policy making. Therefore, we will have a brief look at related concepts, such as “spatial integration” and “endowment”.

### **2.4.1 The concept of “Spatial Integration”**

The Study Programme on European Spatial Planning (SPESP) was a first attempt at analysing European spatial development. Going back to the SPESP, the concept of spatial integration is of interest. Spatial integration is here understood as an all-encompassing concern, having obvious links with criteria such as geographical position, economic strength and social integration, but also with key concepts from other fields such as the concept of European Functional Urban Areas.

In the conceptual debate three strands of territorial integration have been proposed. For the purpose of our study, it may be possible to focus on the question of spatial homogeneity and discontinuity and keep the aspects of flows, barriers and co-operation on a secondary level, mainly as the secondary results of the above-mentioned aspects.

*Spatial integration* can be seen as an all-encompassing concern, presenting obvious links with criteria such as geographical position, economic strength and social integration, but also with other research fields like the concept of European Functional Urban Areas (EFUAs). Spatial integration certainly deserves an in-depth conceptual analysis. The clarification of concepts and methodological development has been fuelled by exploratory studies in three fields: flows and barrier effects, spatial homogeneity and discontinuities, and co-operation between spatial entities. The studies identify various spatial patterns according to topic and scale, such as the effect of national borders on goods flows, and the relative decrease in wealth differences between countries rather than within them. Differences between regions provide opportunities for trade and exchanges and can create flows between them. Flows can reduce spatial differences as well as increase them. This is a challenge for the European integration project, and pinpoints the importance of co-operation between spatial entities in order to achieve balanced spatial integration. It also underlines the necessity of *comprehending the issue of spatial integration simultaneously at several different geographical levels and on different domains, keeping in mind the numerous factors that play a role - from physical and cultural distances to political and administrative structures.*

*(Study Programme on European Spatial Planning. Nordregio 1999 pp 14-15).*

## 2.4.2 The concept of “Endowment”

The emergence of “endowment” onto the policy agenda has been another indication of the expansion of the concept of cohesion, with the focus shifting from spatial redistribution to regional competitiveness, i.e. while the focus previously was firmly on the actual or relative reduction of disparities, it has been shifted towards the endogenous potential of the regions in enhancing national (and European?) growth (e.g. Pezzini 2003, 2). This has implied a change in conceptualising and operationalising cohesion, though also and more importantly for our current research interest, in analysing cohesion.

Cohesion, if referred to as “endowment” may also be analysed in relation to the whole range of assets and sectoral measures in place (in sectors such as education, health, transport, R&D etc) that are necessary (but not sufficient) to induce and sustain endogenous development over time. The role of the European Spatial Policy could be to support the territorial integration of the European space through different European sectoral policies (e.g. introducing transport subsidy policies for transport services linking peripheral areas). This approach has the double advantage of, on the one hand, guaranteeing minimum standards for “backward” regions in the spirit of European solidarity, and on the other, increasing their endowment base across sectors in order for them to develop their opportunities and competitiveness vis-à-vis other regions. Accordingly, endowment aspects can be divided into “attributes” (as used in traditional discussions of regional policy) and regional “capabilities” (used in the contemporary debate).

The endowment approach can benefit from viewing the potential strengths and resources of regions in a more nuanced fashion, rather than treating all regions similarly for analytical purposes. An initial attempt to create a spatial typology for Europe in this field is presented in the 2<sup>nd</sup> Cohesion report:

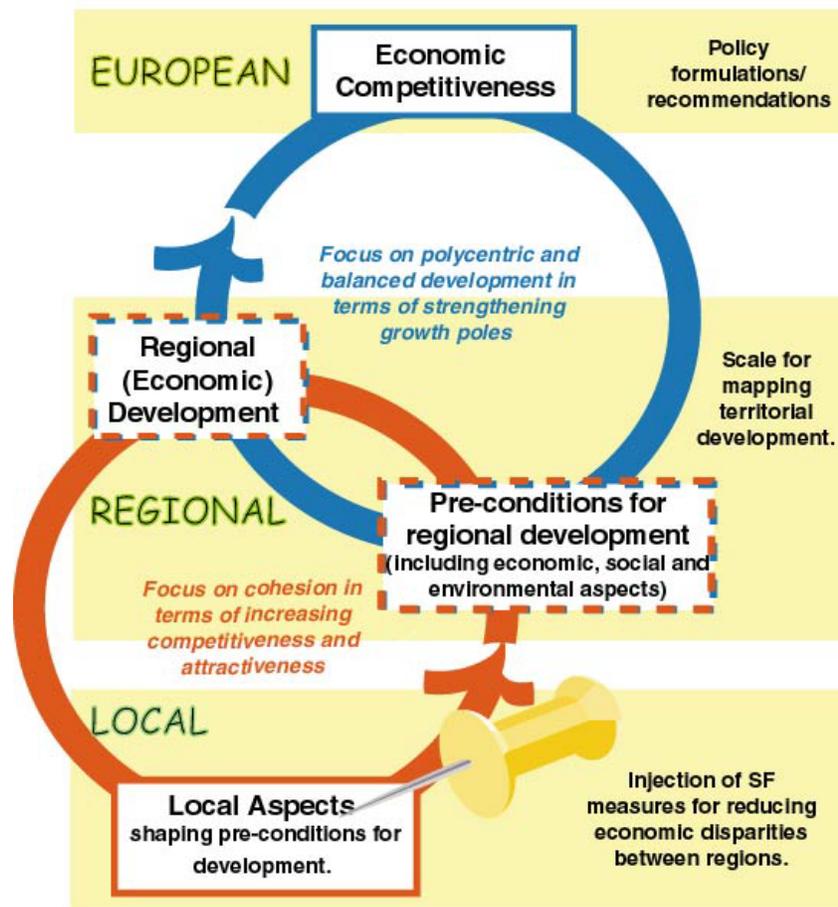
- Urban areas
- Rural areas
- Areas with specific geographic features
  - Border regions
  - Mountain areas
  - Coastal and maritime areas
  - Islands

However, in the 2<sup>nd</sup> Cohesion Report the focus of these areas is mainly on economic factors. Thus, the question arises as to whether it is possible to focus the debate on these areas in terms of endowment and particularly on environmental, social and economic factors.

