
ESPON 2.2.1

Territorial Effects of Structural Funds

Second Interim Report

Submitted by Nordregio, Lead Partner for ESPON 2.2.1



August 2003

**The content of this report does not necessarily reflect
the opinion of the ESPON Monitoring Committee**

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Introduction

The focus of this study is on the contribution of Structural Funds to the aims of spatial development policies. The focus here is on the main aims, namely, territorial cohesion and polycentric development.

The Structural Funds belong to the specific domain of European regional development policies, that is, policies that aim to re-balance the economic and social disparities between regions in Europe. This has been one of the main objectives of the European Union since its inception. Thus one may want to argue that the Structural Funds, by contributing to their primary aim, also contribute to the objectives of a balanced territorial development and territorial cohesion. This is the first and overarching working question for our research.

Can the Structural Funds, by contributing to their primary aim of economic cohesion, also contribute to the objectives of a territorially balanced and polycentric 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 have progressively emphasised policy priorities, which, as has been demonstrated, are in line with those of territorial cohesion. The pursuit of territorial competitiveness - to be achieved through the mobilisation of endogenous resources and potentials - appears to be one of the most important strategic priorities of the current Structural Fund programmes. This is in line with the policy statements adopted at the Lisbon Council in March 2000, 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: encourage 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.

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 (of which the Structural Funds is one) should be used to help

advance European societies, both now, and in the long-term, towards economic growth, social cohesion and the protection of the environment. This long-term policy aim was once again stressed in the conclusions of the Gothenburg Council, which added a third, environmental dimension to the growth strategy outlined in Lisbon.

Current Structural Fund programmes appear to a high (but differing) degree to be coherent with these objectives, and as a consequence with the objective of territorial cohesion, and, to a lesser extent with the concept of polycentric development.

This leaves us with a series of questions to be addressed:

- Generally, the strategies of the Structural Funds, in particular with regard to those of large Objective 1 assistance, often pursue aims that are in line with those of territorial cohesion: they support in most instances economic growth and competitiveness through endogenous development in all its spheres (economic, social, environmental). But, is it possible to identify both explicit and (mostly) implicit coherence between the objectives of the CSFs, OPs and SPDs and the objectives of territorial cohesion and polycentric development, at the level of the strategic objectives of Structural Fund programmes?
- Generally, the implementation practices inaugurated with the Structural Funds - which favour evidence-based, shared and bottom-up policy-making and implementation (subsidiarity and partnership principles), are in line with the objectives of territorial cohesion, by empowering local communities and facilitating networking, dialogue and cooperation within and across regions. Does this imply, that Structural Fund programmes can be considered as contributing to territorial cohesion and polycentric development also as regards their method of implementation and governance?
- Direct support occurs when the goals of territorial cohesion are directly targeted by Structural Fund policies, either explicitly or implicitly. Indirect support occurs when the Structural Funds are used as a lever for national policies aimed at the objectives of territorial cohesion, the promotion of trans-national links and support for new thinking within economic development. Do Structural Funds then in conclusion contribute to the achievement of territorial cohesion and polycentric development both directly and indirectly?
- Both national and European regional development policies (and more broadly economic development policies) place strong emphasis on competitiveness and are adopting systemic or holistic approaches towards the attainment of long-term sustainable development and growth. This increases the potential for Structural Fund policies to impact positively 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’. While some countries have long had policies aimed at economic development in all regions – e.g. France – ‘this has now become a more explicit goal in most European countries’ (Bachtler and Raines, 2002). However, the progress towards the goals set by the Lisbon agenda in the current Member States, in the recent context of economic slow-down, has not been as successful as it was expected. In an enlarged Union, achieving these

same objectives may be even more challenging due to the economic ‘backwardness’ of the new Member States and to the widening of the economic, social and territorial disparities at the European (EU25) level. Does this imply that trends in national regional policies show a partial convergence with trends in European regional policies, providing scope for a greater coherence between policies at different scales in support of territorial cohesion? And if not, can Structural Funds alone deliver territorial cohesion and polycentric development if this becomes one of their explicit objectives?

- Structural Fund programmes are built on experiences from *ex ante* analyses and the quantification of expected outcomes (outputs and results from the interventions) and impacts. They also operate on specific territories, NUTS II for Objectives 1 and 3, aggregations of NUTS III for Objective 2. The assessment of such effects, however, is particularly challenging, especially when considering smaller, Objective 2 programmes operating in circumscribed (and in some cases fragmented) areas. The main difficulty here lies in the task of isolating the outcomes produced by the funds alone (irrespective of other European, national and regional policies carried out in the same territory). As for the economic impacts, in smaller programmes the impact is principally immaterial and less tangible, and hence more difficult to quantify. Thus, is it possible to qualify, and in extremely rare cases even quantify the contributions of Structural Funds as to territorial cohesion and polycentric development?

Answers to these questions are sought in this ESPON project. The present Second Interim Report tries to identify some preliminary answers and recommendations derived from these questions. These are based on the work of meta -evaluation of previous and current Structural Fund programmes, as well as on the first insights to emerge from an analysis of the geography of the Structural Funds.

In Part A of this report we provide answers to the formal requirements regarding this Second Interim Report.

In Part B, we begin by discussing the methodology, i.e. the approaches leading to the results presented in this report. Secondly, we will discuss the conceptual and policy framework for this study. Thirdly, we present the results of a meta- analysis of previous and present Structural Fund programmes in the light of spatial policies. Fourthly, we draw initial conclusions on the contribution of Structural Funds to the aims of territorial cohesion and polycentric development. For this we bring together results from the meta-evaluation and first insights from the analysis of the geography of Structural Fund assistance. Fifthly, we present our preliminary findings and policy recommendations. Finally, we discuss the next steps of this study.

PART A

1 Executive Summary

The aim of the project is to assess the spatial impact of the Structural Funds. For this purpose a two-fold approach has been applied. Firstly, the project works with the European wide picture of Structural Funds, presenting overall findings on their spatial implications. In the second step, the work focuses on an in-depth analysis of specific aspects and areas in order to discuss a more detailed picture of the territorial effects and impacts of the Structural Funds.

Thus far, work has concentrated on the first phase, the preliminary conclusions and recommendations of which are presented in this Second Interim Report. These are based on a meta-evaluation of current and previous Structural Fund programmes and on data collection and analysis of the geography of the Structural Funds.

1.1 Meta-Evaluation of Structural Fund programmes

The meta-evaluation of the spatial dimension of the Structural Funds involves the analysis of Europe-wide studies on the previous programming period (1994-99) and reviews of selected programmes on the current period (2000-06). Generally, the programme strategies show a certain consistency with the objective of territorial cohesion, albeit in many cases implicitly and unintentionally.

1.1.1 The territorial dimension in past Structural Fund programmes

The available ex-post evaluations of Objective 1, 2 and 6 programmes do not include a clear territorial dimension and even when territorial considerations are in some way reflected, there is no uniformity of approach.

However, some attempt to reflect the territorial elements in the evaluations was made, for example, the cross-country report of the ex-post evaluation of the Objective 1 interventions implemented in 1994-99 operates a distinction re: Objective 1 programme areas as follows:

- countries fully covered by Objective 1
- macro-regions (Italian Mezzogiorno and German Eastern Länder)
- micro regions

In the forthcoming Objective 2 evaluation, a territorial typology was made, motivated by the increased fragmentation and differentiation of Objective 2 regions in the 1994-99 period in comparison to that of the 1989-93 period. Again, three types of programme areas are identified:

- traditional industrial regions
- regions with more diversified economies based on urban centres
- regions based on small-scale industrial activities.

This typology is linked to the functional role of the regions and therefore particularly meaningful to understand the potential effects of the programmes on territorial cohesion and polycentrism, although the analysis of impacts is mainly circumscribed to socio-economic factors.

Perhaps the most meaningful evaluation undertaken which integrates spatial considerations in assessing the impacts of Structural Fund programmes is the already mentioned thematic evaluation on Sustainable Development. This evaluation assesses Structural Fund impacts on the four key variables of:

- Manufactured capital, measured by indicators such as GDP, transport and immaterial infrastructures created
- Human Capital, measured by employment and unemployment rates, but also R&D, health and business creation indicators
- Social Capital, measured by indicators comprising a wide range of issues, such as poverty, spatial impacts, networking and cooperation, health, crime, access to public services, social integration and cohesion, social exclusion, and others
- Natural Capital, measured by indicators tracking trends in biodiversity, land protection, air and water quality and consumption, as well as general eco-efficiency in the use of resources.

1.1.2 The territorial dimension in current Structural Fund programmes

The feedback from the country experts was diverse in detail and scope, however all in all the analysis undertaken seems to suggest that, as with the ex-post evaluations, there is little evidence of the adoption of an explicit territorial approach in the current programmes.

Territorial cohesion, however, has in a number of cases been inferred as one of the policy objectives of the programmes. Territorial cohesion and balance are often mentioned in the programmes among the objectives, but not necessarily using the understanding of these concepts referred to in this study.

The theme of polycentrism is not so apparent in the strategies of the programmes. While in the Objective 1 programmes in particular, the theme of rural development still features as an important policy aim.

Additional desk-bound research undertaken did provide useful insight on a number of immaterial, indirect effects that the Structural Funds are believed to produce, and that, albeit indirectly, can contribute to delivering territorial cohesion and polycentric development. These aspects relate to the governance and method of Structural Fund implementation.

1.2 The Geography of Structural Fund spending 1994-99

The project has undertaken efforts to localise and categorise Structural Funds assistance for Objectives 1, 2, 3, 5b and 6, that correspond to approximately 93.5 % of the total Structural Fund spending during 1994 and 1999. Cohesion Fund assistance has also been integrated into the analysis.

Structural Fund spending underpins the well-known spending patterns across the EU. Cohesion countries and Objective 1 regions generally receive more Structural and Cohesion Fund money than do other regions. Moreover, bearing in mind that Objective 3 programmes and many Community Initiatives cover urban and densely populated areas in particular, which are sometimes not eligible for Objectives 1, 2 or 5b, the number of benefiting regions is even higher.

The predominant type of Structural Fund spending is directly linked to the type of region, according to the classification of eligible areas. In this sense, the rural regions receive mostly A-Funds (Agriculture, Fishery and Rural Development), since they are generally eligible for Objective 5b. The leading objective for Structural Fund spending is strengthening the Regional Development and the Productive Infrastructure (R-Fund). Less expenditure presents the S-Fund (Social Integration, Human Resources and Training).

Based on this, maps on spending and in relation to GDP per capita, as well as tables reflecting Structural Fund spending according to different spatial typologies have also been developed. These are an integral part of the analytical section of this report.

1.3 Conclusions

From the review of past and current Structural Fund programmes some considerations emerge relating to the extent to which these programmes may have contributed, and/or are contributing, to the objectives of territorial cohesion and polycentric development.

Structural Fund programmes have been drafted as regional economic development programmes. Past research stressed that while clearly spatial considerations inform their design and are explicit in many instances, a variety of approaches are apparent across the different programmes, including those that emphasise largely sector-based or macroeconomic issues and have little spatial or urban focus.

The degree of correspondence with the goals and concepts of European spatial development policies could in most cases be seen to be coincidental. There is however evidence to suggest that Structural Fund programmes can contribute to achieving (depending largely on national policies) increased territorial cohesion and polycentric development.

Nonetheless, the discussion on spatial development concepts such as territorial cohesion and polycentric development illustrated that these concepts can display inherent inconsistencies when applied at various geographical scales. Consequently, the potential contribution of the Structural Funds to achieving these spatial policy aims will depend on the geographical level in question.

This is easily illustrated by looking at the geography of Structural Fund spending according to the types of Functional Urban Areas identified by ESPON 1.1.1. For improving a European polycentric urban system and the number of globally important functional urban areas (macro level) it seems reasonable to concentrate funding on existing European, and perhaps some promising national functional urban areas, so that they can improve their competitiveness. In order to improve trans-national, i.e. Baltic Sea, and national polycentric urban systems (meso level) it thus seems more plausible to stress funding on national, and perhaps on some promising regional functional urban areas, to support them in strengthening their position. Aiming at polycentric development at the regional or local level (micro level), one certainly wants to give Structural Funds assistance to local functional areas in order to improve their position compared to regional functional areas, while to a certain degree it can

be considered desirable to assist regional functional urban areas to develop towards a more polycentric spatial pattern.

A first assessment on where Structural and Cohesion Fund assistance has been used during the 1994-99 period, shows that more than half has been used in what is categorised (by ESPON 1.1.1) as local or regional functional urban areas, less than 20% went to the meso level, approx 10% to the macro level and approx 15% to areas that are not typologised as functional urban areas. The significant differences, as regards total spending, are also related to the type of measures stressed at the various levels.

1.3.1 Micro Level

At the micro level most decisions involving spatial issues will occur as a result of intra- programme priorities. These decisions can be influenced by the Commission through its guidelines according to which the programme documents are drafted.

More generally, the Funds are broadly considered to be responsible for the ***strengthening and empowering of the regional and local levels*** of governance, by facilitating local-level dialogue through the implementation of horizontal partnership and by the creation of sub-national and often local organisations with specific functions associated to Structural Fund implementation.

By stimulating ***partnership*** work and ***bottom up policy-design***, in line with the subsidiarity principle, the Funds have also facilitated the tailoring of policies to needs and preferences expressed by those living and operating in the affected territory.

In terms of concrete contributions to polycentric development at the micro level, Structural Fund measures addressing local/regional traffic-infrastructure and economic specialisation have shown a certain potential. In this respect current Objective 2 programmes stress the strategic need of addressing the poor transport infrastructure links between the urban core and the hinterland, as well as other programmes that target measures on urban areas. These in turn range from urban development and regeneration or socio-cultural facilities to measures targeting the special needs of industrial, mining, fishing or rural areas or communities.

1.3.2 Meso Level

Increasing disparities between regions challenge cohesion at the meso, i.e. national, level. A sufficient degree of national cohesion is considered necessary for keeping together a growing Europe, i.e. achieving European cohesion in a more competitive environment. This is illustrated by the on-going debate on rural-urban partnerships and rural areas versus urban areas as regional growth centres.

An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance per inhabitant it becomes obvious, that densely populated areas receive less funding than do sparsely populated areas. Sparsely populated rural areas receive more than four times as much assistance, per inhabitant, than do densely populated urban areas.

- Looking at total spending, approx. 75% of such assistance goes to either densely populated urban areas and medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a minor share of the available assistance. Densely populated urban areas received most assistance (approx. 35% of the total assistance), followed by rural medium and sparsely populated areas (each approx 20% of the total assistance). These two categories form the funding peaks, while for the areas in-between the amount of assistance is considerably lower with a slight improvement for intermediate medium density areas (approx 3% of the total assistance).

Structural Funds can contribute to polycentric development through programme based priorities. The main aspects with relevance to polycentric development are endogenous development and increased regional competitiveness. These are, however, not sufficiently specified in order to guarantee a polycentric focus in programming documents.

In addition to the direct effects of the Structural Funds pointing towards polycentric development, there are considerable indirect effects. By their very nature, Structural Fund programmes promote cross-sectoral approaches to economic development and can indeed be used as a flywheel for other policies.

There is mixed evidence with regard to the influence the Structural Funds have on domestic policy priorities. They have played an important part in pioneering new types of interventions (in areas such as community economic development and the attention given to the horizontal themes) and have been associated with institutional innovations in the management of regional development.

1.3.3 Macro Level

Supporting polycentric development at the European level mainly implies strengthening promising and already strong functional urban areas that show a potential for becoming a European hub and are internationally competitive because of their specialisation. In terms of Structural Funds this implies a twofold challenge, i.e. for doing so, there are two strands that are not necessarily related:

- **Agenda setting and establishing a new way of thinking**
Structural Funds can function as an eye-opener for seeing regional development in specific, often spatially influenced terms. Especially with regard to non-objective 1 activities advocating spatially sensitive procedures and policy concepts are major achievements of the Structural Funds going beyond the actually financed activities.
- **Significant financial assistance**
As was discussed previously, direct financial assistance to spatial policy goals at the macro level is considerably hampered by the main focus being placed on specialisation and international competitiveness. This specialisation is, however, achieved within the local environment, which needs to become more attractive. This kind of Structural Fund contributions can e.g. be seen in the measures carried out in Dublin or Athens.

1.4 Tentative policy recommendations

As it is argued here that the Structural Funds can contribute to polycentric development by a variety of approaches, in order to clarify the impact we need to distinguish between direct and indirect influence.

1.4.1 Direct Structural Fund contributions to polycentric development

The study has thus far shown that the Structural Funds contribute to the aims of spatial policies, such as polycentric development in a rather coincidental manner. Intended and direct contributions may be supported by:

- ***Integration of polycentricity in the Structural Funds programming***
Meso- and micro levels (i.e. the individual programme level) are in our view the most efficient way of introducing the concept of polycentrism into the discourse of Structural Fund policies. The present guidelines for the programmes could be amended to include an analysis of how the funds could contribute to ‘the development of a balanced functional region’ or ‘a balanced urban and regional system’.
- ***Area designation***
Area designation, paying attention to functional urban areas (e.g. by not fragmenting these into different programme areas), may increase the possibilities of contributing to polycentric development.
- ***Structural Funds priorities & measures supporting polycentric development***
The existing Structural Funds interventions seem to be sufficient for addressing territorial cohesion and polycentric development. Thus, no direct polycentric development at measure or priority is needed. However, issues supporting polycentric development at various levels could be strengthened.

1.4.2 Indirect Structural Fund contributions to polycentric development

In an environment of reduced funding in a number of areas, indirect effects and discursive power become increasingly important. Tentative policy recommendations in this field include:

- ***Intensified policy discourse***
For polycentric development to become a more explicit policy objective within the Structural Funds, there is a greater need for increased clarity over its meaning.
- ***Supporting new thinking***
Structural Funds could also be used to promote the goals and concepts of European spatial development policies in less direct ways, such as by funding studies, evaluations and promoting new thinking in this area.
- ***Leverage of national practice***
There has thus far been no effective mechanism for linking the objectives of the Lisbon Agenda with EU regional policy. One solution to this problem may be that of using the EU Structural Fund and the Cohesion Fund as levers for national policies.
- ***Promoting trans-national links***
Territorial cohesion and polycentrism comprise morphological aspects as well as the flows between various centres. Europe, in the context of Structural Funds, may support polycentric development.