## 2.5 Towards a multi-scalar understanding of territorial cohesion

“Although the choice and combination of actions is very much place-specific, competitiveness policies clearly go far beyond the normal competences of sub-national governments. Many of the actions noted above relate to changes in regulatory or legislative frameworks that are national or supranational in scale. Others involve development or improvement of infrastructures that are national as well as local assets or that must link in or be co-ordinated with networks that are national in character. Other policies involve co-ordination with government agencies outside the metropolitan area concerned (national transport authorities and neighbouring regional government with respect to infrastructure development, neighbouring regional governments with respect to environmental protection across catchments areas).” (Pezzini 2003, 2)

### Territorial Dynamics Towards a Conceptual Approach for ESPON 2.2.1



(Nordregio 2003)

Thus far our discussion has focused on the understanding of policy aims per se. However, the formulation of policy aims is related to the geographical scale addressed.

In the field of spatial planning, the interdisciplinary approach asking for more sector integration is often focused on the local and partly the regional levels.

The higher we ascend the ladder of geographical levels, the clearer is the focus on economic aspects and competitiveness. This not least underlined by the conclusions of the European Council meeting in Lisbon (2000) presenting an agenda for economic and social renewal of Europe focused on sound macroeconomic policies.

The debate often focuses on a picture of the competition where locations or territories are in a sense bought and sold on a global market, where demand and supply confront each other. The strong economic focus may be explained by the fact that complexity increases as we climb up the ladder of geographical levels. As illustrated in the text-box, although when focusing on economic aspects, the spatialisation of development remains complex.

Camagni (2002) differentiates between three **different aspects of the economic concept of territory**:

- A system of localised technological externalities – i.e. an ensemble of material and non-material factors, which thanks to proximity and the resulting reduction in transaction costs involved, can also become pecuniary externalities.
- A system of economic and social relations, which make up the relational capital or the social capital of a certain geographical space.
- A system of local governance, which brings together a collectivity, an ensemble of private actors and a system of local public administrations.

Focusing on the global competitiveness of the European Union the policy aim of polycentric development has been promoted. The focus is on balanced development across the Union as a whole, i.e. dynamic development growth centres, in contrast to the tendency for economic activities to be concentrated in central regions with other areas being peripheral (CEC 2001). This concept works equally well at the European and at the national levels in a wide range of EU Member States.

Focusing on dynamic growth centres, European – or also national – economic competitiveness relies on the strength of functional regions and often here regional specialisation is at stake. Indeed, the idea of polycentric development is among others based on this line of argumentation. In conclusion this implies that cohesion (i.e. balanced development) at one level (i.e. the European level) relies on competitiveness (i.e. competition and imbalances) at another level (i.e. regional level). Thus the apparently contradicting concepts discussed above appear as two sides of the same coin, depending on the geographical level.

This is not least the case if we consider economic factors only. Regional competition in a wider set of aspects (e.g. also social and environmental) would imply that territorial balance/cohesion is possible at the European level – in economic terms – and at the regional level – in a mixed set of economic, social and environmental terms.

Specialised functional regions rely as a matter of course on a number of location factors in a region, which are not only of purely economic nature. The ESDP document lists among these (factors) access to infrastructure (accessibility) and knowledge but also social, cultural, natural and environmental aspects shaping the identity of a region are important for forming successful regions. Both attractiveness and local competitiveness depend on similar common factors, which are not only found in physical externalities, accessibility or environmental quality, but also in relational capital and the learning capacity expressed by the territory. Human, social relational capital endowments emerge as the sources of the competitiveness of territories, necessary pre-conditions to secure employment stability, benefits from external integration and the continuing growth of local well-being and wealth.

**Balanced development related to polycentrism at the European level** is one of the main aims expressed in the ESDP, which is also followed up in the 2nd Cohesion Report with an explicit section on urban areas as growth centres for achieving polycentric development. Hotspots in a polycentric urban system indicate recent growth poles and potential future global integration zones, i.e. larger agglomerations symbolising Europe's global competitiveness. Following the policy aims laid down, for strengthening the balanced settlement structure a procedure must be found to enable cities and region to complement each other and to co-operate – in order to compete globally. The belief is that promoting complementarity between cities and regions means simultaneously building on the advantages and overcoming the disadvantages of economic competition between them.

Behind the idea of polycentric, balanced development across the European Union stands the belief that the improved competitiveness of the EU on a global scale demands a stronger integration of Europe and its region into the global economy. In this respect also the concept of global integration zones has been shaped, i.e. global integration zones are the hotspots of European global competitiveness. Furthermore, the threat of an increasing concentration of economic activities in the central parts of Europe and thus a growing centre-periphery divide of Europe are motives behind the idea of polycentric development. Thus in general we may conclude that the concept of polycentric development focuses mainly on the European continent and considers cities, urban regions etc. as nodes in a polycentric urban system. "[A] polycentric settlement structure across the whole territory of the EU with a graduated city-ranking must be the goal. This is an essential prerequisite for the balanced and suitable development of local entities and regions and for developing the real locational advantage of the EU vis-à-vis other larger economic regions in the world" (CEC 1999:20-21).

We are certainly aware of the fact that the idea of polycentrism can also be applied at the national, regional and local levels, following the overall line of argumentation in the ESDP documents, this seems however, to be of secondary importance. Interestingly the 2nd Cohesion report addresses polycentric development at the regional level, i.e. Randstad, but not a national level.

(For further discussions on polycentrism see also Waterhout 2002, CPMR 2002, ESPON 1.1.1 and ÖIR forthcoming.)

Discussing the specialisation of regions in order to increase competitiveness one should keep in mind the criticism levelled against the law of comparative advantage (e.g. Camagni 2002), which does not hold in the case of confrontation among local economies (inter-regional trade) and, the consequently invalid conclusion that each region will always be granted some degree of specialisation and a corresponding role in the interregional division of labour. This implies focusing on potentials profile/peak competences and is a prerequisite for the economic development of the regions. Following Camagni's argument some regions will drop out of the game – at least if we focus on economic potentials only. In the case of these regions the focus might not be on strengthening regional competitiveness but rather on moderating the effects of decline. This approach would lead us to a typology of regions according to their development potentials. In the context of such a typology the development ambitions of regions should not primarily be on changing to another category but rather on the position within a given category.

These location factors shaping regional identities are of course influenced by the position and the image a region has in the rest of the world, i.e. its competitiveness/ranking regarding various aspects. (This is the closure of the blue circle.) At the same time locational factors rely very much of course on the state of the local level, as this is the locational level where the physical and non-physical externalities are formed.

The local level covers an entire spectrum of factors contributing to the creation of a prosperous environment in which people and entrepreneurs can develop. Here, the necessary shift from purely economic competitiveness-centred approaches to cross-sectoral approaches providing attractive environments for enterprises becomes clear. Entrepreneurs are to a large extent generated by the local context, which includes various aspects of the physical environment as well as the nature of governance solutions implemented. In addition to the standard aspects addressed within the field of regional

development (education, labour market participation, accessibility etc.) a number of additional aspects should also be considered:

- **Social aspects**  
Atkinson (1998) underlines the point that since the 1980's increasing attention has been given to the social dimension, as it was increasingly acknowledged, for both economic and political reasons, that the European Social Model, which were seen as essential to Europe's economic and political success, were under threat from global and European economic restructuring. Thus issues such as social exclusion and cohesion became part of the EU's vocabulary and its policies, justified primarily in terms of their implication for economic development.
- **Environmental aspects**  
Goodstadt and Clement (1989) underline that there has been a growing recognition that economic decline, social problems and environmental degradation experienced in European cities and regions are part of the same dynamic, and initiatives tackling these themes are no longer viewed as reconciling competing objectives but are rather increasingly designed to support identifiable inter-relationships between features that are central to strategies for renewing urban environments.
- **Governance**  
Governance, participation and process-orientation are increasingly considered to be important issues in policy making. Understanding a territory as a system of local governance, means concentrating on what brings together a collectivity, an ensemble of private actors and a system of local public administration. In terms of regional policy this means that individual companies are the entities that compete and act in the international marketplace and that their innovativeness can never be separated from the presence of a Schumpeterian entrepreneur, but at the same time, these entrepreneurs/companies are, to a large extent, generated by the local context and, in order for them to govern and live with uncertainty their decision-making-processes are firmly based on socialised processes and explicit collective action.

Certainly, the state of the local level is also influenced by the economic "success" of the wider functional region, i.e. its specialisation etc. (This is the closure of the orange circle.)

It is here, at the local level that the debate on European cohesion is finally transferred into a debate on endowment and endogenous potentials. It is also here that Structural Funds spending is allocated in order to reduce disparities.

## 2.6 Conclusion

This chapter provided an introduction to the debate on territorial cohesion, including the challenge of operationalising a policy concept and addressing criticisms of the understanding of cohesion as the levelling out of disparities. A combination of the arguments put forward in the ESDP, the 2<sup>nd</sup> Cohesion Report and within the context of the Structural Funds themselves illustrated that balanced development, territorial cohesion and competitiveness are two sides of the same coin, and are thus respectively a question of scale.

The discussion of the interrelations of various administrative/geographical levels illustrated that the regional level is the most appropriate level for analysing supporting European policy messages.

In addition to the question of scale, the discussion of territorial cohesion showed that a cross-sectoral focus is needed. This is underlined both by Pezzini's definition of "territorial development policies" and by the policy aim of the ESDP reconciling conflicting sector policies.

In conclusion, the study should focus on the European and the regional levels and implement a holistic territorial approach, taking into account economic, environmental and social aspects. Thus European homogeneity and discontinuity will be discussed both in terms of the economic strengths of regions, and in the light of these social and environmental aspects. This requires that we pay attention to the fact that the (endogenous) development potential in European regions often varies considerably.

### 3 Towards an Hypothesis for the Assessment of the Territorial Impact of the Structural Funds (Working Package 2)

The research undertaken in this Working Package aims at understanding the content and implementation of past and present Structural Fund programmes, in order to assess the spatial implications of past Structural Funds policies and the potential for current Structural Funds programmes to improve the Union's territorial cohesion. The analysis undertaken as part of this Working Package will be predominantly qualitative in nature, and will be supplemented and integrated by the quantitative analysis undertaken in Working Package 4. In accordance with the project time schedule the work on this Working Package has already begun and results will be reported in the Second Interim Report.

The Structural Funds belong to the specific domain of European regional development policies, that is, as illustrated in section 2.2, policies, which aim to re-balance the economic and social disparities between regions in Europe. This has been one of the principal objectives of the European Union since its inception, in that it was formally addressed in the Treaty of Rome.

It can be argued, however, that the Structural Funds, by contributing to their primary aim, also contribute to the objectives of a balanced territorial development. This project is based on the hypothesis that the Structural Funds show territorial effects and thus the question remains as to whether these are in favour of territorial cohesion and balance, or not.

**Overall hypothesis:** *The main hypothesis of this study is that the Structural Funds by contributing to their primary aim, also contribute to the objectives of balanced territorial development.*

Structural Fund strategic documents (such as Agenda 2000, the guidance notes prepared by the Commission, national development strategies etc.), both at the European and at the national levels emphasise policy priorities, which are in line with those of territorial cohesion. For example, they<sup>2</sup> emphasise the need to concentrate policy-efforts on competitiveness and endogenous potentials. Furthermore, one of the most innovative priorities of European structural policies is the promotion of sustainable development: the Treaty of Amsterdam in 1998 adopted the threefold definition of sustainable development and stated that the Union's financial instruments (among them the Structural Funds) were required to work, simultaneously and in the long-term interest, towards economic growth, social cohesion and the protection of the environment (Taylor, Polverari and Raines, 2001). Moreover, the theme of human endowment is reflected in the Structural Funds, and was stated with strength at the Lisbon Council, where the following six main aims were identified for employment, economic reform and social cohesion (Bachtler and Downes, 2002):

- An information society for all: improving access to communications infrastructure, especially among excluded groups; using information technologies to renew urban and regional development and promote sustainable development
- Establishing a European area of research and innovation: improving the efficiency and innovation of research activities; improving the environment for research
- Creating a business friendly environment for SMEs: encouraging the key interfaces between companies and financial markets, R&D and training institutions, advisory services and technological markets
- Education and training for living and working in the knowledge society: development of local learning centres, promotion of new basic skills
- More and better jobs: improving employability and reducing skills gaps; encouraging lifelong learning; reducing deficits in the service economy; extending equal opportunities
- Promoting social inclusion: improvement of skills; promotion of wide access to knowledge and opportunity.