2 Short presentation on the concepts, methodologies and typologies used

Following the guidelines for ESPON reports, this section will briefly address the issue of the concepts, methodologies and typologies used and developed by this project. More detailed discussions on the conceptual work are to be found in the section on policy concepts (page 35), a detailed description of the methodological approaches is documented in the chapter on methodology (page 21) and the typologies are discussed as part of the analytical work presented in the chapter on the spatial dimension of Structural Funds (page 82).

2.1 Concepts

The First Interim Report and also this Second Interim Report contain substantial sections discussing the main concepts used in the assessment of the territorial effects of the Structural Funds. For this we draw on ongoing debates in the European spatial planning and the European regional policy fields, as well as on the common ESPON platform. The two main concepts used thus far *are territorial cohesion and polycentric development*.

In accordance with the Second Interim Report of ESPON 3.1, territorial cohesion is understood as an umbrella concept and as an integrated part of the cohesion process covering the territorial aspects of cohesion and the EU objectives of balanced and sustainable development. In this report the concept of territorial cohesion has been developed further by integrating the social and geographical dimensions of a territory, as well as the potential, positional and integration dimension of cohesion. Additionally the various geographical scales at which the concepts are to be applied are specified.

The concept of polycentric development is understood as an operationalisation of territorial cohesion. It is a bridging concept as it merges two not always congruent policy aims, namely those of economic growth and balanced development. Referring to the debates ongoing in ESPON 1.1.1 and 3.1, four dimensions of polycentric development are considered as crucial. Firstly, there is the hotly debated morphological dimension addressing the pattern and size of functional urban areas. Secondly, there is the functional dimension focusing on the (economic) specialisation of functional urban areas in the context of international competitiveness. Thirdly, there is the relational dimension underlining the importance of links/relations between functional urban areas complementing or competing with each other. Fourthly and most importantly, there is the scale dimension stressing that polycentric development at the micro, meso and macro levels may contradict each other.

2.2 Methodologies

Following the methodological approach presented in the tender, the project follows a twofold approach.

Firstly, the project works with the European wide picture of the Structural Funds, presenting overall findings on their spatial dimensions. This work mainly involves three aspects:

- a series of meta-evaluations regarding the spatial dimension of the past Structural Funds period (1994-99),
- a number of analyses of current Structural Funds programmes and their complements (2000-06) looking for the spatial targeting presented in their strategies etc. and
- a data collection exercise, presenting data on the types of regions in which the Structural Funds spending (during 1994-1999) was located. It has been possible to locate and develop typologies for Structural Funds assistance in Objective 1, 2, 3, 5b and 6 areas, as well as in the areas where Cohesion Fund assistance was available.

Secondly, the project works with a more detailed picture of the territorial effects and impacts of the Structural Funds. This involves an in-depth analysis of specific aspects and areas. Based on the first phase of the work, hot and cold spots of Structural Fund spending will be identified for further analysis.

Thus far, work has concentrated on the first phase. However, we understand from the comments provided on the First Interim Report, that there is a desire to concentrate more effort on the second phase. We welcome this change of focus as compared to the terms of reference. Accordingly we have envisaged concluding the first phase by the end of this year and simultaneously we have started the methodological debate for phase two. We plan to start phase 2 with a series of case studies undertaken during the autumn of 2003. Thus the Third Interim Report will present the results of phase 2.

2.3 Typologies

The mapping of the geography of the Structural Funds is the basis for the development of a series of typologies. The underlying basic typology is thus the amount of Structural Fund spending per capita and the type of spending.

Based on this, on relations to regional GDP per capital, changes in regional GDP are used to further develop analysis showing the first steps towards developing the typologies. This specifically relates to the still ongoing work on identifying hot and cold spots for further in-depth analysis.

Furthermore, the information collected on the geography of the Structural Funds has been applied to typologies developed by other ESPON projects. In particular, the typology of functional urban areas developed by ESPON 1.1.1, the typology of urban areas in difficulties developed by ESPON 2.2.3 and the typology of urban-rural population developed by ESPON 1.1.2 have all proven most useful.

3 Indicators developed to the ESPON database

The ESPON 2.2.1 project carried out an extensive data collection exercise regarding the geography of Structural Fund spending during the 1994-99 period. It has been possible to locate Structural Funds assistance for Objectives 1, 2, 3, 5b and 6 programmes for all EU 15 countries. Information on objectives 4 and 5a have as yet not been possible to locate for some countries.

As a result of this exercise it has been possible to provide the ESPON database with information on Structural Fund spending during this period at the NUTS II level.

STRUCTURAL FUND spending during the 1994-99 period at the NUTS II level divided into

- regional development, productive infrastructure,
- agriculture, fishery, rural development,
- social integration, human resources and
- basic infrastructure, European cohesion.

4 Formal requests

The terms of Reference of this project, the ESPON Crete Guidance Paper and the official response to the First Interim Report shape the official framework of this project. Furthermore, there has been a request to document the networking with other ESPON projects.

4.1 Terms of reference

The terms of reference and the addendum to the contract highlight a number of deliveries for the Second Interim Report of this project. According to these, the present report shall address three aspects:

- A first overview on concepts and methodology.
- Preliminary results of the territorial impact of the Structural Funds and the Cohesion Fund, inducing an evaluation of potential impacts from their application after 2006 in EU 27.
- Proposal on a second revised and extended list of further indicators to be collected from Eurostat, the EEA and other European and National Statistical and Mapping Offices.

Continuing on from the work on concepts and methodology presented in the First Interim Report, a further developed and extended overview is available in this report. There is one a special chapter on the working methodology (page 21) as well as one chapter on the policy concepts relevant for this study (page 35).

Preliminary results and tentative policy recommendations have been drawn from the work carried out during the first 8 months of this altogether 27 month long project. Whereas the analysis focuses mainly on the EU 15, spatial attention has been paid to EU enlargement when drafting preliminary results and tentative policy recommendations. Thus the chapter on conclusion and recommendations (page 99) presents findings relevant to the post-enlargement EU and to the new Structural Funds regime after 2006.

As regards the collection of indicators, the project team would appreciate active support in the envisaged quality check phase of the data collected on the geography of the Structural Funds. Here pro-active dialogue with representatives from the European and national levels will be sought after the next ESPON seminar. Furthermore, good collaboration at the European, national and regional levels regarding the assessment of data for the case studies would be appreciated. This will be particularly important during the phase from autumn 2003 to spring 2004. Accordingly, active help in assessing rather specific information is needed more than a general European wide collection of indicators.

Furthermore, information on which NUTS III areas have been eligible to Structural Funds assistance during the 1994-99 period would be appreciated, at least for the four objectives that are spatially restricted in their remit, namely objectives 1, 2, 5b and 6.

4.2 Application of the common platform and the Crete Guidance paper

The project has used the Crete Guidance paper as point of reference to the common ESPON platform. The following gives a brief response to each of the various points raised:

- Based on the data collected on the geography of Structural Funds, an input to the **ESPON database** has been provided.
- The reference to the common platform regards in particular the work on **typologies** and the reference to the urban-rural typology mainly being developed within ESPON 1.1.1 and 1.1.2. As regards the work on combined typologies for Structural Fund interventions, the first step towards the development of typologies has been made, and further work will be carried out for the Third Interim Report.
- The **3-level approach** of typologies has proven useful and has formed a basis both for the conceptual work and the preliminary conclusions and tentative policy recommendations presented in this report.
- The maps presented in this report will be provided with the necessary information for the **ESPON map collection**.
- In particular the identification of hot and cold spots - to be carried out within the next couple of months - will relate the **performance of types of regions**, outlined in the Crete Guidance paper.
- The **measurement of policy goals and concepts** is considered as one of the major challenges to the territorial impact assessment of policies. However, quantitative measurements require commonly agreed definitions and thus far the ESPON platform has not achieved a common definition of policy goals such as territorial cohesion or polycentric development. Furthermore, the question remains whether such a common definition is desirable at this stage of the policy process.
- As already mentioned in the First Interim Report, it is considered essential for the outcome of the project to **refer analytical results to goals and concepts**. Thus the approach presented in the Guidance paper is welcomed, especially as regards the reference to the 3-level approach that has been applied throughout the project.
- Policy relevance is considered to be an important element of the present study. Thus, efforts will be made to provide **conclusions useful for policy-making**. The first results are presented in this report.

4.3 The integration of points raised in CU response on FIR from March 2003

The ESPON Co-ordination Unit responded officially to our First Interim Report on the sixth of June 2003. The points raised in the response are appreciated and have proven helpful for the further development of the project. All four aspects raised in the response have now been taken onboard:

- ***Polycentric development as the predominant concept***
In the First Interim the conceptual debate emphasised territorial cohesion. Following the response, the focus in this report shifted towards the concept of polycentric development as regards both the conceptual debate (page 36) and the analysis (page 82).

- ***Increased focus on case studies***
 Following the terms of reference, the case study phase was only given a small share in the overall project in the original project design. There has however been a clear realisation that a sufficient analysis of the effects of the Structural Funds requires more detailed case studies in order to identify the actual effects. The impact of the Structural Funds reflects the contribution made to polycentrism and we will thus need to undertake analysis on the NUTS3 level, in some cases even on lower levels. Thus the response to shift the emphasis of this project towards case studies has been welcomed and the changes required in the project set-up have been undertaken. The conceptual work on the case study design has started and is presented in the section concerning further work. Necessary reallocation of resources between the various work packages and tasks will be undertaken after the next financial report.
- ***Information on physical output data***
 Information on the physical outputs of the Structural Funds are even more difficult to assess at the European level than the geography of Structural Fund spending. However, as physical outputs are a crucial aspect of assessing the territorial effects, the project has thus far collected information on physical output as presented in European wide evaluations of the previous programming period. This is presented in the chapter on Structural Fund activities (page 50). Furthermore, the assessment of the physical output will be a natural part of the case study work to be carried out for the Third Interim Report.
- ***Clarification on the work on spatial discontinuities***
 The intended exercise on spatial discontinuities draws on the work carried out under the Study Programme on European Spatial Planning (SPESP) and is seen as an approach to measuring increasing disparities between neighbouring regions. For the Third Interim Report it is intended to analysis spatial discontinuities in relation to the geography of the Structural Funds. More detailed information on this approach is presented in the chapter on working methodology, in particular regarding Working Package 3 (page 27).

4.4 Networking undertaken towards other TPGs

The ESPON 2.2.1 team has made considerable efforts regarding networking towards other trans-national project groups (TPGs). Generally, such co-operation with other TPGs can be divided into three categories:

Overall ESPON co-ordination and common platform:

- ESPON 3.1 – Integrated tools
 Especially as regards the conceptual debate and the work on tentative policy recommendations there as has been good co-operation with ESPON 3.1, which in part also involved methodological discussions.

Structural Funds related co-operations:

- ESPON 2.2.2 – Pre-accession aid
 Project design and the methodological approaches of ESPON 2.2.1 and 2.2.2 are close. Thus good co-operation and a useful exchange of experience have been facilitated. This relates in particular to methodological debates and to the

work on the formulation of a working hypothesis involving meta-evaluation exercises and reviewing of current Structural Funds programmes. Intensified co-operation as regards conclusions and recommendations is envisaged.

- ESPON 2.2.3 – Structural Funds in urban areas

The division of labour between ESPON 2.2.1 and 2.2.3 has been discussed and a fruitful exchange of information established. Thus the typology of urban areas in difficulty has been applied in this project, and the information on the geography of Structural Fund spending in the ESPON 2.2.1 project. Also when it comes to conclusions and tentative recommendations there is a vivid flow of information.

Spatial development related networking:

- ESPON 1.1.1 – Polycentric development

As polycentric development is considered to be a major concept in the assessment of the territorial effects of the Structural Funds, close contact with the ESPON 1.1.1 project has been established. The focus here is mainly on conceptual discussions and has resulted e.g. in the use of the ESPON 1.1.1. typology of functional urban areas in this project. However, joint discussions also involve the elaboration of policy recommendations.

- ESPON 1.1.2 – Rural-urban partnership

The work carried out on rural urban relations and on the typologies of rural and urban areas is considered as an essential element in the analysis of the use of Structural Funds. Accordingly, there have been intense discussions with partners from ESPON 1.1.1 focusing mainly on the conceptual and typology work.

- ESPON 1.1.3 – Enlargement

Although the territorial effects of the Structural Funds have thus far focused on the EU15, recommendations for the future Structural Funds need to take into account EU enlargement. Therefore first networking activities between the two projects have been established.

- ESPON 1.2.1 – Transportation

Transport infrastructure and accessibility are an important aspect when it comes to the territorial effects of the Structural Funds. Thus the overlap of partners working in these projects has facilitated the smooth flow of information.

5 SWOT

1) *In the light of the policy aims of the ESDP: What are the main **strengths** identified by your TPG?*

- At the level of the strategic objectives of the Structural Fund programmes, it is possible to identify explicit and implicit coherence between the objectives of the Structural Funds and the objectives of territorial cohesion.
- The Structural Funds have a certain potential to contribute to polycentric development at the micro, meso and macro levels.
- Generally, trends in national regional policy indicate a partial convergence with trends in European regional policies, providing scope for a greater coherence between policies at different scales in support of territorial cohesion.

2) *In the light of the policy aims of the ESDP: What are the main **weaknesses** identified by your TPG?*

- The contribution of the Structural Funds to territorial cohesion and in particular to polycentric development are mostly of an implicit and/or coincidental nature. This would seem to imply that the integration potential is not fully realised.
- The Structural Funds alone cannot deliver territorial cohesion, even if this becomes one of their explicit objectives.

3) *In light of the ESDP: What are the main **opportunities** resulting from the identified framework conditions?*

- There are a number of measures where direct Structural Funds contributions to the policy aims of polycentric development and territorial cohesion are possible, e.g. addressing polycentric development in a more explicit fashion, mainstreaming the polycentricity-oriented policies, targeting interventions, designating eligible areas.
- Furthermore, there are a number of measures where indirect Structural Funds contributions to the policy aims of polycentric development and territorial cohesion are possible, e.g. intensified policy discourse, supporting new thinking, leverage of national practice and promotion of trans-national links.

4) *In the light of the policy aims of the ESDP: What are the main **threats** resulting from the identified framework conditions?*

- Growing disparities between regions within EU Member States. Geographical disparities may prove a threat to European and national political hegemony, yet the economic agents see these as windows of opportunities. When we invest in the production capacities in the candidate countries, or when we purchase third world clothing or footwear, we are taking advantage of such opportunities. In fact, seen like that, disparities are important drivers of investment, competition, innovation and growth. At the same time it may be argued that the exploitation of such disparities, through investment or trade, acts to reduce disparities and thus to erode the basis for exploitation – in other words, to close the window of opportunity.

5) Looking back at questions 1) to 4): What are the 3-4 **driving forces** dominating the thematic sector? Please explain each driving force in one or two paragraphs.

- Economic disparities are the main driving force seen in this sector, both for private investors and policy makers. However, this driving force is interpreted differently.
- Turning to the Structural Funds, economic and social cohesion as well as enhancing competitiveness and the use of community resources are the main driving forces for this European policy field.
- At the regional level, the main driving forces are funding opportunities for regional development measures.

6) Commencing from these driving forces please develop **a typology** which can be used to classify the European regions.

- Structural Fund assistance per capita at the regional level provides us with one typology on where the funding goes in territorial terms.
- Relating this information to the change of GDP forms the basis for a second typology, bringing together information on competitiveness and Structural Funds assistance.

7) Please **map** the spatial pattern emerging from this typology of the main driving forces.

- See report, a list of maps is available on page 13.

8) Please prepare a data set that contains the data of the driving forces and the regional classification.

- Contribution to ESPON database is under preparation.

9) Refer to the concept of sustainable development and regional competitiveness: Please describe on a half page how the spatial pattern and developments (or: innovative elements of policies) in your sector outlined above relates to sustainable development and balanced competitiveness as overall aims in the field of spatial development and EU policies.

As regards sustainable development, this is a mainstreaming issue of Structural Funds and as such it needs to be taken into consideration in their implementation. Focusing on the environmental aspects, it is however argued that Structural Fund measures made significant negative contributions to natural capital, as well as making contributions to significant environmental improvements. A strong positive impact was found in respect of the design and operation of Structural Funds programmes and this has had an effect on the development of institutional capacity at the regional and local level. (GHK 2002)

Regional competitiveness is within the main focus of Structural Funds. With regard to territorial cohesion it is argued in the present report that this can be understood as the territorial dimension of the Structural Funds aims in the field of social and economic cohesion, including goals such as competitiveness and equality. Indeed, there is evidence that the programme strategies contribute coincidentally to territorial balance at various levels.

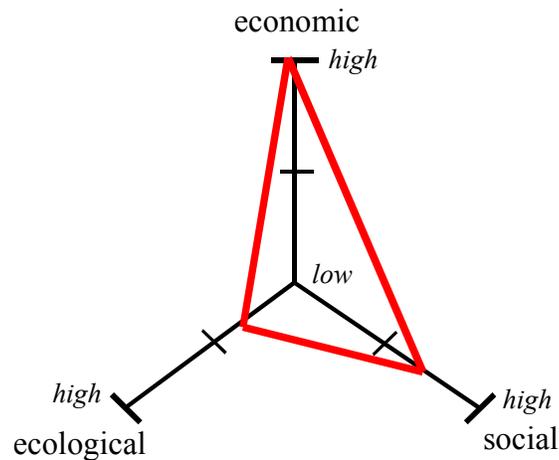
Breaking the debate down to the policy aim of polycentric development, Structural Funds show the potential to contribute to at all three geographical levels in this regard. At the micro level, Structural Funds measures addressing local/regional

traffic-infrastructure and economic specialisation have shown a certain potential for contributing to enlarged functional urban areas and thus regional polycentric development. At the meso level, Structural Fund measures supporting national polycentric development can be found within programmes supporting the competitiveness and economic specialisation of raising functional urban areas. Also the support of trans-national co-operation can be seen among those measures. At the macro level, Structural Fund measures supporting the competitiveness of European or global functional urban areas are rather difficult to identify.