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<sup>2</sup> Such as, for example, the Irish 2000-06 National Development Plan, or the Italian Plan for the Development of the Mezzogiorno.

From this overarching working hypothesis, descends logically another tier of four more specific hypotheses (so far, potentially more will be developed during the undertaking of the research), in particular:

***Working hypothesis 1:*** *At the level of the strategic objectives of Structural Fund programmes, it is possible to identify explicit and implicit coherence between the objectives of the CSFs, OPs and SPDs and the objectives contained in the ESPD.*

Past research conducted on the integration of the Policy Guidelines and Aims of the ESDP into Objective 1 and 2 programmes suggests that there is some evidence of a significant strategic consistency between the policy priorities of Structural Fund programmes and those of the ESDP (albeit often implicitly). This applies in particular to the first Policy Guideline of the Perspective, polycentric spatial development and the new urban-rural relationship. (Polverari and Rooney, 2002).

***Working hypothesis 2:*** *The territorial effects of Structural Fund programmes can be measured and, at least partly, quantified.*

Structural Fund programmes are built from *ex ante* analyses and quantification of expected outcomes (outputs and results from the interventions) and impacts. They also operate on specific territories, NUTS II for Objective 1 and 3, aggregations of NUTS III for the Objective 2. It should therefore be possible to estimate the territorial impacts that they contribute to deliver, at both programme and European levels.

***Working hypothesis 3:*** *Trends in national regional policies indicate a partial convergence with trends in European regional policies, providing scope for a greater coherence between spatial policies at different scales in support of territorial cohesion. However, convergence in policy formulation may result in opposing development aims.*

Both national and European regional development policies (and more broadly economic development policies) place emphasis on competitiveness and are adopting systemic or holistic approaches. This includes the potential to increase the impact of structural policies on territorial cohesion. As has been noted ‘the objectives of recent policy legislation place great emphasis on terms such as ‘balanced national development’ and national or regional ‘competitiveness’. However, the conceptual discussion has shown that depending on the geographical level, this may imply different – even contradicting – aspects and different direct impacts. Nevertheless, convergence tendencies lead to indirect impacts, which may show greater impact than direct Structural Funds investments.

***Working hypothesis 4:*** *The analysis undertaken in this study will enable recommendations on the shape of post-2006 Structural Funds to reflect a more holistic territorial approach.*

Discussions will soon begin on the reform of the operational rules of the Structural Funds for the period 2007-2013. Understanding the working-dynamics of Structural Fund programmes, their interrelationship with other policies and their territorial effects will enable the research team to develop policy-recommendations on how the Funds may be reformed to increase their potential and effectiveness in delivering balanced territorial development and improved territorial cohesion.

The working hypotheses above described (the overall hypothesis and the four more specific working hypotheses) will be further developed in the next few months; the main results of this part of the research will be included in the II interim report to be submitted by August 2003<sup>3</sup>.

The development of the working hypotheses will involve a qualitative analysis on the effects delivered by past and present Structural Fund programmes, to understand the dynamics of development that they favour

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<sup>3</sup> Most of this part of the research will be conducted for the II interim report, which will include a description of the working hypotheses. The outcomes of this part of the research will be discussed at the next intra-project meeting, which will be held on the 25<sup>th</sup> June.

and, as a consequence, their likelihood to produce the desired territorial impacts. This part of the research will include in particular:

- A review of available documentation and academic literature on this subject (on-going)
- A meta evaluation of the 1994-99 programmes (so far at the stage of documentation gathering)
- A review of current Structural Fund programme dynamics, by (i) desk research on secondary sources (on-going); (ii) in-depth analysis of a sample of Structural Fund programming documents and related evaluation reports, focussing particularly on delivery mechanisms and partnership arrangements; and, (iii) one or more focus groups with Commission and (potentially) national and/or programme level officials; and, finally,

In this respect, all aspects of Structural Fund programming will be analysed, namely strategies, policy contexts, governance and delivery systems.

So far, the research team has primarily been concerned with the adjustment of the work-plan as a result of the discussions held at the kick-off meeting last February; a mapping of 1994-99 and 2000-06 Structural Fund programmes (on-going); literature search on Structural Fund policy documents, evaluations, commentaries and academic literature (on-going); the establishment of dialogue with DG Regio to obtain relevant evaluation reports (on-going) and the preparation of a check-list and of a template for the country experts (attached) to support them in the standardised analyses of selected programming documents, complements the evaluation documentation. This particular task will be carried out in the next two months.

The working hypotheses will be tested in the subsequent phases of the project (especially via the analysis of the geography of Structural Fund spending and through the case studies), however, as has been mentioned, this part of the project will also provide the fundamental foundations for the elaboration of recommendations on how the post-2006 Structural Funds should be shaped in order to reflect a more holistic or systemic territorial approach. Such recommendations will include reflection on: designation criteria, strategic priorities and delivery mechanisms – all elements that are being addressed in the research above described.

A further contribution to the recommendations will be provided by a further step in the project - to be undertaken after the delivery of the second interim report - which is going to be devoted to the analysis of national regional policies, with the aim of understanding their interrelationship with European regional policies and how they could be made more consistent with each other. As a result of this analysis, moreover, a typology of national policies will be developed. This will address the strategic and delivery complementarity and coherence (or conflict) of domestic vis-à-vis European policies.