10) Please name for both aims the three or four most important indicators you use to measure and assess these trends.

It would be relevant to look at the motors of change. With regard to Structural Fund assessments, detailed indicators for the Structural Funds, and their contribution to sustainable development and regional competitiveness, are to be collected at the regional level. Thus they will differ from region to region. The most important indicators will probably address the issues of governance systems, gross domestic product per capita, structural aspects of the regional economy, social endowment, and environmental endowment.

11) Refer to sustainability and its economic, social and ecological dimension: Please give an intuitive assessment of to what degree the spatial patterns in your sector complies with the three dimensions of sustainability.



PART B

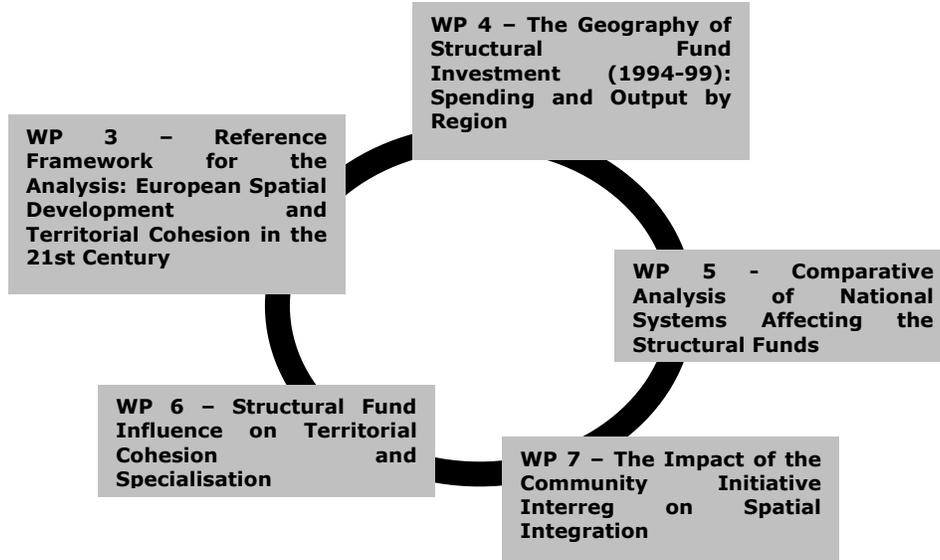
6 Methodology

The project has proceeded in accordance with the services proposed in the tender. The focus of the work carried out since delivery of the First Interim Report in March 2003 was on Working Packages 1 to 4.

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” and “polycentric development” which guide this work, especially within Working Packages 2 and 3. In Working Package 2, referring to the conceptual debate the work on the meta-evaluation has allowed us to formulate some preliminary results. In Working Package 3, the conceptual debate is worked up into indicators describing European spatial development. The work of this Package, however, relies on the work of the ESPON strand 1 projects, as the focus of this project is on 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 and focused on the collection of regional data on Structural Fund spending.

WP 1 - Elaboration Concepts and Methods for Measuring Territorial Impact

WP 2 - Formulation of Hypothesis for the Measurement of the Territorial Dimension of



WP 8 - Final Analysis: The Territorial Dimension of the Structural Funds

WP 9 - Development of Policy Recommendations

WP 10 - Information Sharing and Overall Co-ordination

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

- **Territorial Development**

Working Packages 3 and 4 deal mainly with an 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. Thus far, first assessments have been carried out regarding the coincidences between Structural Fund spending and spatial developments in terms of GDP, the change of the relative economic position of a region (economic concentration) and transportation.

- **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 hot 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.

In the following we will discuss the methodological approach taken in each working package.

6.1 WP 1 – Elaboration of Concepts and Methods for Measuring Territorial Impacts

Working Package 1 runs from the beginning of the project to its end, and is designed to attune the work to ongoing conceptual and policy debates and to produce a stepwise improvement of the methodology.

6.1.1 Concepts

In the First Interim Report, presented in March 2003, a conceptual debate around the concept of territorial cohesion was developed. Key words here were territorial balance, spatial integration, interdependencies of various sectors (i.e. economic, environmental and social aspects), and multi-scalar understanding of territorial cohesion (incl. conflicts of aims between different geographical levels of cohesion)

This then formed the basis for the further work within this project and we were glad to see that is also formed a considerable input to the conceptual work presented in the Second Interim Report of the ESPON 3.1 project. In this report the concept of territorial cohesion has been developed further towards a hyper-cube integrating the social and geographical dimension of territory, the potential, positional and integrational dimension of cohesion as well as the various geographical scales at

which the concept is to be applied. Furthermore, the concept of territorial cohesion has been clearly linked to the concept of polycentric development.

Based on the conceptual debate ongoing within ESPON, and the feedback provided on the First Interim Report of this project, the discussion focused increasingly on polycentrism at three different scales (micro – meso – macro).

This discussion formed the base for the meta-analysis and the analysis of Structural Fund programmes carried out under Working Package 2 (formulation of a hypothesis) as well as for the interpretation of results coming from Working Package 4 (geography of Structural Fund spending) and the formulation of tentative policy recommendations (Working Package 9).

6.1.2 Methodology

The projects follow the methodology presented in the tender, and so far this methodology has proven to be a robust and useful framework for the tasks in hand. For each step, i.e. Working Package, there are methodological discussions in order to adjust the given approach and develop the ideas presented in the tender in further detail.

Generally, the project follows a two -fold approach. Firstly, the project works with the European wide picture of the Structural Funds, presenting overall findings on their spatial implications. This mainly involves the work carried out within Working Packages 2 – 4. In the second step, the work focuses on in-depth analyses of specific aspects and areas in order to discuss a more detailed picture on the territorial effects and impacts of the Structural Funds.

Thus far, the work has concentrated on the first phase. However, we understand from the comments provided on the First Interim Report, that there is now a desire to concentrate more effort on the second phase. We welcome this change of focus as compared to the terms of reference. Accordingly we have envisaged concluding the first phase by the end of this year and simultaneously we have started the methodological debate for phase two. We plan to start phase 2 with a series of case studies to be undertaken during the autumn of 2003. Thus the Third Interim Report will present the results of phase 2.

6.2 WP 2 – Formulation of an Hypothesis for the Measurement of the Territorial Dimension of the Structural Funds

As described in the tender for this project, the main aim of Working Package 2 was to formulate working hypotheses on the territorial impact of the Structural Funds, in order to inspire further stages of the research and to provide a basis for reflection on post 2006 Structural Fund reform. In particular, the work carried out as part of this portion of the study sought to better understand past and current Structural Fund programmes' strategies and implementation mechanisms and their potential for improving the Union's territorial cohesion (and polycentrism), this implied first adopting a shared definition of territorial cohesion (and of polycentrism) and then establishing:

- how past programmes took territorial cohesion into account
- what territorial effects were delivered (qualitative assessment)

- how current programmes are taking into account territorial cohesion
- what territorial effects are likely to be delivered by current Structural Fund programmes.

In order to do so, it has been necessary to understand Structural Fund strategies and implementation mechanisms in the 15 current Member States and their interrelationships with the concepts of territorial cohesion and polycentrism. This has been done through a number of overlapping activities:

- the undertaking of an extensive review of the literature and policy documents
- the analysis of past Structural Fund programmes based on the ex post evaluations undertaken for the European Commission that were made available to the research team
- the analysis of current Structural Fund programmes based on previous work, available studies and fresh desk-bound research undertaken by the country experts.

With the aim of understanding the policy contexts in which Structural Fund programmes operate, the policy content (strategies), the institutional arrangements for implementation and the delivery systems in operation need to be taken into account.

6.2.1 Review of evaluation documents on 1994-99 programmes

The study of past programmes has been conducted reviewing a large amount of evaluation documents and literature. This comprised in particular:

- The ex post evaluation of Objective 1 programmes (synthesis cross-national report and 11 national reports)
- The executive summaries of the national reports of the Objective 2 ex post evaluation (these were kindly made available by DG Regio, even though the reports themselves and the cross-country synthesis report are not yet publicly available)
- The ex post evaluation of Objective 6 programmes (synthesis report and country reports for Finland and Sweden).

In addition, a number of thematic evaluations and studies were addressed, including:

- Robert J et al – Spatial Impacts of Community Policies and Costs of Non Coordination, June 2001.
- Oscar Faber et al (2000), Thematic Evaluation of the Impact of Structural Funds on Transport Infrastructures, Final Report, November 2000.
- Kelleher J, Batterbury S, Stern E, The Thematic Evaluation of the Partnership Principle, February 1999.
- Bachtler J, Taylor S, Objective 2: Experiences, Lessons and Policy Implications, Final Report, July 1999.

A substantial part of the research, moreover, is based on the studies carried out by EPRC as part of IQ-Net, a network of Objective 1 and 2 regions that the institute has been managing since 1996. Selected national reports and evaluations have also been looked at as relevant. The full list of documents included in this research is provided in the bibliography.

The focus of this meta-evaluation was on the detection of a clear territorial dimension or territorial considerations in the programming documents. In particular aspects addressing territorial cohesion and polycentric development and information on physical outputs have been investigated.

6.2.2 Analysis of current Structural Fund programmes (2000-06)

Also the review of current Structural Fund programmes was made through extensive desk-bound research. This also encompassed a preliminary review of trends in national regional policies, to be developed further in the research as part of working package 5 (to be presented in the Third Interim Report). This secondary research included a number of recent IQ-Net reports, the outputs of other research undertaken at EPRC, a range of thematic evaluations and studies. The full list of the documentation addressed is included in the literature section; however, some of the most meaningful sources are listed below:

- Bachtler J, Wishlade F and Yuill D (2003), *Regional Policies After 2006: Complementarity or Conflict?* Plenary Paper for the Sub-Rosa Strategic Discussion, final draft, Club Universitaire, Brussels, 13-14 June 2003.
- Bachtler J and Taylor S (2003), *The Added Value of the Structural Funds: A Regional Perspective*, IQ-Net Special Report, June 2003.
- Bachtler J and Raines P (2002), *A new Paradigm of Regional Policy? Reviewing Recent Trends in Europe*, Paper prepared for discussion at the XXIII Meeting of the Sponsors of the European Policies Research Centre, Ross Priory, Loch Lomondshire, 7-8 October 2002.
- OECD, *Policy Fact Sheet: High-Level Meeting on Innovation and Effectiveness in Territorial Development Policy*, 25-26 June 2003, Martigny, Switzerland, 19 June 2003, GOC/TDPC(2003)14/REV1.
- Polverari L and Rooney M, with McMaster I, Raines P, Bachtler J and Böhme K and Mariussen A (2001), *The Spatial and Urban Dimensions in 2000-06 Objective 1 Programmes. Overview on the Objective 1*, June 2001.
- Yuill D (2002), *A Comparative Overview of Recent Regional Policy Development in the Member States and in Norway*, Glasgow, October 2002.

In addition to the secondary research, primary research on a sample of Structural Fund programming documents and complements was undertaken by the country experts. The analyses undertaken by the country experts, based on a standardised checklist, covered the following aspects:

- A general assessment of the inclusion of spatial considerations in the programme documentation analysed;
- The characteristics of programme areas and the inclusion in the programmes' background analyses and *ex ante* evaluations of the concepts of territorial cohesion and polycentric development;
- The inclusion of the concepts of territorial cohesion and polycentric development in the programmes strategies;
- The description of selected measures of particular spatial significance (objectives, financial allocations, implementation arrangements, links with national instruments);
- Commentary on relevant delivery mechanisms (partnership, project selection, monitoring and evaluation).

The number of programmes to be analysed, per country, was decided in relation to the Structural Funds allocations, per country, (see table below). For Belgium an additional programme was addressed (in relation to what the table below would have anticipated), in order to cover both language areas.

Table: Selection of number of programmes per country - rationale

<i>% of Structural Fund allocation</i>	<i>Countries</i>	<i>category</i>	<i>No of progs per country</i>	<i>Total progs per country</i>
Those with from 0-0.50percent of total Structural Fund allocation	Denmark, Luxembourg	very small Structural Fund allocation	1	
Those with from 0.51-2 percent of total Structural Fund allocation	Austria, Belgium*, Finland, Sweden, Netherlands, Ireland	small Structural Fund allocation	2	12
Those with from 2.1-10percent of total Structural Fund allocation	France and UK	medium Structural Fund allocation	3	6
Those with 10+ percent	Germany, Greece, Spain, Italy, Portugal	Large Structural Fund allocation	4	20
				Total 40 programmes

The selection of the programmes to be analysed (listed in Table) was done according to the results by EPRC/Nordregio research on Objective 1 and 2 programmes. Those programmes that had demonstrated a higher degree of integration of ESDP Policy Guidelines and, in particular, of the theme of polycentrism were selected.

Table: selected programmes for analysis

	<i>Objective 1</i>	<i>Objective 2</i>	
Denmark		Denmark	1
Luxembourg		Luxembourg	1
Austria	Burgenland	Steiermark	2
Finland	Eastern Finland	South of Finland	2
Sweden	Norra Norland	Norra	2
Netherlands		Stedelijke gebieten, Ost Nederland	2
Ireland	BMW and South East		2
Belgium	Hainaut	Meuse-Veustre + Antwerpen	3
France	Reunion, NP de Calais	Alsace	3
UK	West Wales, South Yorkshire/Northern Ireland	West of Scotland	3
Germany	Thueringen, Sachsen, Sachsen-Anhalt	NRW	4
Greece	East Macedonia-Thrace; Ionian Islands, South Aegean Islands, Epire		4
Spain	Galicia, Valencia	Cataluna	4
Italy	Sicilia, Campania, Puglia	Toscana	4
Portugal	Norte, Centre, Alentejo, Lisbon		4
Total			41

For those countries with both O1 and O2, one Objective 2 programme was addressed (i.e. priority was given to O1).

The programming documents, their complements and available evaluation studies carried out for the programmes (ex-ante evaluation reports, thematic evaluation reports etc.) were analysed by national experts following a joint template.

Based on the national reports, the cross-European analysis presented in this report was conducted.

6.3 WP 3 – Reference Framework for the Analysis

Working Package three provides the framework for analysis in particular of the results stemming from the work on the geography of Structural Fund spending (Working Package 4). Thus this working package forms a bridge between the conceptual debate ongoing in this project (Working Package 1) and the thematic ESPON projects analysing European spatial development.

In order to achieve the best possible integration of the results of this project into the wider ESPON context, and because of the limited resources of the project, working package 3 has been designed in such a way that it translates the results stemming from other ESPON projects into material that is useful for understanding and analysing the information on the geography of Structural Funds collected by this project.

In addition, based on the discussions presented in the First Interim Report, efforts have been undertaken to collect data on social endowment. This has, however, only proven possible for certain parts of Europe, as will be illustrated later on.

Thus, a major aspect of the work has been related to developing typologies related to GDP spending and to the growth of GDP and Structural Fund spending. Furthermore, efforts have been made to relate the results of this project to regional typologies developed by ESPON 1.1.1 (Polycentric development), ESPON 1.1.2 (Rural-urban), ESPON 1.2.1 (Transportation) and ESPON 2.2.3 (Structural Funds in urban areas). This resulted in a number of tables and maps presented elsewhere in this report.

In the First Interim Report, a debate on spatial discontinuities was started, which is in part related to a similar debate ongoing in ESPON 3.1. Here further work has been carried out and first results will be available by the end of this year. This is particularly relevant for analysing the discontinuities.

Once the mapping of the geography of the Structural Funds is finalised, this data can be related to spatial development trends in Europe putting special emphasis on the increasing disparities between regions (cf. Second Cohesion Report). In the tender it was suggested that the analysis of spatial discontinuities should be used for this. For this the work on searching a suitable focus and approach has started.

Gaps in the pre-conditions for structural development are by their very nature only meaningful in relative terms, relative to a moment in time, to a chosen space of analysis, to a given geographic scale of observation, etc. The most straightforward and widely accepted relative measure of development gaps is the one used at the European level for the definition of Objective 1 regions; namely, regional GDP per capita in a given year. From a research point of view, this measure raises a number of problems. Conceptually, for instance, it may seem more accurate to measure structural

gaps against endowment rather than actual economic activities. Or from the operational perspective, there are a number of unresolved issues, such as the lack of consistency in the methods used across European countries to measure GDP or the validity of this approach in relation to the New Economy. For political reasons, it seems difficult to substitute regional GDP per capita as the basic measure for regional disparities. Thus, it is convenient to analyse the implications of this measure and to seek ways of complementing it with others more focused on social capital endowment. The widest gaps in terms of GDP per capita in the ESPON space, and those inducing migration flows, are the ones between the EU-15 and the Candidate Countries. GDP per capita gaps can be so dramatic in some instances that they can only really be explained by the evidence of deep structural gaps, starting with the lack of infrastructure. A comparison at the national level between countries may provide for the identification of such strategic measures. European regions belonging to the same geographic space (e.g. the Baltic, the Rhine corridor, the Western Mediterranean, the Alps...) have relatively similar preconditions for development and in some cases common economic, and to some extent also, political histories. A comparative regional analysis within these areas (for instance, those defined in the Europe2000+ study) may provide useful additional information to understand the performance of each region. Moreover, analysis of the European situation of the region (border regions, ultra-peripheral regions, islands, regions in corridors, etc.) is also capable of providing useful insights into the relative situation of each region with reference to a number of cross-sectoral themes. Perhaps with a stronger European emphasis, the analysis relative to the so-called “Small Europes” (e.g. cross-border macroregions) could also be undertaken to learn more about relationships that are to many people at the forefront of European integration. Also, intra-regional analysis for some case-studies would be interesting to explore where gaps between counties or cities (or perhaps even neighbourhoods in the same municipality) are higher than gaps at other scales. The lack of GDP data at the appropriate scale will no doubt hamper any attempt to carry out such analysis.

All the discontinuities mentioned above (relative to different spatial aggregates) can be mapped in conventional thematic maps, using typologies to classify regions into categories depending on Structural Fund allocation and GDP per capita. Such discontinuities can also be mapped using a mosaic design to highlight regions where discontinuities are higher than for their neighbouring regions. Finally, it is also possible to represent discontinuities in terms of flows between regional centroids and common borders (straight lines between centroids illustrating “proximity” and giving width to frontiers according to the discontinuity at issue). While the first option is the easiest to produce and read, the second and third options may also provide for interesting outcomes, despite being more difficult to develop and read.

6.4 WP 4 – The Geography of Structural Fund Spending 1994-99

The mapping of the geography of Structural Funds spending for the period 1994(5)-1999 was the main task in WP 4 and consisted of the following specific steps:

- checking data availability on the EC, national and regional levels,
- data gathering Structural Fund co-financing,
- structuring the expenditure data per NUTS II and NUTS III regions,
- developing the supporting tools for data classification and organization (MS EXCEL based), based on a Structural Fund spending typology,

- creating European and country maps on Structural Funds spending for the programming period,
- identifying European and country expenditure patterns and relating them to development trends and physical outputs of Structural Fund programmes.

6.4.1 Data availability and sources

With regard to the identification of available data, an extensive search took place in March 2003 for the already existing data on Structural Fund expenditure, preferably on NUTS III level. The web sites of DG REGIO, DG EMPLOI, DG ENVIRON, DG FISH, DG AGRI and available reports were checked at this point and several persons in DG REGIO and in the national and regional Structural Funds co-ordination were contacted.

In order to facilitate the data gathering and the information search on the national and regional levels, the partner responsible for WP4 prepared a 'wish list', explaining in detail the data requirements (detailed programmes, projects) and giving first indications, where to find national data on the web. In general and if available, the Structural Fund spending data should reflect:

- Amount in Euro.
- Final allocation (instead of initially planned resources)
- Structural Fund participation (instead of the total budget of the programmes or projects), where necessary determined through % calculations
- Final (or quasi final) situations when the programmes are still to be officially closed.
- In co-operation projects (not INTERREG, RECITE, ECOS), the final Structural Fund participation assigned to the lead region.
- Where available, data on the NUTS III level, in other cases on the NUTS II level.

The wish list and these specifications were disseminated among the national experts in early April 2003, in order to start data gathering on the national and regional levels. The following data sources and information resources have been used:

- CEC reports and official information on Structural Funds, Cohesion Fund, sector policies.
- National Structural Fund administrations and databases.
- Regional Structural Fund managing authorities.
- Intermediary organisations with general information on Structural Fund Programmes on the regional or national levels, such as BBR in Germany and ÖROK in Austria.
- EU-wide and countrywide Structural Fund Evaluations.

The results of this extensive search are non-conclusive. On the one hand, there is ample information regarding each kind of EU expenditure, per fund involved and per Programme. On the other hand however, the information is mostly organized per country or larger region (e.g., in Spain NUTS II, in Germany NUTS I, etc.), which makes data collection and detailed information on the NUTS III level particularly difficult in some countries, especially in Spain, Italy, Greece, Germany, Austria, the UK, and France. Objective 1 Programmes were in most cases organised on a wider regional scale (NUTS I and II), whereas Community Initiatives and Objective 3 and 4

Programmes mostly counted with Programmes on the national scale and not with an *a priori* regional distribution of the Funds.

Another obstacle in identifying useful data has been the lack of final expenditure data, since in some countries programmes are still to be closed or to be revised and official data is therefore unavailable for the time being. Because of this, in some cases the national experts had to use figures on planned initial expenditure, or on unofficial final expenditure.

A third problem was the lack of coherence in the currency units, since most data on the Structural Fund Programmes for 1994-1999 still exists in national currencies and not in Euro. This problem has been solved while using a common timeline for converting national currencies into ECU and Euro.

6.4.2 Data treatment and description

For the treatment of the Structural Fund spending Data 1994-99 different strategies have been applied, in order to overcome the existing difficulties and to obtain comparable data for all EU Member States.

For the cases where Structural Fund spending data was definitely not available on the NUTS III level from the programme managers, national or European sources, we applied some strategies to structure the overall spending per NUTS III regions.

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

- Closer analysis of involved NUTS III region in larger Objective 2 Programmes, because the eligible areas are defined on the NUTS V level and in most NUTS II regions are 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 of Saragossa.
- Contacting Structural Fund programme managers and intermediary bodies, such as BBR (Germany) and ÖROK (Austria) at the national and/or regional level. They were able to indicate distributions of Structural Fund spending in their regions, or to offer national/regional analysis on the same subject.
- Distributing the amount spent according to population percentage, using the aggregate spending for the respective NUTS I and NUTS II region and the percentage of the corresponding NUTS III regions.
- In cases where only data on per capita spending was available, distributing the amount spent in a NUTS III region, carrying out a simple multiplication of absolute population figures with per capita spending.

In order to classify and organise the collected data, a supporting tool was developed and used during the data collection stage.

The tool comprises one overall resuming database, which has been used to transfer the data into a Geographical Information System and allow the mapping of the data. 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 tool, a pilot introduction of Structural Fund spending data for Spain and Sweden were carried out. After checking the tool, it was disseminated among the national experts in April 2003.

The last step before mapping the obtained data was the development of a Structural Fund spending typology. Given the variety of spending typologies among the different EU member states, it was not possible to use a more detailed typology. One feasible way to classify the Structural Fund spending was, however, the use of different classes according to the predominant funds involved (ERDF, ESF, EAGGF, IAGF, Cohesion), and according to the predominant character of the Structural Fund programme (Objective 5b - rural development, Objective 3 - social integration and human resources). The resulting typology is reflected in the following matrix:

Table: Structural Fund spending typology

TYPE OF SPENDING STRUCTURAL FUND 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.					

Following this approach it was possible to locate and categorise most of the Structural Funds assistance for Objectives 1, 2, 3, 5b and 6, which corresponds to 93.5 percent of the Structural Fund investments between 1994 and 1999. Furthermore, Cohesion Fund assistance has also been taken into account. Community Initiatives, Innovative Projects, Objective 4 and Objective 5a Programmes have however not been included,

as Structural Fund expenditure is relatively low and/or the regional distribution of the Funds is extremely difficult.

Based on the obtained information an overall database has been developed for all EU countries and their corresponding Structural and Cohesion Fund spending between 1994(5) and 1999. Thus far, the database contains only information on the NUTS II level. As regards the NUTS III level further modelling of data and extensive quality checks are necessary. Thus we envisage presenting NUTS III level data in the Third Interim Report.

6.5 WP 9 – Development of Policy Recommendations

Similarly to Working Package 1, Working Package 9 runs over the entire project duration in order to assure the policy relevance of the work carried out.

After the delivery of the First Interim Report, the analytical work carried out was accompanied by a discussion on policy relevance and possible policy recommendations deriving from that work.

In addition, close co-operation with the ESPON projects 1.1.1 (polycentric development), 2.2.2 (pre-accession aid), 2.2.3 (Structural Funds in urban areas) and 3.1 (integrated tools) as regards possible policy implications and recommendations has led to cross-fertilising debates.

Based on these discussions, tentative policy recommendations have been drawn up. These are presented and discussed in this report.

6.6 Approaches to Territorial Impact Assessment (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 Second Interim Report, or will be issues for the Third Interim Report. In the following we try to briefly summarise the answers to the various questions:

Preliminary 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. For the funding period 1994-99, this consists of 93.9 BEURO Objective 1, 15.3 BEURO Objective 1, 12.9 BEURO Objective 3, 2.2 BEURO Objective 4, 6.1 BEURO Objective 5a, 6.8 BEURO Objective 5b, 0.7 BEURO Objective 6 funding plus 18 BEuro in Cohesion Funds and 14 BEuro in Community Initiatives. 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 been changed by the intervention will be in the final outcome of the project. In the best cases the economic competitiveness of a region could be improved and thus a contribution made to more balanced development or territorial cohesion. The report also discusses to what degree the Structural Funds can contribute to polycentric development at the micro, meso and macro levels. These contributions are, however, mainly of a coincidental character.

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 the NUTS II and III levels. For the analysis of hotspots and cold spots, however, more detailed data will be needed. The overall discussion of effects focuses on the micro, meso and macro levels.

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

The answer to the question over what has happened, or may happen, in future will be in the final outcome of the project. This report provides a meta-evaluation and a first overview with regard to the geography of the previous Structural Funds periods. Furthermore, a review of selected programmes of the current period has also been carried out. Thus far, the material suggests that the contribution of the Structural Funds to territorial cohesion and to polycentric development are, at best, rather coincidental.

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. In a second step this will be related to ongoing regional development trends and changing disparities between regions. Furthermore, case studies will assess outputs at lower level in greater detail. Thus contributions to territorial cohesion and polycentric development at the micro, meso and macro levels will be appraised. The approach will be a mixture of quantitative and qualitative appraisals.

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 related to spatial development trends (cf. question 5).

7) Which goals are referred to?

The main policy goals referred to are polycentric development and territorial cohesion, discussed at the micro, meso and macro levels.

8) How is the analysis

Based on evaluation studies, preliminary results have been developed which guide the work at the European wide and case

performed?

study levels.

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 will be developed. In a second step the causality between Structural Fund spending and spatial development will be investigated by means of a number of case studies.

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, meso 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.

With regard to the concept of polycentric development, regional disparities, and the morphological, functional and relational dimension of spatial entities at various geographical levels will be discussed.

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.

7 Policy Concepts forming the analytical points of departure

7.1 An emerging European Spatial Policy

To date there is no European Spatial Policy *per se*, as spatial development is still a field of competence of the Member States and not of the Union as such.

This having been said, during the last decade, a resurgence of interest in national and supranational spatial planning, and in the preparation of spatial planning studies has taken place for (A) trans-national regions such as the Baltic Sea Region, the North Sea Region or the North-West Metropolitan Area, (B) the territory of the European Union as a whole, as the European Spatial Development Perspective and foregoing studies such as Europe 2000 and Europe 2000+, and (C) the European continent, namely the Guiding Principles of Sustainable Spatial Development of the European Continent, prepared by the European conference of ministers responsible for regional planning (CEMAT).

Partly, this was a response to economic integration and the single market, improvement of transport networks and new infrastructure such as the Channel Tunnel. It can also be interpreted as recognition of the importance of this sector of policy may have for major EU projects such as Economic and Monetary Union and enlargement.

This process has led to an awareness of the role that spatial planning can play in the process of European cohesion, both at the European and the national level. This gradual process culminated in the 1999 approval of the European Spatial Development Perspective (a framework policy-document of non-binding character), which was adopted by the informal Council of Minister responsible for Spatial Planning, after a long and laborious period of intergovernmental debate.

As has been pointed out by Robert et al (2001), this document rests on a number of provisions of the EC Treaty (e.g. support for harmonious and balanced development, competitiveness, improvement of the quality of the environment and of quality of life, in art. 2) and has even been considered as an informal and specialised extension of the Treaty, detailing and specifying a number of its provisions in an approach where strong coherence arises from territorialisation.

In reality the ESDP is a compromise document between the different traditions and aims of national governments and the EU and is for this reason broad and rather general in content, including policy objectives (in a hierarchy of 3 Policy Guidelines, 13 Policy Aims and 60 Policy Options) that are at times overlapping and not always clear and coherent in relation to each other.

Despite the general and non-binding character of the ESDP, the adoption of this document marks a renewed interest in the territorial dimension as a framework for other policies, including cohesion policy. In the Second Report on Economic and Social Cohesion in 2001, the concept of territorial cohesion was for the first time brought alongside those of economic and social cohesion.

Since then, a refinement of spatial concepts and the identification of the spatial implications and synergies with community policies has taken place in the framework of the ESPON programme, to which this study also belongs. Among others, the programme explores and clarifies the concepts of territorial cohesion and polycentric development, two crucial themes for the orientation of future cohesion policy.

7.2 Concepts and Causal Connections

This study deals with the question of the territorial impact of the Structural Funds, which requires the definition of territorial impacts. Given the context of this study, such a definition needs to relate to the debate on spatial policies ongoing at the European level. Thus, for assessing the territorial impacts of the Structural Funds, it is necessary to take spatial policy aims as a point of reference. Taking into consideration the fact 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 thus seemed to provide a logical point of departure.

In the first interim report a conceptual debate around the concept of territorial cohesion was developed, taking its point of departure from the discussion put forward in the 2nd Cohesion Report. This 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, in the 2nd Cohesion Report, and within the context of the Structural Funds themselves, illustrated that balanced development and territorial cohesion on the one hand and competitiveness on the other, are essentially two sides of the same coin, as well as 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 the support for 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.

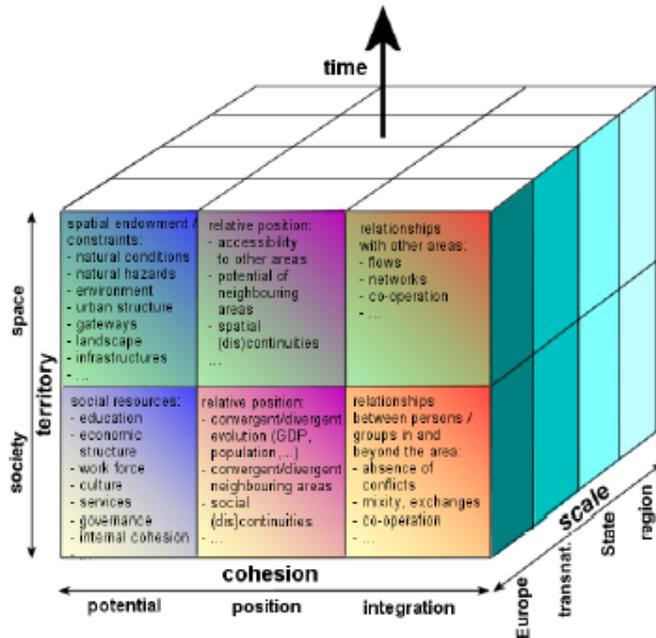
In conclusion, the study should focus on the European and the regional levels and implement a holistic territorial approach, taking into account economic, environmental and social aspects. Thus European homogeneity and discontinuity will be discussed both in terms of the economic strengths of regions, 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. This debate highlighted the challenge of developing a set of indicators encompassing all relevant sectors, which can be based on harmonised data.

This debate formed the basis for the further work within this project and we were glad to see that it has also formed a considerable input into the conceptual work presented in the Second Interim Report of the ESPON 3.1 project. In this report the concept of territorial cohesion has been developed further towards an hyper-cube integrating the social and geographical dimension of territory, the potential, positional and integrational dimension of cohesion, as well as the various geographical scales at which the concepts are to be applied.

Figure: The ESPON 3.1 Hyper-cube of territorial cohesion

The "hyper-cube" of territorial cohesion

PhDB consultant with contribution of Cf. Grasland, 2003



Source: ESPON 3.1 Second Interim Report

Making this concept more concrete and bridging the gap between the two archetypes of European spatial conceptualisation, such as the Blue Banana and the European Bunch of Grapes, the ESPON 3.1 SIR translates territorial cohesion finally into accessibility and polycentric development.

Based on these developments as well as on the discussions during the ESPON seminar in Crete, as well as on the response to our First Interim Report from the Coordination Unit, we have developed an understanding of the territorial dimension for the assessments on which this report is based.

As compared to the First Interim Report, polycentric development has taken a more prominent position, equalling that of territorial cohesion in the first report. Indeed, EU enlargement calls for a new territorial paradigm proceeding from core-periphery to territorial balance and polycentrism. The aspect of accessibility plays a minor role here, as there are two other projects concentrating primarily on the in-depth assessment of accessibility.

7.2.1 Territorial cohesion (TC)

Territorial cohesion is to be understood as an umbrella concept and as an integrated part of the cohesion process, covering the territorial aspects of cohesion and the EU objectives of balanced and sustainable development.

Indeed, the current structure of the European territory is imbalanced, as illustrated especially by the core-periphery (pentagon) concept, but also by the trans-national diversities, regional imbalances, large intra-regional disparities and the diversity of development potential throughout Europe. In addition, further geographical concentration is being driven by market forces, as investment patterns in the more important global services are favouring the pentagon and the larger metropolitan urban areas, capital cities are the most dynamic in many countries. In the new Member States as well, the regional centres are in many cases the dominant forces, while local parameters favour access and the supply of relevant services, while amenities in and around the urban centres supporting quality of life are gaining in importance.

Table: European Pentagon

	<i>EU 15</i>	<i>thereof pentagon</i>	<i>EU 27</i>	<i>thereof pentagon</i>
Km2	3,2 million	18%	4,3 million	14 %
Population	382 million	41 %	490	32 %
GDP in PPS		49%		46,5 %

This forms the background to the development of the umbrella concept of territorial cohesion that might help to give consistency to a broad range of policy interventions. In ESPON 3.1 SIR this concept is operationalised by using an hyper-cube bringing together the social and geographical dimension of territory, the potential, positional and integrational dimension of cohesion as well as the various geographical scales at which the concepts are to be applied.

The aspect of territorial potentials is close to the concept of endowment discussed in the first interim report of this project. It expresses the fact that territorial cohesion can only be achieved by entities that have enough resources to develop their own identity and to act as partners in a co-operation process that will bring added value. Thus the potential includes resources available in an area as well as the constraints it is submitted to.

Cohesion does not only rely on the individual situation of entities but also on the their relative situation. This underlines the fact that position varies depending on the spatial context considered. The aspect of integration is closely related to the concept of spatial integration discussed in the SPESP as well as in the first interim report of this project. It focuses on the effective relations that link an area to other areas of the considered territory, both in terms of material and immaterial links. Integration allows for the enhancement of the potential of a territory but may also strengthen disparities.

Summing up, it can be argued that territorial cohesion underlines the fact that the trans-national territorial dimension possesses a potentially large added value for effective development policies. The broader territorial scale is considered necessary for exploring regional potential, strategies for trans-national areas ensure efficiency and synergies, strategic alliances between territorial entities (i.e. metropolitan urban regions), closer co-operation on themes such as transport, tourism, innovation potential etc, common marketing in global competition.