## **4 Reference Framework for the Analysis: European Spatial Development and Territorial Cohesion in the 21<sup>st</sup> Century (Working Package 3)**

Drawing on the work carried out under Working Package 1, the main concepts and indicators for carrying out a spatial analysis have been discussed. One of the main challenges is that spatial effects correspond neither to administrative boundaries nor to statistical geographical entities. The aim is to present the data at the NUTS III level, though in some cases it may even be more detailed than this. As the final output will be NUTS relevant, other preliminary or intermediate steps may have other spatial references and/or analysis. In order to be able to relate the analysis of spatial development to the implementation of the Structural Funds, time series will be chosen that reflect the time before the second Structural Funds period began, while others will reflect time after that period respectively.

Following the conceptual debate the question emerges: What criteria should be used for measuring spatial homogeneity and discontinuity? Three aspects are at stake:

- **Thematic focus – territorial cross-sectoral approach**  
Many debates equate territorial development with “regional economic development”. The reference to the ESDP document however widens this aspect and clearly indicates that

environmental and social aspects are to be included. “This means, in particular, reconciling the social and economic claims for spatial development with the area’s ecological and cultural functions and, hence, contributing to a sustainable, and at a large scale, balanced territorial development.” (CEC 1999:10)

- **Geographical focus – The European and regional levels**  
In addition to the type of criteria, the question of the appropriate geographical scale also needs to be considered. The ESPON-debate on the choice of the appropriate geographical level has thus far clarified the fact that it will definitely be the European scale that is at stake, and this needs to be related to the regional level. Thus developments at the national and local levels are of less priority, although these may need to be considered from time to time as they shape what is happening at the regional level. As the regional level seems to be the link between the debate on European competitiveness and the debate on endowment and empowerment at the local level, we should try to analyse the regional level in a broader fashion, not only focusing on economic aspects but also on all kinds of potentials (environmental, social, economic etc.). This will enable a sharper focus on the nature of the endowment idea developed above.
- **Structural Funds focus – the relevance of the Structural Funds debate**  
The focus of the study is on the territorial effects of the Structural Funds. Accordingly, the indicators chosen need to reflect the field of interventions and possible results and effects of the Structural Funds, and the period of Structural Funds interventions (1994-99).

Developing indicators and collecting data along these lines, should result in a set of European maps showing how different potentials are spread across Europe.

This is, however, only one part of the indicators and data work to be carried out in respect of this project. In addition, it will be necessary to map Structural Funds spending, and map the field of intervention of national policies, which are discussed in the succeeding chapters. The work on Structural Fund spending and national policies are thus at the heart of the issue of this project. Mapping European spatial development is a core issue for the ESPON strand 1 projects. In order to achieve the maximum effect, we would like to concentrate on the central issues and draw from the work carried out under strand 1 regarding European spatial development. Focusing on the concepts of “territorial cohesion” and “balanced development”, and thus the results provided by the ESPON project 1.1.1 on polycentric development will be of special interest.

The following table presents concepts already discussed and a list of indicators that will prove useful for the impact assessments of EU policies. The focus is on cross-sectoral indicators at the regional level supporting European policy messages in the field of the Structural Funds.

<i>Main Concepts</i>	<i>Indicators</i>	<i>Time series</i>	<i>Data availability (as far as possible NUTS III level)</i>
<b>Personal Wealth and Quality of life</b>	The indicators describing personal wealth and quality of life are considered important with regard to the EU policy aim of <i>social and economic cohesion</i> . In this context the actual situation of the <i>inhabitants</i> (e.g. measured by income per household or purchasing power standard) adds a more detailed picture to the more generalised GDP indicators. With regard to structural policies the relationship between the rate of change in transport infrastructure and the rate of change in population density, GDP per employment needs to be taken into consideration.		
	GDP total	1995 - 2000	REGIO
	GDP per capita	1995 - 2000	REGIO
	Active population	1995 - 2000	REGIO
	Unemployment rate	1995 - 2000	REGIO
	Income per capita/household		ESPON 1.1.2
Poverty rate		ESPON 2.1.1	

Employment rate by qualification and profession		ESPON 3.1
Purchasing Power Standard	<i>Perhaps for case study level</i>	REGIO

<b>Economic Growth</b>	European competitiveness and the competitiveness of European regions is one of the main goals behind the policy aim of polycentric development. Indicators measuring the increase in GDP, Activity Rate, Productivity between two periods by regions and sectors can be used to illustrate changes in economic growth and competitiveness.		
	GDP total	1995 - 2000	REGIO
	GDP per capita	1995 - 2000	REGIO
	Activity rate	1995 - 2000	REGIO
	Productivity	1996 – 1999 p.a.	REGIO
	Persons employed by sectors	1995 - 2000	REGIO, ESPON 3.1
	Cross value added at basic prices by sectors (classification of branches)	1995 - 2000	REGIO, ESPON 1.1.1

**European integration** The European dimension in spatial development is not only a question of scale but also one of integration and interaction between European regions. This can be illustrated by analysis of the flows between regions (migration, travellers, tourism, freight, energy, water, information) in each sense, and over time.