Relating to the Lisbon strategy it is argued that (in order to become competitive and dynamic) the territorial structure needs to support possibilities for exploring potentials

and comparative advantages, as well as avoiding diseconomies due to (physical) overheating. The urban poles as places with most realisable development potential, i.e. as engines for improving competitiveness and dynamism take a central role in the policy debate. This further underlines the umbrella concept of territorial cohesion as being spatialised through the idea of polycentric development.

7.2.2 Polycentrism: Bridging Concept between Competitiveness and Balance

The concept of polycentric spatial development can be described as a “bridging concept” as it merges the two policy aims encompassed in the ESDP, namely, the aims of “economic growth” and “balanced development”. The bridging effect is equally distinguishable in the relation to the different interests of the Member States, encapsulating the economic and social cohesion objectives, particularly as regards the need to encourage a move towards a more balanced view on competitiveness.

Following the ESDP, polycentric development implies encouraging settlement patterns at all geographical levels (European to local) that enhance competitiveness, regional balance and new urban rural relations. This implies an understanding of regional development more sensitive to the need of focusing more on potentials (e.g. possible specialisations in the world market) and less on problems. Furthermore, it implies an integrated territorial approach, where small and medium sized cities are considered as being the motors of regional development.

Given that settlement patterns generally change only slowly over a long period of time, the application of this concept has thus far tended to focus on re-examining functions and networks and associated joint action. Accordingly, the focus is on the scope for specialisation and complementarities/competition of centres (e.g. functional urban areas) in a polycentric system. Thus, the challenging aspect of polycentrism is that it is not primarily about morphology, i.e. the distribution of centres in a territory, but about *functions and relations within urban systems*.

Following ESPON 1.1.1, the classical definition of morphological polycentrism is that the territory in question (1) consists of more than two centres that are (2) historically and politically independent (non-hierarchical) and that (3) they are in proximity to each other and (4) have a functional relation by which they are complementary to each other.

Furthermore, the discussion illustrated that polycentrism can be discussed at various geographical levels. This resulted in a three level approach proposed for ESPON. This approach implies that strengthening sustainability, global competitiveness and cohesion through a polycentric development model of the European territorial structure is to be discussed on at least three geographical levels:

- **Polycentrism at the regional / local level**
The aim is to move from one or few dominating regional centres to several centres providing regional services. Key aspects are economic integration and specialisation. This may also involve strategic alliances between cities in areas where critical mass is problematic. Despite the morphological and proximity aspects, the division of labour and functional specialisation within the regional urban system are important indicators.
- **Polycentrism at the trans-national / national level**
The aim is to go from dominating major cities to a more balanced tissue of

cities, improving economic performance and services through clusters and networks of neighbouring cities. The mixture of functions performed in a functional urban area often depends on its size. Thus one option of improving the balance of a national urban system is seen in forming a national centre by bringing together several local or regional centres. In addition to the mass a national urban centre must also show a sufficient specialisation within the national urban system, and thus integration into the national urban system.

- **Polycentrism at the global / European level**

The aim is to support a more balanced territorial structure at the European level by encouraging the development of functional urban areas (or clusters of cities) of global importance outside the pentagon, which is currently seen as the only important global zone within the enlarged EU. This can be achieved by strategic alliances (networking, combining strategic strength) between functional urban areas and by strengthening the international competitiveness of a functional urban area. In both cases the focus is on the strengthening of the global position by strengthening the (endogenous) potentials of European or global importance. These potentials can be of varying nature, such as certain economic specialisations or cultural international peak-competences such as e.g. museums.

Keeping in mind the relational approach to polycentrism, it can however be argued that cities of all categories/sizes can be part of trans-national co-operation networks and thus can play a role in functional polycentrism and in the division of labour. Indeed, the ESPON 1.1.1 project touches on the fact that in some respects the smaller rather than the larger cities have become global, because of a specific specialisation, which allows them to act as partner or sub-contractor and become integrated into international business. Thus all cities independent of their size can become nodes in a European wide functional network, i.e. a step towards relational polycentrism.

The understanding of polycentric development as discussed here formed the conceptual backbone of the tasks carried out under working package 2 of this ESPON project.

Thus, the understanding of polycentric development used in the analysis of current Structural Funds programmes differs from the definition used in the earlier study on the urban and spatial dimension of Objective 1 and 2 programmes in the 2000-2006 Structural Funds period. In this previous study the ESDP policy aims of dynamic, attractive and competitive cities and urbanised regions, indigenous development, diverse and productive rural areas and rural-urban partnership were included as indicators for polycentric development. Given, the wider understanding of that study, it does not come as a surprise that the present study does not resemble the same extent of positive conclusions as presented in this previous study.

7.3 Spatial Concepts and the Structural Funds: a problem of scale

Having defined the meaning and scope of the concepts under analysis, i.e. Territorial Cohesion and Polycentrism, it is now necessary to understand how these concepts can be linked to the Structural Funds.

As regards territorial cohesion, it can be argued that, at least at a European level, the Structural Funds contribute by default to this objective. Indeed, the main purpose of European Structural and Cohesion Policy is that of overcoming the imbalances in socio-economic development across the Countries of the European Union and of delivering balanced and harmonious development throughout Europe, although, initially, this was confined to the field of economic activities. The criteria for area designation, based on European averages of GDP and unemployment, underlines the pan-European focus of these policies.

The understanding of territorial cohesion adopted in this study, as illustrated above, is broader than the simple levelling-out of disparities. Therefore the analysis of past and current Structural Fund programmes has been focussed on the extent to which both on a strategic level and in the implementation mechanisms adopted, the funds support the development of the regions' endogenous potential, their endowment factors and ultimately their competitiveness and attractiveness. As will be argued in the next chapters, these themes are central in current Structural Fund programming, albeit only more recently so as explicit policy objectives.

The considerations above apply also to considering territorial cohesion delivered by the Structural Funds at the national and regional/local scale of policy. However, it is more difficult to assess the extent to which Structural Fund strategies reflect the objective of territorial cohesion at this lower scale. Looking at the programme level in particular, one of the most recurrent criticisms on past and current Objective 2 programmes is that with the fragmented geographical areas that characterise a number of them (the Austrian Objective 2 map of the last programming period, or the current map for region Lombardy in Italy, for example) it is difficult to pursue the objectives of balanced regional growth and competitiveness. This problem is further exacerbated by growth poles being in some cases left out of the maps altogether. Fragmented maps can also be a constraint in terms of policy concentration, as different strategies may need to be applied to parts of a territory with different characteristics, with thus increased potential for the dispersion of effort and a lack of policy efficiency. Generally speaking, it is difficult to envisage the Structural Funds having an effect on territorial cohesion where the delimitation of eligible areas results in fragmented maps, unless their strategies are explicitly targeting TC-related objectives and are used as a lever for converging national policies in this direction.

To consider the implications of Structural Fund programmes on territorial cohesion at the national level can also prove difficult. It has been noticed in a number of reports and policy documents that while disparities between countries have progressively been reduced across the EU, the disparities within countries have often widened. The Fifth Report of the Department for Development Policies, of the Italian Ministry of Economy and Finances, for instance, demonstrates that, in terms of variations of GDP per capita in the period 1995-2000, a number of countries with a high relative growth rate have also witnessed an increase in internal regional disparities (Germany, Spain,

Ireland, Portugal, the Netherlands, Sweden and Finland). After having looked at the economic performance of each region over the same period of time, the report concludes that 86% of the regions included in the fifth of regions with lower income in 1995 had remained in the same group in 2000, while 14% had up-graded to the immediately higher tier. At the same time, of the regions that figured in 1995 in the second less performing group, 83% had remained in the same class in 2000, while a remaining 10% had been downgraded to the last group.

Assessing territorial cohesion and its evolution within countries is a particularly sensitive matter in that it implies addressing the problem of the implicit balance sought between developing competitiveness and the growth potential of areas already capable of development, and devoting resources to the endowment of less competitive areas that are in need for structural adjustment measures. This point will become even more crucial with the enlargement of the Union, as one-third of the EU's population will live in countries with a GNP per capita below 90 percent of the EU average, compared to a figure of one-sixth in the current EU. The ratio of income per capita in the top and bottom 10 percent of regions would increase from 1:2.6 in the EU-15 to 1:4.4 in the EU-25. As accession is also likely to lead to a reduction in the average employment rates and an increase in the unemployment rate, regional disparities measured in both indicators are also likely to rise.

Given these constraints, the analysis that follows will concentrate on the qualitative assessment of the implications of Structural Fund strategies and implementation mechanisms on the policy objectives that have been utilised to qualify territorial cohesion, without attempting to unpack in detail the scale at which the Structural Funds deliver territorial cohesion.

The same consideration applies to the analysis of the theme of polycentric development. The concept of polycentrism, however, is less directly linked to European regional policy than is territorial cohesion, and as such evidence of support for polycentric development (as illustrated in the paragraph above) has been sought in the analysis carried out, which focused on the extent to which the programmes in their strategies and implementation mechanisms support the creation of functional growth poles, centred on urban agglomerations, as well as intra-regional and interregional economic and social networking and strategic alliances between cities and functional complementarity.

7.4 European Structural and Cohesion Policy

The history of European regional policy is characterised by a progressive increase in the importance of, and the financial resources attributed to, structural and cohesion policies. This has been strengthened by the increasing status given to regional policy in successive constitutional Community legislation and in the series of reforms to the operation of the Structural Funds from 1975 to date.

As early as 1957, Article 2 of the Treaty of Rome outlined the Community objective of supporting the balanced and harmonious development of the economic activities of the Member States. However, at this time no specific instruments existed for this purpose. The Treaty foresaw the creation of the European Social Fund (ESF) and the European Agriculture Guidance and Guarantee Fund (EAGGF) – which were created

respectively in 1958 and 1962 – but these were only small scale and did not respond to a clear strategy for regional development.

It is only from 1975, with the setting up of the European Regional Development Fund (ERDF) that the involvement of the European Community in regional policy begins in earnest. A detailed description of the evolution of the ERDF between 1975-1988 is outlined in the box below.

In 1986, the Single European Act added to the Treaty of Rome a new Title on Economic and Social Cohesion in acknowledgement of the fact that economic and social cohesion within the Community was an essential prerequisite for the success of the Single Market.

A major reform of the Structural Funds was introduced in 1988, to enhance the effectiveness of the use of community resources. One of the most important features of this reform was the shift from individual project support to a programme-based approach. It also increased the Structural Fund budget, which was doubled from 7.2 billion ECU in 1987 to 14.5 billion ECU in 1993 (1988 prices), concentrated on the least developed regions and targeted on five priority objectives. The reform also entailed a stronger commitment to the coordination of the activities of the three Structural Funds and the other Community financial instruments.

As a result of the 1988 reform, the areas eligible for assistance were defined for the first time according to Community-wide criteria, resulting in a map of assisted areas through the EU: a GDP per capita threshold of 75 percent of the Community average for the Objective 1 areas and (mainly) labour market criteria for Objectives 2 and 5b areas. After the reform, assistance was channelled through multi-annual programmes (110 Community Support Frameworks (CSFs) and almost 1,000 Operational Programmes (OPs) and global grants), defining priorities for the use of Commission funding, and drawn up and implemented by partnerships involving the Commission, national government, local authorities and other actors. In addition to these CSFs, 12 new Community Initiatives were launched in 1989, to target particular development needs.

In 1992, the Maastricht Treaty once again strengthened the Community's involvement in regional development, with Economic and Social Cohesion becoming one of the Union's promoted objectives (Article 2), with a redefinition of the aims and of the interventions of the Structural Funds and the creation of the Cohesion Fund (in 1994).

Box: Evolution of the ERDF from 1975-1988

In 1978, the first step towards the Community defining its own regional policy measures was taken with the creation of a 'non-quota' section of the ERDF. Limited to five percent of total resources, this section could finance specific Community regional development schemes determined by the European Commission. This funding was used, from 1980 onwards, to finance the first special, multi-annual schemes for areas seriously affected by crises in the steel, ship-building and textile industries, the development of certain Mediterranean regions and the development of rural areas with few alternatives to agricultural activities. These schemes pioneered the use of 'integrated development operations', for specific regions, and, later, 'integrated development programmes'.

During the early 1980s, the quota system was increasingly considered to lack the flexibility required to respond to changing regional problems. A reform of the ERDF in 1984 introduced a system of ranges for the allocation of resources, with upper and lower limits being set out for the funding that each Member State could receive, based on the severity of its regional problems. By this time, the budget for ERDF had progressively increased to 7.5 percent of the Community budget, a nine-fold increase as compared to 1975.

Although most of the funding continued to be used to finance industrial investment and infrastructure projects, the 1984 reform made provision for 'mainstream' ERDF to be used to finance programmes of regional development support. Building on the experience of the 'non-quota' schemes of multi-annual assistance, the ERDF created a combination of 'Community programmes' and 'National Programmes of Community Interest (NPCI).

The 'Community programmes', initiated by the European Commission, were the forerunners of the present-day Community Initiatives. They began, in 1986, with the STAR and VALOREN programmes for telecommunication services and energy development respectively in the less-favoured regions of the Community, and were progressively supplemented by RENAVAL (conversion of shipyards) and RESIDER (restructuring of steel areas) in 1988.

The NPCIs, which were initiated by the Member States (and approved by the Commission), were used to fund national regional aid schemes or regeneration programmes for specific problem regions. They encompassed and superseded the integrated development operations and programmes formerly funded under the non-quota section of the ERDF, most notably the Integrated Mediterranean Programmes, which covered the whole of Greece, the Italian Mezzogiorno and southern France.

Source: Bachtler J with Josserand F and Michie R (2002), *EU Enlargement and the Reform of the Structural Funds: the Implications for Scotland*.

Soon after the adoption of the Maastricht Treaty, a second major reform of the Structural Fund regulations took place (in 1993). This period also marked a major increase in EC spending, increasing the financial allocations of the Structural Funds for 1994-99 to an average of 23.6 billion ECU per year (1992 prices). The newly created Cohesion Fund, moreover, provided a further 12.5 billion ECU for the four countries with a per capita GDP lower than 90% of the Union's average (Greece, Ireland, Portugal and Spain). The 1993 reform introduced the principles of additionality, partnership, programming, and concentration and broadened both the coverage of the Funds (to 51.6 percent of the EU population) and the scope of the measures by:

- merging the former Objectives 3 and 4 into a new Objective 3 with a wider remit encompassing the integration of persons excluded from the labour market;
- creating a new Objective 4 to facilitate adaptation of employees to industrial change and restructuring.
- establishing a new Objective 6 for the sparsely populated areas of Finland and Sweden, which joined the EU along with Austria in 1995.

- simplifying the programming process, including the use of ‘Single Programming Documents’
- strengthening the monitoring and evaluation obligations to improve effectiveness and accountability.

As a result, the Objectives for the 1994-99 period were:

- Objective 1 - Objective 1 - the structural adjustment and development of less developed regions;
- Objective 2 - the re-conversion of regions severely affected by industrial decline Objective 2 areas and programmes were revised in the middle of the programming period (running for two three-year phases, i.e. from 1994-96 and from 1997-99).
- Objective 3 - to combat long-term unemployment and to facilitate the occupational integration of young people and those excluded from the labour market;
- Objective 4 - to assist workers in employment to adapt to industrial change and new production systems through retraining;
- Objective 5a - to speed up the adjustment of agricultural and fisheries structures;
- Objective 5b - to facilitate the development of rural areas; and
- Objective 6 – (introduced in 1995 with the accession of Finland and Sweden) to promote the development of regions with exceptionally low population density.

Four of these seven objectives (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. With respect to area designation processes, important changes were made to the procedures for selecting Objective 2 and 5b areas. Under the revised Regulations, the Member States took the lead role in proposing areas to be designated under Objectives 2 and 5b; of particular importance, the Member States could take account of national policy priorities and use could be made of national statistical data in devising area designation proposals. This represented a significant change over the position in the 1989-93 period when the Commission had been more influential in the process.

The end of the 1994-99 programming period marked the emergence of a new approach to European regional policy. For the first time in 25 years, the resources allocated to Structural and Cohesion policies were reduced: The ‘Agenda 2000’ debate led to an agreement in 1999 which allocated €195 billion (1999 prices) to the Structural Funds in the EU15 Member States, with annual spending declining from €29.4 billion in 2000 to €26.7 billion in 2006. A further €18 billion was allocated to the Cohesion Fund, with €47 billion for the applicant countries of Central and Eastern Europe. The spatial coverage of the funds was also reduced, from 52.1 to 40.2 percent of the EU population. The allocation of funds to the EU15 Member States for the 1994-99 programming period is outlined in the Table below.

Table: Breakdown of Structural Funds by Objective (1994-99)⁽¹⁾

	Obj. 1	Obj. 2	Obj. 3	Obj. 4	Obj. 5a agric.	Obj. 5a fish.	Obj. 5b	Obj. 6	Total	C.I. ⁽²⁾
Austria	162	99	329	60	386	2	403	-	1432	144
Belgium	730	341	396	69	170	25	77	-	1808	288
Denmark	-	119	263	38	127	140	54	-	741	102
Finland	-	179	254	83	331	23	190	450	1503	151
France	2190	3769	2562	641	1746	190	2236	-	13334	1605
Germany	13640	1566	1681	260	1070	75	1227	-	19519	2211
Greece	13980	-	-	-	-	-	-	-	13980	1154
Ireland	5620	-	-	-	-	-	-	-	5620	484
Italy	14860	1462	1316	399	681	134	901	-	19752	1897
Luxembourg	-	15	21	1	39	1	6	-	83	19
Netherlands	150	650	923	156	118	47	150	-	2194	422
Portugal	13980	-	-	-	-	-	-	-	13980	1061
Spain	26300	2415	1474	369	326	120	664	-	31668	2781
Sweden	-	157	342	170	90	39	135	247	1178	126
United Kingdom	2360	4580	3377	-	186	89	817	-	11409	1573
EUR15	93991	15352	12938	2246	5270	885	6860	697	138201	14018
%	68.0	11.1	9.4	1.6	3.8	0.6	5.0	0.5	100	-

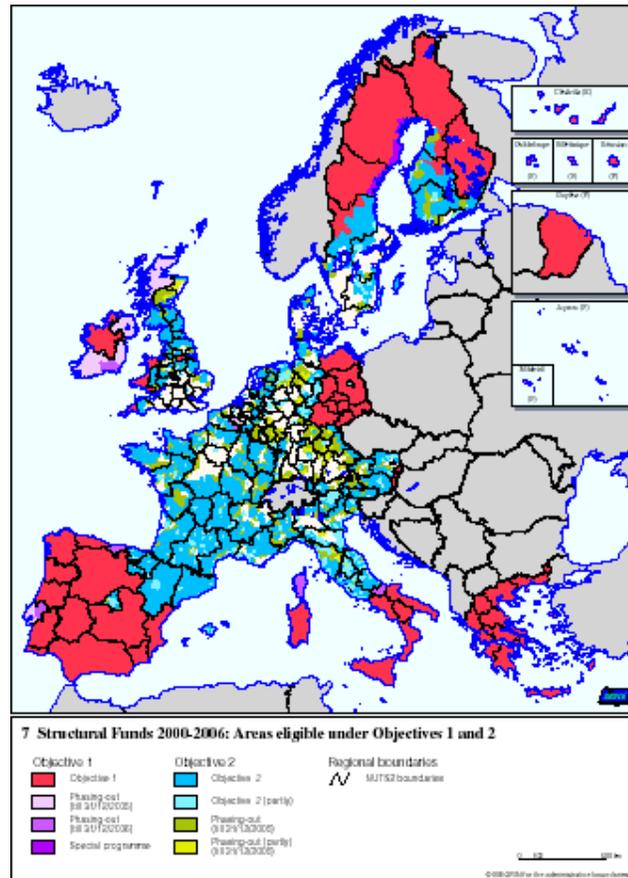
Notes: (1) In million ECU at 1994 prices (2) Community Initiatives, including 200 million ECU (at 1995 prices) resulting from a revision to the financial forecasts decided by the Council in order to fund the PEACE Initiative, but excluding around 64 million ECU for networks.

Source: European Commission (1996) *First Report on Economic and Social Cohesion*, OOEPC, p145.

The budget cuts agreed upon within the Agenda 2000 debate, as well as the agreement on the principle of concentration were introduced in order to increase the effectiveness of Structural Fund spending. Effectiveness was further strengthened, by reducing the previous six Objectives to three, and by reducing the Community Initiatives to four:

- Objective 1: to promote the development and structural adjustment of regions whose development is lagging behind (with a GDP per capita of less than 75 percent of the European average.)
- Objective 2: to support the economic and social conversion of areas facing structural difficulties. The overall population in Objective 2 regions could cover up to a maximum of 18 percent of the overall European population and could include residents in areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries.
- Objective 3: to support the adaptation and modernisation of policies and systems of education, training and employment. Areas eligible for financing under the Objective 3 were all areas not covered by Objective 1.

Figure: The map of Structural Fund assisted areas for the period 2000-06



Source: Second Report on Economic and Social Cohesion.

Currently there are 114 Objective 1 programmes, 96 Objective 2 programmes and 12 (national) Objective 3 programmes (and numerous Objective 3 regional Operational Programmes).

While territorial cohesion is only now achieving prominence in the policy-making arena, the theme of Sustainable Development was vigorously trumpeted by the EC in the 2000-06 programme period, as (along with equal opportunities) a horizontal theme to be mainstreamed across the entire scope of programmes. The recommended approach was that support for these themes should not be restricted to particular parts of programmes (e.g. specific priorities and measures) but should be mainstreamed, i.e. integrated into every phase and level of Structural Funds development and operation. For most programmes, however, sustainable development has tended to be equated with environmental sustainability, a scope suggested by the detail of the 2000-06 Structural Fund Regulations and the Commission's own Guidance. Where the themes have been explored in the SPDs, programmes have stressed the environmental component of the three dimensions of sustainable development: a commitment to economic growth; a consideration of social cohesion and quality of life concerns; and, a determination to ensure environmental sustainability.

The Lisbon Council of March 2000 set the challenge of economic and social cohesion within the overarching EU policy priority of improving competitiveness. Economic and social cohesion will present a major policy challenge in the enlarged Union, as enlargement will lead to a severely imbalanced EU territory in terms of the widening disparities between Member States and especially between regions, and in the capacity of Member States to address regional problems. Thus far, progress has been slow in EU15 and will be even more difficult to achieve in the new Member States; moreover, there is currently no mechanism for linking the Lisbon agenda with EU regional policy.

The question of the sustainability of development (as agreed at the Gothenburg Council) was also seen as integral to the future of structural and cohesion policy, and to the EU's competitiveness objective.) Current programmes are subject to extensive sustainability requirements, but research suggests that progress here is uneven. A 'step change' will be needed in learning, commitment and practice if the ambitious and integrated response required by the Gothenburg objectives is to be achieved.

Looking to the future, the shape of the Structural Funds after 2006 is still unclear. The Commission considers that the key elements of future policy direction will be the agreements made at the Lisbon Agenda and the Gothenburg summit, and that the most important element in delivering the identified targets will lie in addressing the intermediate and least-favoured areas and exploiting their latent capacities. In the Commission's latest proposals, outlined by a Commission representative at a meeting of a regional grouping, two-thirds of the structural and cohesion policy budget will be devoted to Objective 1 and regions excluded from Objective 1 simply on statistical grounds, with the remaining third allocated to Objective 2 and a new Objective 3. It is proposed that Objective 3 addresses trans-national cooperation and the completion of the trans-European networks, though proposals have not yet been finalised.

It is proposed that Objective 2 addresses regional competitiveness policy, with all regions potentially eligible (at NUTS I or NUTS II level, as appropriate, and with the final choice being left to the Member State). This would include areas phased out of Objective 1 because of their improved economic performance, which would receive a premium (i.e. they will be entitled to a 10% higher rate of intervention), while handicapped areas - mountains, islands and sparsely populated areas will also receive a 10% higher co-financing rate. Thus the Policy will increasingly be based on soft, indirect and intangible measures.

The Commission has identified seven potential priorities; two at Member State level (funding of the European employment strategy and fisheries policy) and five at the regional level, as follows:

- Innovation and the knowledge based economy: regional innovation systems (stimulation of business networks, SME cooperation especially with Universities and technology centres, advance business centres, technology audits, technology forecasting, clusters policy etc.) and entrepreneurship (diversification, business planning, incubators, spin outs of technology based companies).
- Employability and social inclusion: equal opportunities, life-long learning, and immigration for those regions most affected.

- Sustainable development: renewable energies: biomass/hydro/solar energies. Environmental transports modes, urban transport and multi-modality, sewage treatment and water treatment and regeneration of brown field sites, prevention of natural or technological disasters.
- Accessibility: helping in particular mountains, islands and sparsely populated areas with broadband communications and mobile telephony to achieve a universal service; trans-national networks (i.e. securing for isolated areas secondary access to the EU main framework of transport routes), services of general interest, transport, and telephone services.
- Rural development: continuation of the Leader-style approach addressing for example craftsmanship, eco-tourism, and cultural and environmental heritage protection.

The third Cohesion Report, to be published in December 2003, will represent the Commission's final proposals. At the same time, the Commission plans to publish the financial profile containing their proposals for the allocation of funds between budgets.

Apart from financial allocations, the debate has been concerned with the value added of EU intervention. This encompasses a redefinition of roles and the distribution of tasks between the Commission and Member States, as well as the need to simplify the processes for managing, delivering and controlling the Structural Funds.

8 Structural Funds Activities in the light of Spatial Policies

Analysing the territorial impacts of the Structural Funds requires an understanding of the Structural Funds in terms of spatial policies and concepts. This chapter aims to discuss the Structural Funds by using the terms and concepts provided by the conceptual framework of ESPON.

Firstly, we will discuss the strategies of the Structural Funds programmes of the previous (1994-99) and current (2000-06) period. A review of thematic evaluations of the previous period and programmes and programme complements of the current period allows us to give a first picture as to what degree Structural Fund strategies are inline with the policy aims and concepts provided by ESPON.

However, strategies reflect only the foremost intentions. Therefore, we will *secondly* also discuss Structural Fund interventions during the previous period. We do that by looking at the sector policy aspects of the policies implemented. With respect to the spatial policy concepts, we focus on interventions in the fields of transport infrastructure, environmental infrastructure, the development of human capital and the promotion of information society.

Finally, we will address the governance and delivery aspects of the Structural Funds. This section reflects the conviction that not only the direct implications programmes and spending are of importance, but increasingly the indirect effects of programme management and government show effects. Thus, we will discuss the soft and indirect effects of Structural Funds, i.e. how the management of Structural Fund programmes has progressively been integrated into national policy contexts.

8.1 Spatial discussion of strategies

For the purpose of this study - understanding the territorial effects that the Structural Fund programmes have so far delivered and are likely to deliver in the future – the timeframe taken into consideration is that of the 1994-2006, i.e. the previous and current programming periods. In the following sections the strategies of past and current Structural Fund programmes for the Objectives 1 and 2, and of the 1995-99 Objective 6 programmes will be briefly described and assessed in terms of their likely contribution to territorial cohesion. The research team hoped to be able also to address past Structural Fund strategies for the Objectives 3, 4 and 5b, based on the results of the ex-post evaluations carried out for the European Commission. However, the results of these evaluations are not yet available and as such could not be included in the current report.

8.1.1 Objective 1 Strategies

The programmes of the 1994-99 period

In the 1994-99 programming period, the Structural Funds and the Cohesion Fund contributed an estimated €114 billion (in addition to a match-funding of national public and private resources of a further €95 billion) to regional economic development, covering a population of about 92 million inhabitants, one quarter of the total population of the EU as a whole. This has been assessed as having contributed

to narrowing the gap in GDP per capita between the Objective 1 regions and the rest of the EU from 64% of the EU average in 1993 to 69% in 2000 (ECOTEC 2003).

The main idea developed in the following paragraphs is that the 1994-99 programming period was characterised by a number of developments which made the programmes overtime more coherent, albeit not intentionally, to the objectives of territorial cohesion (and, although less so, polycentric development). However, the programmes did not explicitly target territorial cohesion and as such, as has been pointed out in the ex post Objective 1 evaluation,

Reflecting its lack of focus as a policy priority, there is little evidence that the interventions have significantly reduced spatial disparities within the Objective 1 regions. In some cases at least they have contribute to the generation of growth within capital city and other relatively strongly performing regions.... Reduction of internal disparities tended not to be an important explicit objective, with priority implicitly given to the achievement of overall improvements in national and regional performance. (ECOTEC 2003:136)

The main objectives of the Structural Fund programmes in the 1994-99 period were those of reducing the disparities in GDP and unemployment between the regions of Europe, primarily by identifying market failures and existing growth constraints. These objectives were primarily targeted through investments in the following priority areas:

- Business development – this was the main area of spending, especially as regards industrial investment support and SME development. This area of intervention accounted for almost half of all spending carried out in the period (45%). In some programmes, especially in Austria and the Netherlands, emphasis was placed on R&D.
- *Physical infrastructure* – these represented a significant portion of spending in Objective 1 programmes across Europe, accounting for about 11% of the funds. Spending concentrated mainly on transport infrastructure, energy and environmental projects. This category of spending was particularly dominant in the strategies implemented in the Cohesion Countries.
- *Human Resources development* – the resources spent under this heading varied widely from country to country; particular emphasis on these themes was placed in Ireland and the UK.
- *Agriculture and Rural development* – this was also an important element of most Objective 1 strategies and figured especially in Germany and Austria.

The programmes of the current period (2000-06)

Over time objectives other than income growth and employment were also integrated into the programmes strategies, such as the promotion of environmental sustainability/sustainable development, the endorsement of equality of opportunities between women and men, the promotion of social inclusion, and the development of the Information Society. These are, in line with a wider understanding of the concept of cohesion, coherent with the concept of territorial cohesion discussed in this research.

This widening of policy objectives has contributed to making the Structural Fund programmes in the current programming period significantly more consistent with the objectives of territorial cohesion and, in some cases, polycentric development.

Current Objective 1 strategies are more clearly orientated towards growth and competitiveness than in the past programming period. This increased coherence is certainly still a non-intentional element of programme strategies, given that no definition of territorial cohesion or polycentric development existed when the programmes were developed and that the only available conceptual framework for European Spatial Policies, the ESDP, was non-binding and in fact only seldom mentioned in the programmes.

Whilst in 1994 programmes

The interventions [...] reflected the particular needs of the individual regions – being typically based on extensive prior analysis, closely aligned with established national and regional strategies and involving a high level of continuity with the structural interventions of the preceding programme period. [...] Compared with the previous programming period they involved a greater strategic emphasis on the stimulation of indigenous potential rather than outside investment. Nevertheless, they mostly lacked a clearly articulated underlying ‘model’ of how the particular region could best develop. Along with the excessive number of separate measures in some programmes and other factors, this probably worked against the achievement of a truly integrated approach. (ECOTEC2003: 94)

Current programmes strategies are often more articulated and defined on the basis of an underlying development paradigm based on the stimulation of competitiveness through the full exploitation of endogenous potentials. This correlates with the debate on endowment and competitiveness as part of the territorial cohesion discussion presented in the First Interim Report. Referring to the aspect of geographical scale, the strategies mainly refer to endowment as a means of achieving (territorial) balance within the programming area. Thus it may be argued that there are potentially contributions to territorial cohesion at the micro or meso level, depending on the size of the programming area.

This is clearly in line with the concept of territorial cohesion discussed later on in this report.

Current Objective 1 programmes mainly target three major policy objectives:

- Economic growth, competitiveness and job creation,
- Social and territorial cohesion,
- Infrastructure provision and accessibility.

Different approaches and development models underlie these overall foci depending on the specific regional socio-economic conditions and the thematic foci of regions and Member States involved in programme drafting. In some cases, for example, a strong underlying strategic principle of ‘growth through innovation’ is evident, often based on ‘learning economy’ strategies. In other programmes, broader development strategies have been incorporated, emphasising a wider range of growth-promoting measures including social modernisation, infrastructure improvements, rural and coastal development, assistance to entrepreneurship, and strategies of industrial transformation.

Even if coincidentally, current Structural Fund programmes do demonstrate a certain degree of policy coherence with the concept of territorial cohesion. The concept of

polycentrism is however less visible in the strategies. Links to the concept of polycentrism depend even more than links to the concept on territorial cohesion on the question of scale. Contributions to polycentric development at the micro level will differ substantially from support for polycentrism at the meso or macro level, because at the micro level measures in the field of infrastructure and physical development can achieve considerable contributions. At the meso and macro levels however the focus is more on specialisation and on use of idle potentials.

Looking at the programmes examined in this project (listed in the chapter on methodology) it emerges clearly that territorial cohesion and balance are often crucial elements of the strategies currently being implemented. This is particularly evident for instance in Italian, Irish and Spanish programmes:

- The Italian programmes all support endogenous growth to be attained through the valorisation of the natural, cultural, environmental and human resources. The concept of potential is at the core of regional development strategies: the overarching and long terms aim of which is the overcoming the under-utilisation of resources in the areas for a long-term sustainable growth. Some hints of polycentrism can also be found in the strategies and measures implemented, e.g. interventions for city clusters and city networks are found in the Sicilian OP, whereas both the OPs for Sicily and Campania include measures for the internationalisation of enterprises, promotion of trans-national and trans-border cooperation and the relationships with other areas of the Mediterranean Sea.
- Balanced Regional Development is identified as a key objective to be achieved over the period of the current Irish NDP to which the strategies of the programmes funded by the Structural Funds relate. Alongside the unprecedented economic growth which occurred during the last planning period a range of issues emerged which posed a threat to the sustainability of future growth and called for a stronger focus on balanced development within and between regions. For the South and Eastern Region OP, the primary objective of the Government over the term of the NDP 2000-2006 is the consolidation of the Region's economic growth and the promotion of further growth that will encourage the development of the Region in a sustainable, socially equitable and spatially balanced manner. The positive effects of the development of urban centres on their hinterlands means that there must be continued investment in such centres as major growth drivers and as the basis for sustainable development. However, the fact that the recent economic successes of the Region have been concentrated in and around the major urban centres has led to capacity constraints in these areas, particularly in Dublin, while other parts of the Region are lagging behind in terms of infrastructure and industry/services base. Moreover, social exclusion is a feature of many areas within the Region, particularly in the major urban centres. This translates into a strategy – complemented by the interventions implemented under the national Operational Programmes - focussed on the support of: transport infrastructure for improved access to domestic and foreign markets; modern telecommunications networks; technology infrastructure accessible to enterprises in all sectors; a well-developed educational system; a highly qualified and skilled work force; high quality physical infrastructure, including inter-urban transport and energy transmission systems; an adequate supply of housing; a good overall quality of life; and a high quality and sustainable environment.

- Territorial cohesion is also present in the strategies of the Spanish programmes analysed, that are supported by detailed spatial background analyses, as well as of the Portuguese ones, where, for example, measures are implemented in respect of the strengthening of territorial and institutional cohesion, and for exploring and using the endogenous resources for the structuring of the regional economic system.

The same considerations apply to the British programmes analysed: the SPD for South Yorkshire, for example, acknowledges spatial considerations such as the European Spatial Development Perspective (ESDP) and policy statements relating to ‘balanced urban and rural development’ and ‘urban and rural development and their contribution to balanced territorial development’. In the text, it is stated that the emphasis of the ESDP on a more multi-centred European area is entirely helpful and gives shape to Priorities 1 and 5 of the SPD (Stimulating the emergence of new and high technology growth sectors and Supporting business investment through strategic spatial development). In particular, the SPD highlights the emphasis on urban areas as regional growth poles, on rural development for modernisation and on synergies between the two.

Also the strategies of the Greek programmes support territorial cohesion, they target the objectives of economic competitiveness (especially through the exploitation of innovative technologies), improvement of the quality of life, endowment of human resources, but the focus here is predominantly on accessibility and transport infrastructure (crucial for the islands economies) and rural development. The Epirus programme, nonetheless, also foresees interventions in support of urban centres to become regional centres of development.