Population	1995 - 2000	REGIO
Population density	1995 - 2000	REGIO
Tourist stays	1995 - 2000	REGIO, ESPON 1.3.3
Migration		ESPON 1.1.4
Transport flows between regions		ESPON 1.2.1
European Employment Service (EURES) job arrangements	<i>Perhaps for case study level</i>	EURES and national statistics

<b>Private investments</b>	The focus of this study is on the EU Structural Funds. However, public funding cannot substitute private sector activities and thus the attractiveness of certain areas in terms of economic activity is an important measure. Not least considering the question as to whether this can be changed by public intervention, domestic and foreign investments in the region by sectors, or firms located in the region. Research and Development investments are indicators for the attractiveness.		
	Patents	1995 - 2000	REGIO, ESPON 2.1.2
	R&D expenditures	1995 - 2000	REGIO, ESPON 2.1.2
	Enterprises by company size (location of the 500 largest companies per country)		ESPON 1.1.1
	Turnover of European Enterprises		ESPON 1.1.1
	Private capital stock and investments in transport and communication infrastructure	<i>Perhaps for case study level</i>	National sources, partly OECD
	FDI	<i>Perhaps for case study level</i>	National sources

		<i>study level</i>	
<b>Human Development</b>	<p>With regard to the policy aim of social cohesion and in the light of the attractiveness, integrated socio-economic and environmental impact indicators also need to be considered. This can e.g. involve indicators in the field of the educational level present in a region, as well as indicators on the quality of the environment. Regarding environmental indicators, analytical units such as catchment areas or watersheds when calculating the indicators for artificial surfaces etc. need to be considered.</p>		
	Educational level of population	1995 - 2000	REGIO
	Human Capital (Rolf Derenbach)	1996-99 p.a.	ESPON 3.1
	University students / university cities		ESPON 1.1.1
	Artificial surfaces – urban fabric	1990 - 2000	CORINE, ESPON 3.1
	Artificial surfaces – industrial, commercial and transport units	1990 - 2000	CORINE, ESPON 3.1
	Artificial surfaces – non-agricultural vegetated areas	1990 - 2000	CORINE, ESPON 3.1
	Pollution/quality of air and (drinking) water, and on soil, particularly the contamination of soil	<i>Perhaps for case study level</i>	EEA and JRC-ISPRA
	Pollution/quality of (drinking) water	<i>Perhaps for case study level</i>	EEA and JRC-ISPRA
	Pollution/quality of soil, particularly the contamination of soil	<i>Perhaps for case study level</i>	EEA and JRC-ISPRA
<b>Spatial Endowment</b>	<p>The conceptual debate has illustrated that the policy aim of territorial cohesion is interlinked with the idea of spatial endowment. A number of endowment factors have already been addressed by the indicators listed above. However, additional indicators would be valuable, e.g. in the field of social fixed capital invested in the region and existing assets such as accessibility to certain development assets.</p>		
	Market accessibility potential (population, GDP) by transport mode		ESPON 2.1.1
	Rurality – rural-urban population		ESPON 1.1.2
	Polycentricity		ESPON 1.1.1
	Cultural heritage		ESPON 1.3.3
	Public administration functions by cities		ESPON 1.1.1
	Public capital stock and investments in transport and communication infrastructure	<i>Perhaps for case study level</i>	National sources, partly OECD

The logic behind the choice of these particular families of indicators is the following: in the long run, endowment and human development investments will intensify European integration and interdependency across regions, increasing regional attractiveness to external investments and the productivity of

endogenous resources, leading towards higher economic growth and personal wealth, measured in terms of overall quality of life. On the other hand in the short term all other possibilities may happen (regions with high endowment and low development and vice versa...). It may also be that, if public funds are relatively important and continuous, the region develops an increasingly dependent economy, and is thus unable to compete by itself.

Past experience suggests that investment in the transport and communications infrastructure, public utilities and productive human capital, are among the basic conditions of achieving economic growth and increased welfare over a determined period of time. In this respect, public and some forms of private capital stock constitute important indicators in terms of measuring the evolution of European territorial balance, and may be used to describe most of the main concepts related to the Structural Funds. We can distinguish between social and productive capital stock and investment. On the one hand, social capital stock and investment fundamentally refer to education and health, areas closely related to the concepts of quality of life, human development and spatial endowment. Productive capital stock, on the other hand, refers to a much broader range of activities and expenditure lines related to concepts of personal wealth, economic growth, European integration, human development, etc. Some spatially relevant examples for the purpose of this study would be highways, ports, airports, railways, hydraulic infrastructure, etc. This data exists e.g. for the Spanish economy in its territorial distribution (NUTS3) for the period 1964-2000, compiled by the Instituto Valenciano de Investigaciones Económicas (IVIE) on behalf of the BBVA Foundation (a private entity). The OECD has capital stock homogenised data for 9 of the 15 EU countries in its International Sectoral Database (ISADB). The data compiled by IVIE is consistent with the OECD database, however, the availability of homogenised data for the whole of an enlarged Europe is admittedly problematic. Because of the problem of data availability this approach will probably be limited to the case study level.

In general, to facilitate a territorial reading, the indicators will be mapped in terms of absolute and relative values by administrative zones, and in terms of discontinuities.

## **5 The Geography of Structural Fund Investment (1994-99): Spending and Output by Region (Working Package 4)**

One of the core elements of this ESPON project is the mapping of the geography of Structural Funds spending per NUTS III level. In order to be able to present tangible results in the Second Interim Report, this Working Package begun ahead schedule and is currently engaged in conducting an in-depth methodology definition. After the kick-off meeting, where general data availability and methodical preferences were discussed with the project leader and all project partners, the focus is now on concrete challenges such as

- checking data availability on the EU and the national levels,
- data gathering for each country, including all programmes with SF co-financing,
- structuring the expenditure data per NUTS III regions,
- developing the supporting tools for data classification and organization (ACCESS based),
- developing a SF spending typology.

The WP 4 leader is working on the definition and improvement of all five tasks. Development will proceed according to the overall work plan and time table for the ESPON 2.2.1 project.

### **5.1 Checking data availability on the EU and national levels**

With regard to the first step, an extensive search has been undertaken with regard to already existing data on SF expenditure, preferably on the NUTS III level. The web sites of DG REGIO, DG EMPLOI, DG ENVIRON, DG FISH, DG AGRI and available reports have been checked. Several persons in DG REGIO and in national Structural Funds co-ordination units have been contacted.

The results of these extensive searches are as yet however rather ambiguous. On the one hand, there is a lot of information regarding each kind of EU expenditure, per fund involved and per Programme. But, on the other hand, the information is almost entirely organised per country or region (that is, in Spain NUTS II, in Germany NUTS I, etc.), whereas detailed information on the NUTS III level is difficult to find. Another challenge are the interregional programmes and projects such as INTERREG, RECITE, ECOS where the Structural Funds have been distributed among various regions (and not necessarily NUTS III) or countries.