The Austrian and German programmes appear coherent with the objective of territorial cohesion too. The programme for Burgenland frames its entire strategy by outlining the importance of ÖROK and in particular by emphasising the importance of two spatial development strategies (from 1981 with a focus on indigenous development and from 1991 with a focus on technology, innovation, globalisation, cross-border co-operation), which provide guidance to regional policy in Austria. Among the German programmes analysed, perhaps the strongest territorial approach can be found in the OP for Sachsen, where reference is made to global challenges and the enlargement of the EU, before calling for the compensation of locational disadvantages in structurally weak regions. The programme’s strategy is articulated in a ‘pyramid’ of goals divided into economic, infrastructural, environmental, employment and rural/fishery aspects. The respective measures are allocated to these headings, accordingly. In both countries, however, economic and social aims clearly dominate the strategies. Territorial aspects are first of all considered from this perspective, i.e. the appeal to improve the competitiveness of the respective region by way of improving the existing conditions for the economy (usually in the field of infrastructure endowment).

Other programmes have a more marked socio-economic focus: the programme for Hainaut (Belgium), for instance, although some emphasis is placed on the theme of regional attractiveness (and image) and on accessibility issues.

Looking at the Objective 1 programmes in peripheral and scarcely populated areas of Finland and Sweden, two different pictures emerge. For the Eastern Finland programme balanced spatial development is quite central to the whole programme, which reflects an understanding of territorial balance marked by polycentrism and the differentiated roles assigned to urban and rural areas. While both are seen as necessary, the role of urban areas as engines of growth is essential. This is also in line with national regional policy as a whole where urban areas are increasingly seen as promoters of growth and the impact of regional centres through e.g. educational institutions (universities, centres of expertise). Yet the rural areas dominate the programme areas and long distances and peripheral location of the regions in question are discussed in more detailed fashion than (territorial) balance. Transport and road infrastructure as instruments of improving accessibility are quite dominant throughout the strategy, highlighting once again the centrality of needs of the more rural areas.

The Swedish programme for Norra Norrland focuses on the comprehensive goal for the whole programme of achieving a business growth equal to that of other successful regions in the country and in Europe, and of attaining full employment within the framework of a sustainable development and gender equality. The programme underlines that “the survival and development of the region should be assured by more and growing businesses contributing to balance in the region”, the strategy is mainly focussed on businesses and education establishments, as such, spatial problems are not dealt with through a spatial approach.

Overall, policy objectives that can be linked to polycentric development are less evident as policy aims of the Objective 1 programmes analysed, with some notable exceptions. For example, in Germany, the programme for Sachsen Anhalt sees the need to develop a system of cities, capable of working as a development engine in the region. All three East-German regions analysed in the context of this research identify a structural problem in their settlement structures and want to establish a more polycentric system of cities, which can develop or strengthen their potentials. In the Portuguese OP for the North region, despite the lack of reference to the word ‘polycentrism’, it is stressed that the strategies implemented in the programme aim to strengthen population settlements and production areas in the inland areas, beside the existing centres on the coast. At the same time, the balanced development of the urbanised ring around Porto is one of the topics of the OP. The most striking inclusion of the theme of polycentric development in the programmes analysed is perhaps to be found in the Spanish OP for the Comunidad Valenciana: here it is stressed that strengthening the population centres beside Valencia with new social and cultural infrastructures and services, as well as the administrative decentralisation are priorities in the territorial model of the region. In the initial analysis, the problem of the spatial concentration on the coastal and urban areas is highlighted and a more polycentric balanced development is presented as an opportunity for the development of the region.

8.1.2 Objective 2 Strategies

The programmes of the 1994-99 period

Among the strategic aims of the 1994-99 Objective 2 programmes, job creation is the most common overall objective. Strategies have mainly been focused on the types of intervention used by regions tackling industrial decline and re-conversion. This has

included support for the business environment (mainly aid to business for industrial investments and business infrastructure), investment in infrastructure, land recovery, environmental protection, and human resources development. Many programmes have also included interventions for R&D and technology transfer, tourism development and, in some cases, improvement of rural areas (e.g. several French programmes).

The table below provides a brief country-by-country overview of Objective 2 strategies during the 1994-96 and 1997-99 programming periods.

Almost all the Objective 2 SPDs have clearly presented, explicit strategic objectives, averaging four per programme. The translation of objectives into actions is based around priorities and measures, with programmes each incorporating an average of four priorities, focusing on areas such as: industrial development; services, tourism and other specific sectors; inward investment, RTD/innovation; environmental issues; community economic development; human resources; physical planning-related action; and technical assistance.

There is considerable national (and regional) variation in the use of Structural Fund expenditure. For example, there is a strong concentration on aid direct to firms in Denmark, Austria, Sweden and Italy. Community economic development measures only really feature in the UK and French SPDs, while economic infrastructure is significant in Germany and urban regeneration in France. Basic infrastructure support is most prominent in Spain, Finland, the Netherlands and the UK, and the highest allocations for environmental measures are in Spain, France and Germany.

At the priority level, the majority of programmes contain some sectoral targeting, particularly explicit in the case of the Netherlands strategies which identified key industries as a focus for the priorities: transport and distribution (logistics), producer services and tourism. Many of the UK strategies also contained sectoral priorities, sometimes called 'drivers for change'.

For the 1997-99 're-programming', strategies were in many cases 'rolled over' from the first period, with the main categories of intervention remaining broadly the same. However, in some cases, the relative weight of the different areas of intervention changed significantly from 1994-96 to 1997-99. The most significant changes in the strategies were at the measure level, as the new programmes contained increasing numbers of measures, covering a wider range of actions. Increased attention was given to business development, RTD/innovation and environmental issues, mainly at the expense of investment in economic and other infrastructure.

Although many of the Objective 2 areas are highly heterogeneous regions, and in some cases comprised geographically of discrete sub-areas, relatively few of the SPD strategies contained a spatial dimension. Only in the UK was there a fairly consistent geographical orientation incorporated into some of the priorities. Here, the focus of targeting was on need rather than opportunity, with additional resources being directed at the areas of greatest disadvantage.

Table: Strategies of the 1994-96 and 1997-99 Objective 2 programmes by country

Country	Key Features
Austria 1995-99	€293 million (Structural Funds and national): Styria over 60%, Lower Austria (19%), Upper Austria and Vorarlberg (8% each). Priorities: support for restructuring and modernization of economic structures in industry, tourism (72% of total, mostly business support) and HR development (26%).
Belgium	<i>Wallonia</i> : €196 million, of which 99% concentrated on Meuse Vesdre. Approach centred on the restructuring of industrial sectors and the development of large infrastructure, plus development of endogenous capacities for the economic conversion of the area. Main instruments: aid to enterprises, SME support infrastructure, territorial attractiveness (improvement of sites, port and airport transport infrastructure), HR development and productive diversification (tourism). <i>Flanders</i> : €442 million for Limburg and Turnhout (€171 million from the Structural Funds). Similar strategies for both; promotion of employment, competitiveness of local firms, improvement of the environment, and technology and innovation. Priorities: industrial development, services and environment.
Denmark	€119 million for North Jutland and Lolland (plus €134m national resources). Different strategies for the two regions: - <i>North Jutland</i> : Overall strategy changed during programme period from 'internationalisation' (with a focus on exporting) to 'globalisation' (taking a wider view of competitiveness). Emphasis on technological innovation was also downgraded in favour of market and organisational development. - <i>Lolland</i> : main objective was job creation and maintenance. Emphasis on making better use of the area's own potential. Focus on longer-term objectives such as the development of knowledge and qualifications, the use of new technology, and the environment.
Finland (1995-99)	Total financing for 1995-199 1022 mill. Euros, with two regional programmes. Strategy focused on the increase and renewal of jobs, diversification of productive structure, improvement of competitiveness of companies and labour force know-how, and increasing interregional international cooperation.
France	19 O2 programmes with similar objectives, with specific aims reflecting local priorities. In most regions key aims included: strengthening the business fabric, mainly by supporting investment in production equipment; improving infrastructure for enterprises and major capital works; HR development; improving urban areas, local amenities and public facilities; investment in applied research and technology transfer; developing activities promoting diversification (mainly tourism); and environmental measures. The nature of the eligible areas affected the type of programmes with, for example, the modernisation of port operations being a key aim in several areas. Direct aid to businesses was a key feature of nearly all the programmes.
Germany	€1.6 billion Structural Fund monies and €3.9 billion national resources for 9 SPDs. Significant variation between regions. By far the largest programme was Nordrhein-Westfalen, which received more than half of total German Objective 2 funding during the period. Regions shared the main goal of creating a competitive economic structure as a prerequisite for the creation of employment. Most programmes designed in a similar way with 4-6 priorities tackling issues relating to physical infrastructure; promotion of R&D, innovation and technology transfer; investment in industry and promotion of SMEs; environment, HR development; and other measures such as tourism and regional networking. Business support measures accounted for the largest category of allocations.
Italy	€1.4 billion allocated to the 11 O2 SPDs. Structural Fund aid accounted for 63% of overall resources. The larger Objective 2 programmes were in Piedmont, Liguria and Tuscany - accounting for half of the total Objective 2 allocations. Three main types of strategy (often combined in the same regions): the concentration of instruments aimed at the reinforcement of industrial structures, often through the strengthening of SMEs; diversification from large-scale industry or SME structure through tourism and/or promotion of other sectors; and the rebalancing of eligible areas through investment in infrastructure, land recovery, and environmental protection.
Luxembourg	Limited resources: €16,8 million (plus €49,2 million national public and private resources). Priorities: innovation measures, support infrastructure for SMEs, environmental management and territorial attractiveness. Predominance of direct aids to businesses, reclaiming of industrial sites, diversification of productive activities towards tourism etc.
Netherlands	€669 million from the Structural Funds plus € 1,535 million from national sources. With the exception of Arnhem/Nijmegen, all regions put the highest priority on industrial development. Several regions - (Groningen/Drenthe, Twente, South Limburg) combined this with measures for the commercial service sector plus support for diversification of economic structures. Promotion of tourism also common. Shift away from direct business support towards improving the business environment.
Spain	€2.4 billion from the Structural Funds for the 7 regions. ERDF resources mainly devoted to infrastructure and business aid. ESF mainly used for the development of training facilities and schemes under certain priorities.
Sweden (1995-99)	Total of €576 million (21% from the Structural Funds, 44% from Swedish public funds, 35% from private sector sources) for the five programmes. Creation of new job opportunities was the most important strategic aim. Gender equality also prioritised. About two-thirds of O2 resources were used to promote small businesses employing fewer than 200 workers. Significant allocation also for competence development, development of the industrial environment and local development.
UK	£3.4 billion from the Structural Funds plus £4.1 billion from national sources. Similar overall strategies: to help eligible areas diversify away from declining economic activities. Most programmes designed in a similar way with 4-5 priorities and c. 16 supporting measures. Community economic development introduced as a new Priority in most programmes. Also, 'horizontal' themes an important feature of the 1997-99 programmes. Reduction in the proportion of funds allocated to physical infrastructure (from 36% to 27%) and increased focus on interventions to assist SMEs (from 8% to 17%) to promote innovation and technology transfer, and other 'softer' forms of support.

The programmes of the current period (2000-06)

For the 2000-06 period, a high degree of policy continuity is evident in the Objective 2 strategies, with shifts generally reinforcing trends already underway or reflecting the nature of the 'new' Objective 2. Strong links to wider national/regional economic development strategies were emerging, and strategic thinking introduced some changes, including an increased focus on soft aid, new technologies and innovative methods of financing. More flexible programmes emerged in many regions, mainly as a response to the seven-year programming period and rapidly changing economic framework conditions.

Many regions have made strategic commitments in relation to the horizontal themes. More so than in the previous programming periods, programmes from across the EU make reference to the horizontal themes at the level of the strategic objectives. This is backed up by various forms of action to address the horizontal themes through the priorities and measures.

The strategic balancing of differing regional problems has continued to be a major challenge for strategy definition in many regions, and many of the 2000-06 Objective 2 programme strategies are very wide ranging, with measures encompassing a broad combination of traditional and modern interventions. In part, this reflects the coverage of the new Objective 2 regions, which include both urban and rural areas and designated and transitional areas. For some regions, the eligible area is highly fragmented, requiring a multiplicity of separate, targeted initiatives.

One response has been the more widespread appearance of spatial/territorial development elements among the programmes. While most strategies have priorities and measures that apply to the eligible area as a whole (distinguishing between designated and transitional areas in many cases), there is also a significant degree of geographical targeting. Several programmes have an explicit strategic commitment to balanced territorial or spatial development, especially in the Benelux countries, France, Spain and the UK, but also in some other countries such as Germany (e.g. Alsace, Aquitaine, Basse-Normandie, Cataluñya, East Midlands, Kempen/Antwerpen, Limburg, North-East of England, Sachsen-Anhalt, Western Scotland). In part, this takes the form of spatially targeted measures, focusing on urban, industrial, mining, fishing or rural areas or communities. As examples: the Alsace programme has a series of territorial actions focused on selected districts of Mulhouse and urban regeneration in the potash mining areas; the Kempen/Antwerpen programme has specific urban development support measures concerned with urban infrastructure, sustainable transport and socio-cultural facilities; the Bremen programme has a measure for the development of certain city quarters; the West Finland programme has a measure for the 'activation of sub-regional and local communities' to develop the social environment and support the balanced development of towns and sub-regions in the Objective 2 area.

This approach is also evident in the proposed implementation arrangements, which involve programme management procedures or project selection criteria that promote balanced development across the eligible area. For example, the French programmes

provide scope for more initiatives to be brought forward by bottom-up, multi-sectoral partnerships of the pays (in rural areas) and agglomérations (urban areas). This builds on new national policy orientations and on the lessons of programmes such as Leader.

Looking in more detail at the few Objective 2 programmes analysed by the country experts, it emerges that just over half of these appear to be in line with territorial cohesion, either because this objective is explicitly mentioned, or because the coherence can be inferred from the programme strategies implemented. Stronger inclusion of policy objectives related to this theme is found in the programmes for the South of Finland, Alsace (France), Cataluña (Spain) and Scotland (UK).

The strategy of the Finnish Objective 2 programme has at its core the integration of “International and competitive business activity, attractive living environment, strong cluster of expertise and functioning connections”. Of these only the last-mentioned has direct relevance in terms of spatiality, though expertise and an attractive living environment can be seen as indirectly contributing to the territorial balance and promoting the role of the urban growth centres.

The Catalan programme, on the other hand, implements a strategy targeting competitiveness, employment and development of the productive environment, improving the environment (including natural and water resource management), support for the Knowledge Society; R&D, innovation; the promotion of local and urban development, with a view to improving the balance between the coastal area and the mountain and rural hinterland.

The West of Scotland SPD, finally, supports territorial cohesion by contrasting geographical concentration of high levels of deprivation, long-term unemployment and low skill levels - multiple deprivations has a strong spatial aspect in the Programme area. The city of Glasgow and the local authority areas of North and South Lanarkshire and Renfrewshire are considered the key territories in this context. There is also reference to the need to respond to the balance between the urban core and rural hinterland to increase cohesion. This programme also represents one of the few examples of the inclusion of strategies for polycentric development: it articulates its strategy around areas of need and opportunity and sets out to address the poor transport infrastructure links between such areas, whose nature and scope have so far limited access to new employment and development opportunities. Many key strategic sites in the region have a geographical proximity to deprived areas and there is a cross-agency commitment to secure the benefits of such economic development for all in the region. Among others, the programme includes an intervention for the development of the region’s ‘competitive locations’ to support the needs of indigenous businesses seeking to expand, or SMEs looking to locate into the region, and which can lead to significant opportunities for job creation. The measure also aims to improve the image and accessibility of the area, particularly through urban regeneration plans. Funding is available for projects that support the development of specific strategic sites and urban regeneration areas consistent with the approach to strategic spatial development of the region, complementing the development of specific clusters and growth sectors.

To conclude, the French SPD for Alsace is an excellent example of (inferred) incorporation of the theme of polycentrism in the programme strategy. The objective

to reinforce the territorial balance of the Alsace Region is clearly spelt out in the programme strategy. It is closely linked by the programme with the concept of sustainable development and forms one of the key headings of the 'development strategy' that is presented before the description of the programme priorities. The objective of balanced development is closely intertwined with the emergence of the 'pays' and 'agglomérations', the new instruments for local governance recently introduced in France. Further, this objective is also relevant for those areas whose situation justifies specific measures designed to strengthen the social cohesion of Alsace: the Vosges massif, the weakest rural areas, the regional natural parks and the potash basin area.

Interestingly, these specific measures are 'complementary', according to the programme. Indeed they all define the overall objective of territorial cohesion in the different Objective 2 areas. They aim:

- to promote global strategies for urban development, with a particular focus on fighting social exclusion and the regeneration of the 4 designated problem neighbourhoods in Mulhouse, building upon the experience acquired through the Urban initiative;
- to promote the diversification of the economic structure in the potash fields area, taking into account the end of the mining industry after 2004 and the related economic and urban conversion;
- to reinforce medium-sized cities and market towns in rural areas and turn them into focus points around which local development, local services, housing developments and cultural activities can be crystallised;
- to support partnership agreements between cities within the 'pays' in rural areas and the 'agglomérations' in urban areas; the exchange of experience at the trans-national level can also be conducted through the Community Initiatives Interreg III, Urban and Leader +;
- to preserve the environment through actions undertaken by the regional natural parks and measures aimed at maintaining the quality of rivers and underground water reserves.

8.1.3 Objective 6 Strategies (1995-99)

Strategies implemented for the sparsely populated areas of Objective 6 were inevitably targeted on the problems of peripherality that these regions were (and still are) facing: out-migration of young people, falling population, severe unemployment, decrease in the number of jobs, below average levels of education among others. As the problems associated with peripherality were the main reason for the existence of these programmes, it could be argued that they should naturally reflect spatial considerations. Still, the ex post evaluation of these programmes stresses that spatial considerations have not always adequately been taken into account in the definition of the strategies for the programmes. For example, the designated programme areas did not always reflect the nodal areas of the regions' economic development: Regional borders, too, have to be considered in strategic planning. An important starting point is the concept of a nodal area. A nodal area consists of a centre and surrounding areas that are functionally related, that is, of a centre and its sphere of influence. When programme areas are defined, it is important to make sure that nodal areas are not split. It is problematic if the sphere of influence is within the programme area but the centre is not. This hinders regional development because universities, polytechnics

and many other expert organisations that are important for regional development are located in centres.