As of this time we have identified the following information sources with useful data on Structural Funds spending per region.

**Information Sources html (some documents are in PDF-format):**

- **All ERDF leded Programmes 1994-1999 (including ESF), including OP and SPD, Community Initiatives, Major Projects per country:**  
[http://europa.eu.int/comm/regional\\_policy/reg\\_prog/rphom\\_en.htm](http://europa.eu.int/comm/regional_policy/reg_prog/rphom_en.htm)
- **Specific information on transport infrastructures (especially Country Reports):**  
[http://europa.eu.int/comm/regional\\_policy/sources/docgener/evaluation/trans/index\\_en.htm](http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/trans/index_en.htm)
- **General Information on the Structural Funds in 1999 (first and second part =Financial Annexes with detailed Programme Information per country):**  
[http://europa.eu.int/eur-lex/en/com/rpt/2000/act698en01/com2000\\_0698en01-01.pdf](http://europa.eu.int/eur-lex/en/com/rpt/2000/act698en01/com2000_0698en01-01.pdf)  
[http://europa.eu.int/eur-lex/en/com/rpt/2000/act698en01/com2000\\_0698en01-02.pdf](http://europa.eu.int/eur-lex/en/com/rpt/2000/act698en01/com2000_0698en01-02.pdf)
- **General Information on the Structural Funds in 1998:**  
[http://europa.eu.int/comm/regional\\_policy/sources/docgener/informat/irfs98\\_en.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/informat/irfs98_en.pdf)
- **General Information on the Structural Funds in 1997:**  
[http://europa.eu.int/comm/regional\\_policy/sources/docgener/informat/irka\\_en.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/informat/irka_en.pdf)
- **General Information on the Cohesion Fund in 1999 (detailed project information):**  
[http://europa.eu.int/eur-lex/en/com/rpt/2000/com2000\\_0822en01.pdf](http://europa.eu.int/eur-lex/en/com/rpt/2000/com2000_0822en01.pdf)
- **Impact of Structural Funds on Sustainable Development (second part and annexes):**  
[http://europa.eu.int/comm/regional\\_policy/sources/docgener/evaluation/doc/sustainable\\_vol2.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/sustainable_vol2.pdf)  
[http://europa.eu.int/comm/regional\\_policy/sources/docgener/evaluation/doc/sustainable\\_annexes.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/sustainable_annexes.pdf)
- **EAGGF Spending per country (page 102 ff., expenditure only for 00-06 or for NUTS I, when 94-99):**  
[http://europa.eu.int/comm/agriculture/publi/agrep2000/2000\\_en.pdf](http://europa.eu.int/comm/agriculture/publi/agrep2000/2000_en.pdf)
- **Midterm evaluation Objective 5a and 5b 1994-1999 with reports for some countries (5b) In the TABLES part of the full evaluation on page 12 is a contact list with all regional evaluators for 5b:**  
[http://europa.eu.int/comm/agriculture/eval/reports/rurdev5ab/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/reports/rurdev5ab/index_en.htm)

## **5.2 Data gathering for each country, including all programmes with SF co-financing**

With regard to the data gathering for each country, the work will be carried out by the national experts in the spring period of 2003.

In order to facilitate the data gathering and the information search on the national and regional levels, the partner responsible for WP4 is preparing a 'wish list', explaining in detail the data requirements (detailed programmes, projects) and giving first indications of where to find national data on the web (above mentioned information sources).

In addition, the WP leader determines basic indications for the data looked for. In general, and if available, the SF spending data should reflect:

- Amount in **EURO**.
- **Final SF Allocation** and NOT initially planned resources
- **SF participation** and NOT total budget of the programmes or projects (if necessary determine through % calculations)

- **Final situations**, or quasi final situations when the programmes are still due to be officially closed.
- In **co-operation projects** (not INTERREG, RECITE, ECOS), the final SF participation will be assigned to the **lead region**.

The wish list and these indications will be disseminated among the national experts at the beginning of April 2003, so that the data gathering can start on the national and regional levels.

The final objective is to obtain data for the NUTS III level.

Nevertheless, and keeping in mind the programming structure and the data availability in some countries, it is important to already prepare possible strategies for structuring the expenditure data per NUTS III region.

### 5.3 Structuring the expenditure data per NUTS III regions

The first and best situation is the structuring according to real financial data.

If this is not possible, the second best solution is the application of one or more structuring instruments. If the SF spending data is definitely not available on the NUTS II level from the programme managers, national or European sources, there are still some strategies to structure the spending per NUTS III region of the funding assigned to one NUTS II region.

The proposed instruments for structuring the expenditure data per NUTS III regions are:

- Closer analysis of **involved NUTS III region** in larger Objective 2 Programmes, because the eligible areas are defined on NUTS V level and in most NUTS II regions geographically concentrated. *Example:* The OP Aragon 1994-1996 and 1997-1999 is programmed on the regional (NUTS II) level. After a second look, however, it turns out that the eligible areas are all concentrated in the NUTS III area Saragossa.
- Closer analysis of **post code and site of single projects** (major projects, infrastructure projects, Community Initiatives, Innovative Actions). *Example:* As a 'non-regional' fund, the Cohesion Fund does not record assistance granted by region. But after a quick analysis of the Annual Report of the Cohesion Fund 1999, the projects can be assigned to NUTS III regions.
- Lecture on the available **ex post evaluations** of Objective 1, 2,5b and 6, and contacting the national evaluators. They should have a deeper knowledge of the geographical distribution of the large programmes, if there are uneven situations.
- Contacting the **programme managers** at the national and/or regional levels. They should be able to indicate uneven or even distributions of SF spending in their region, or – even better – the possible existence of regional analysis or studies on the same subject.

The third and worst case would be the definite unavailability of data on the NUTS III level. For that very improbable case, the maintenance of the NUTS II data should be considered. In any case, the decision should be case-sensitive, given the differences in size between NUTS II regions from one country (e.g. Spain, Sweden) or another (e.g. Belgium, Germany).

### 5.4 Developing the supporting tools for data classification and organization

Parallel to the check on data availability, the WP4 leader has already developed a supporting tool for the data classification and organization, once the data has become available.

The tools comprise one overall resuming ACCESS database, which could be used for transferring the data into a Geographical Information System.

At the same time, EXCEL sheets for each country have been developed which facilitate the data introduction for the national experts.

In order to test the adequacy of the tools, the WP4 leader has already started a pilot introduction of SF spending data for SPAIN. Another pilot introduction for Sweden is also foreseen. After checking the tools, they will be disseminated among the national experts, from April 2003 onwards.

## 5.5 Developing a SF spending typology

The last step before mapping the obtained data will be the development of a SF spending typology. Given the variety of spending typologies among the different EU member states, it will not be possible to use one detailed typology for all countries.

One feasible possibility to classify SF spending is, however, the use of different classes according to the predominant funds involved (ERDF, ESF, Cohesion), and other classes according to the predominant character of the SF programme (Obj. 5 = rural development, innovative actions = experimental spending). The potential resulting typology is reflected in the following matrix:

### SF spending typology:

TYPE OF SPENDING SF PROGRAMME	REGIONAL DEVELOPMENT, PRODUCTIVE INFRA-STRUCTURE R	AGRICULTURE, FISHERY, RURAL DEVELOPMENT A	SOCIAL INTEGRATION, HUMAN RESOURCES S	BASIC INFRA-STRUCTURE, EUROPEAN COHESION C	INNOVATION AND EXPERIMENTAL SPENDING I
Objective 1/6 – ERDF	<input checked="" type="checkbox"/>				
Objective 1/6 – ESF			<input checked="" type="checkbox"/>		
Objective 1/6 – EAGGF		<input checked="" type="checkbox"/>			
Objective 1/6 – IAGF		<input checked="" type="checkbox"/>			
Objective 2 – ERDF	<input checked="" type="checkbox"/>				
Objective 2 – ESF			<input checked="" type="checkbox"/>		
Objective 3			<input checked="" type="checkbox"/>		
Objective 4			<input checked="" type="checkbox"/>		
Objective 5a		<input checked="" type="checkbox"/>			
Objective 5b		<input checked="" type="checkbox"/>			
Projects Cohesion Fund				<input checked="" type="checkbox"/>	
Leader II		<input checked="" type="checkbox"/>			
Adapt/ Employment			<input checked="" type="checkbox"/>		
Rechar II/ Resider II/ Retex/ Konver/ SME	<input checked="" type="checkbox"/>				
Peace	<input checked="" type="checkbox"/>				
Urban	<input checked="" type="checkbox"/>				
Regis II	<input checked="" type="checkbox"/>				
Pesca		<input checked="" type="checkbox"/>			
Innovative Actions Art. 10 ERDF (RIS, RTT, RISI, Terra, NSfE, Culture, TEP)					<input checked="" type="checkbox"/>

\* The INTERREG II CI, the REGIS II CI as well as the RECITE and the ECOS Ouverture Innovative Actions will be treated separately in a detailed analysis of the Structural Funds spending focused on transnational and -regional co-operation.

## 6 Next Steps

The project will proceed in accordance with the timetable presented in Annex 1. For the ongoing work before delivery of the Second Interim Report, the main emphasis will be on Working Packages 2 (Formulation of Hypothesis) and 4 (Geography of Structural Funds). As far as possible we will try to begin with the work on Working Package 7 (Interreg Co-operation) earlier than anticipated in the tender in order to be able to give first indications on this issue in the Second Interim Report.

Thus we plan to present first results of a number of working packages in the Second Interim Report in August 2003. In parallel to the work on policy concepts and methodology, work on three working packages has already begun:

### **Hypotheses for the Assessment of the Territorial Impact of the Structural Funds**

The research undertaken in this working package aims at understanding the content and implementation of past and present Structural Funds programmes, in order to assess the spatial implications of past Structural Fund policies and the potential of current Structural Funds programmes to improve the Union's territorial cohesion. The analysis will be predominantly qualitative and will be supplemented and integrated by the quantitative analysis carried out at a later stage of the project.

Based on a number of meta evaluations, a literature review and desktop-studies, the Second Interim Report will present a **first working hypotheses regarding the territorial impact of the Structural Funds** and their contribution to territorial cohesion.

### **The Geography of the Structural Funds**

The most challenging part of the project is the mapping of the geography of Structural Funds spending per NUTS III level. For the time being, there is no information available illustrating the distribution of Structural Funds spending during the 1994-99 period over NUTS III regions. A number of challenges regarding methodology and data availability etc. are thus still to be solved. However, for the Second Interim Report it is planned to present a **map on the spending of Structural Funds Money (1994-99 period) at the NUTS III Level** and first results as regards the building of typologies of the type of spending.

### **Reference Framework for the Analysis**

In order to be able to describe the territorial impact of the Structural Funds, it is necessary to map territorial development in Europe and in accordance with EU spatial policy aims. A conceptual framework will be elaborated for operationalising EU spatial policy aims such as territorial cohesion, polycentrism, spatial integration etc. Once this is done the aim is to present data at the NUTS III level taking into account time series reflecting the time before and after the second Structural Funds period. Building upon the method tested in SPESP, it is intended to investigate spatial discontinuities for the chosen indicators. Looking at **spatial discontinuities** before the implementation of the Structural Funds and in more recent times will help to show in what areas discontinuities have become stronger or weaker. In a later step the change in spatial discontinuities will be compared to the geography of the Structural Funds.

At present it cannot be predicated which maps the project will produce here. However, it is rather likely that the work of this working package will **mirror the work carried out by projects under ESPON strand 1**.

During the middle of 2003, work on Working Packages 5 (Comparative Analysis of National Systems Affecting Structural Funds) and 6 (Structural Funds Influence on Territorial Cohesion and Specialisation) will commence.

The next meeting of all working package leaders within the project is planned to coincide with with DG Regio's Structural Funds Conference in Budapest in June 2003.

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