In both countries, borderlines between nodal areas were not always considered when Objective 6 areas were defined, resulting in practical problems during programme implementation. The situation was especially difficult in Sweden where, for example, Umeå, the capital of Västerbotten was outside the Objective 6 Area. In the on-going programme period, this has been corrected and Umeå now belongs to the Objective 1 Area.

On a more general level, though, the interventions implemented under the programmes were primarily focussed on the following objectives, all of which are in line with the concept of territorial cohesion:

- the diversification of the regional economy
- the enhancement of local competitiveness, attractiveness and quality of life for local communities
- the promotion of HR development
- the fostering of rural development.

In addition, environmental issues were integrated across the interventions.

In practice though it was acknowledged that a far too fragmented set of interventions was often implemented within this strategic framework, with an overall loss of strategy focus and concentration, and, consequently, also of efficiency. Moreover, for this reason, it should be stressed that the fact that the strategies implemented did reflect to a large extent the themes of territorial cohesion does not necessarily mean that the funds channelled to Objective 6 did indeed deliver increased territorial cohesion.

8.2 The sectoral discussion of interventions

As underlined in previous paragraphs Structural Fund programmes in the 1994-99 period were primarily concerned with income and job creation. They mostly lacked explicit territorial focus. However there are a number of elements that make these strategies consistent with the objectives of territorial cohesion (less so polycentric development, if not at a local scale). Looking at the sectoral aspects of the policies implemented under the Structural Funds in the light of the various dimensions encompassed by the 'hypercube of territorial cohesion' (see section 2.2), it can be argued that the programmes did envisage interventions in line with the objective of territorial cohesion, by supporting investments in:

- Transport infrastructures
- Environmental infrastructures (and contributed to the inclusion of the principle of environmental sustainability and sustainable development in other sectoral policies)
- Development of human capital and knowledge
- Promotion of the Information Society, TLC and of the knowledge economy particularly from 2000 onwards.

8.2.1 Transport Infrastructure

Structural Fund programmes, especially as regards Objectives 1 and 6 (and particularly in the cohesion countries) supported an enormous effort in respect of the development of transport infrastructure. A recent evaluation on the impact of 1994-99 Objective 1 Structural Fund programmes on transport infrastructures, estimates that across Europe, the Structural Funds provided some €13.7 billion for investments in transport in Objective 1 regions. This figure is above and beyond the additional €5 billion provided by the Cohesion fund for the four cohesion countries. The table below reproduces the expenditure breakdown provided in this study (cf. table).

Table: Structural Fund and Cohesion Fund Expenditure in Objective 1 countries 1994-99

Type of infrastructure	Structural Funds % (Operational Programmes for Transport in Germany, Greece, Ireland, Italy, Portugal, Spain)	Cohesion Fund %
Motorway/other roads	56	69
Railways	24	23
Ports	4	3
Airports	5	4-5
Other transport infrastructure and TA	11	NR

Source: Oscar Faber et al (2000), *Thematic Evaluation of the Impact of Structural Funds on Transport Infrastructures, Final Report*, November 2000.

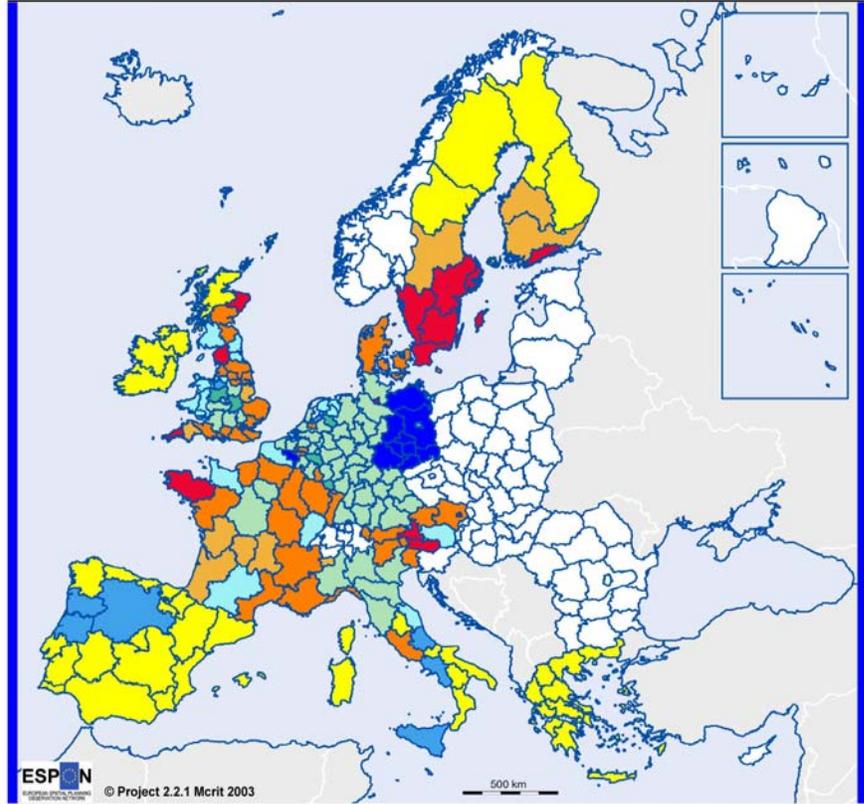
The Structural Fund contributions to the development of transport infrastructure has been twofold: on the one hand, the Structural Fund provided leverage to national resources, allowing a faster and more certain completion of the planned investments. As the above-mentioned study underlines, it was noticeable that projects were implemented with difficulty where the Structural Funds represented a relatively small part of the total project cost. It seems that where the Structural Funds comprised a significant portion of funding, say 25-30%, of the project cost, this would assist more rapid implementation.

On the other hand, Structural Fund co-financing was a further stimulus towards the introduction of higher environmental standards, both because of the types and standards of infrastructure created (including the obligation of carrying out an Environmental Impact Assessment and because of the impacts on the environment induced by the infrastructures created (e.g. reducing emissions given the reduction of journey times).

The above-mentioned evaluation - which does not include the analysis of regional Ops, which also contained measures for transport infrastructure - estimates that the investments co-funded determined an impact in terms of employment generated (direct/indirect) of 2.3 million person years. The main effects of the Transport OPs identified by the evaluation are synthesised in the box below.

Map: Structural Fund and accessibility to population (1st draft)

Structural Funds spending (1994-1999) in relation to accessible population in 3 hours by car (1999)

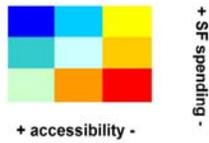


**Structural Funds spending (1994-1999)
in relation to accessible population in
3 hours by car (1999)**

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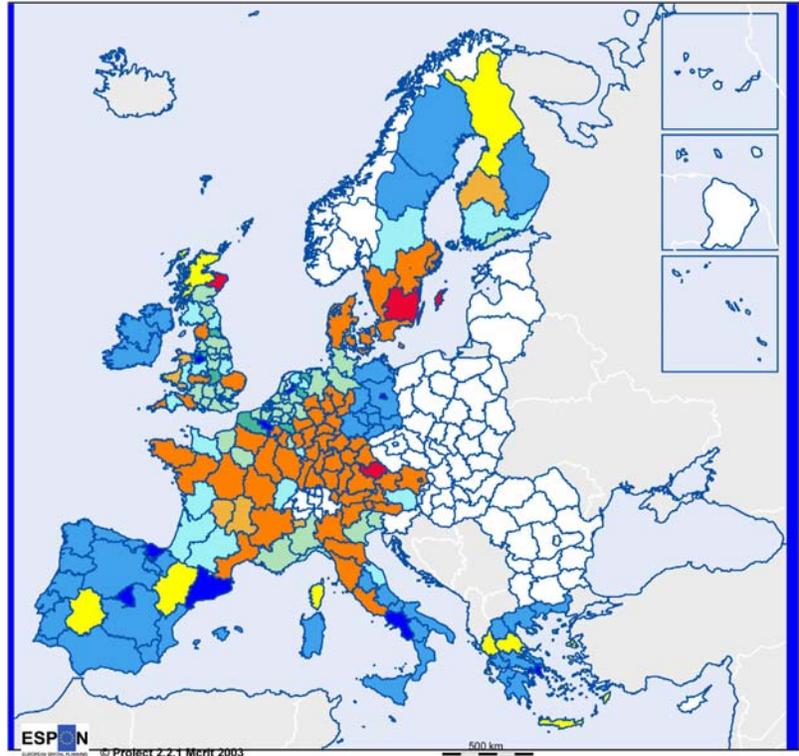
Origin of data: ESPON Data Base

Source: ESPON Data Base



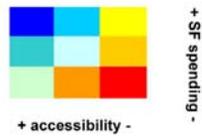
Map: Structural Fund spending in relation to connectivity to transport terminals by car (1st draft)

Structural Funds spending (1994-1999) in relation to connectivity to transport terminals by car



Structural Funds spending (1994-1999) in relation to connectivity to transport terminals by car

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 Origin of data: ESPON Data Base
 Source: ESPON Data Base



Box: Effects of the 1994-99 Transport OPs

- *Development of road networks and missing links;*
- *Development of high-speed rail links and substantial electrification investments*
- *Important interconnections between less developed and developed areas within the Objective 1 area or the country in question*
- *Improvement of airports for ultra-peripheral regions*
- *Funds representing leverage effects for developing Public Private Partnerships*
- *Important employment creation (2.3 million person years for direct and indirect job creation)*
- *Reduced peripherality in more remote regions notably through important time savings*
- *Lower traffic congestion in more populous, urban areas and generally improved economic opportunities*
- *Increased cross-border activities.*

Source: Oscar Faber et al (2000), *Thematic Evaluation of the Impact of Structural Funds on Transport Infrastructures, Final Report*, November 2000.

8.2.2 Environmental Sustainability and Sustainable Development

Structural Fund programmes have also had an impact on improvements in the environmental sustainability of the policies implemented. The themes of environmental sustainability and of sustainable development are a result of evolutions in the policy agenda of over 2 decades, they are summarised in the box below. With the gradual incorporation of new political priorities into policy, these themes have naturally filtered through to the Structural Funds, with increasing requirements set out by each successive round of new Structural Fund regulations. Environmental appraisals were required for Structural Fund programmes already from 1988, but it is only in the 1993 regulations that stronger emphasis was placed on the theme of environmental sustainability as a necessary element of Structural Fund strategies for economic development.

As described in Taylor, Polverari and Raines (2002), a crucial driver in prompting stronger content in the Structural Fund regulations and increased follow-through into programmes has been the process of critical evaluation and assessment undertaken by independent evaluators and EC auditors. In particular, the development of increased regulatory requirements was prompted by a series of reports that consistently revealed inadequate consideration of the environment in the Structural Funds. Following critical, independent reviews of the Structural Funds and the environment, the European Court of Auditors published a report in 1992 that found little evidence to support any claims of environmental conformity within the Structural Funds.

Box: The gradual integration of the theme of environmental sustainability in Structural Fund policies 1988-2000.

The horizontal theme of environmental sustainability emerged from a wider global debate on sustainable development. The impetus in the EU for the integration of environmental protection and economic development – and its wider espousal of sustainable development – came from international initiatives, which set the framework for EU action.

The seminal event was the call made by the World Commission on Environment and Development (WCED)¹ in 1987 for a global effort to integrate economic development and environmental protection. *Our Common Future* - the WCED report often referred to as the 'Brundtland Report' - urged that the major economic and sectoral agencies of governments should be made directly responsible and fully accountable for ensuring that their policies, programmes and budgets supported ecologically and economically sustainable development. Going beyond the conventional view of environmental policy, the WCED stressed that it was not simply a matter of environmental agencies implementing their own policies, but of other sectoral specialists recognising the environmental dimension within their work. This idea of environmental integration was taken further at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992.

From a sustainable development perspective, the programme of the resulting 'Agenda 21' addressed the integration of environment and development in decision-making, particularly at the strategic level of policy, planning and management.² Adopting a long-term perspective and cross-sectoral approach, the programme called upon countries to ensure a three-way integration into decision-making at all levels and in all areas of government based on *economic growth, social inclusion and environmental protection*. Further impetus was given by the debate associated with the Kyoto Treaty and the ambitions of the EU to ratify the Protocol by 2002.

Translating international and domestic sustainability commitments into the European policy environment, a succession of policy initiatives was launched from the 1980s onwards. In particular, the EU Environmental Action Programmes helped to introduce the concept of environmental integration into EU policy areas.³ Whilst acknowledging sustainable development as an essential component of economic growth, the Third Environmental Action Programme (1982-86) called for a strategy to integrate environmental policy with socio-economic development, while the Fourth Environmental Action Programme (1987-92) further developed the theme of integration by advancing the idea of environmental responsibility. In 1993, the European Commission adopted *Towards Sustainability*, the Fifth Environmental Action Programme for the period 1993-2000. This represented a fundamental shift in outlook from earlier programmes by taking a holistic view of issues, reflecting the wider aims of sustainable development and integrating environmental concerns into the social and economic dimensions of policy. The programme considerably broadened the existing approach by requiring the integration of environmental concerns into all other areas of activity, including economic development processes supported by EC financial support mechanisms.⁴

The most recent development was the adoption of the Sixth Environmental Action Programme by the Gothenburg European Council, specifying the guidelines for environmental work within the EU over the next ten years. Apart from specifying priority areas for future action, the programme moves towards clearer specification of its strategic objectives and, crucially, the need to define measurable goals and timetables in areas such as land use, the urban environment and resource use.

Alongside the periodic action plans, two important elements of European policy in this area should be noted.⁵ First, the basic treaties of the EU were amended, initially in the 1992 Maastricht Treaty, which added further environmental objectives into the Treaty of Rome, stating that, "environmental protection requirements must be integrated into the definition and *implementation of other Community policies*". The Treaty of Amsterdam in 1998 went further by adopting the threefold definition of sustainable development and stating that the Union's financial instruments were required to work, simultaneously

¹ World Commission on Environment and Development (1987) *op. cit.*

² United Nations Conference on Environment and Development (1992) *Agenda 21: The United Nations Programme of Action from Rio*, UN, New York.

³ Johnson S and Corcelle G (1995) *The Environmental Policy of the European Communities*, Second Edition, Kluwer Law International, The Hague.

⁴ CEC (1995) Progress Report on *Towards Sustainability*, COM(95) 624 final, Commission of the European Communities, Brussels; also CEC (1993) *Towards Sustainability - A European Community Programme of Policy and Action in Relation to the Environment and Sustainable Development*, Official Journal No C138, 17 May 1993, Commission of the European Communities, Brussels.

⁵ Clement K (2000) *Economic Development and Environmental Gain*, Earthscan Publications Ltd, London, pp.30-58.

and in the long-term interest, towards economic growth, social cohesion and the protection of the environment. (Similarly, in the case of equal opportunities, equality for men and women was described as a basic democratic principle underpinned by the Treaty.)

Second, environmental integration has been regularly addressed at the summit meetings of the European Council. Beginning with an agreement to develop a structured reporting system on the issues at the Luxembourg Council in December 1997, subsequent councils have progressively considered environmental integration strategies in sectoral policies, environmental appraisal as part of policy development and the mainstreaming of environmental policies. At the most recent, Gothenburg Council (July 2001), the summit adopted a Sustainable Development Strategy, elevating ecological issues onto a par with social and economic aspects in the drafting of all future policies.

Source: Taylor S, Polverari L and Raines P (2002), Op. Cit.

As a result, provisions were significantly strengthened in the 1994-99 Structural Fund regulations, by obliging the Member States to meet four obligations in preparing the programmes:

- to analyse the environmental situation of the programme area;
- to appraise the environmental impact of the strategy proposed in accordance with the principles of sustainable development and in agreement with the provisions of Community law in force;
- to make arrangements to associate the competent environmental authorities designated by each Member State in the preparation and implementation of the operations foreseen in the plan; and
- to ensure compliance with Community policy and legislation concerning the environment.

Further insight on this theme was provided by the 1996 Interim Review of the Fifth Environmental Action Programme, which noted that, while there had been progress on the integration of environmental approaches both within the Community and individual Member States, sustainable development was still seen as the business of those who dealt directly with the environment. These criticisms led first to the introduction of stronger environmental obligations with respect to the Objective 2 programmes for the 1997-99 period and then fed naturally into the Agenda 2000 document and the regulations adopted for the current rounds of the Structural Fund programming in 1999.

It is not surprising, given this background that, as underlined in the Sustainable Development Evaluation (GHK, 2002), Structural Fund programmes have contributed to accelerated change towards Sustainable Development. The Structural Funds have contributed to environmental sustainability and sustainable development in at least three ways:

- first, by supporting directly environmental interventions, such as the measures for water and waste management, pollution reduction, wise management of the natural environment and others that characterise current as well as past programmes. With the cohesion fund, moreover, large environmental infrastructures were realised in the cohesion countries;
- second, by introducing environmental obligations across non-environmental measures, especially in respect of business development measures. This has been a crucial aspect in that it has also led in some cases to a change of existing national schemes and legislations, extending the environmental benefits out with the scope of European policies to national policies; and
- finally, and most importantly, as underlined in the evaluation on Sustainable Development (GHK, 2002), by contributing to a modernisation of the

‘development model’ underpinning economic development strategies: the ‘Structural Funds programmes are considered to be responsible for a ‘modernisation’ of supply led regional economic development policy, traditionally based on infrastructure provision and training programmes. This modernisation is characterised by recognising and supporting a wider range of policy requirements and outcomes for regional development’ including ‘IT development, R&D investment, territorial planning and integrated urban and rural development, HR development (especially the promotion of entrepreneurship and vocational training), social exclusion measures [...] and environmental protection and improvement.

8.2.3 Knowledge and Human Capital

The development of knowledge and human capital is an essential aspect of territorial endowment as described in the First Interim Report of this research and of territorial cohesion as intended in this report. Long term, sustainable growth is based upon the development of all aspects of the endogenous capitals of a region, including its human resources and knowledge base. The Structural Funds in the past programming period (and as will be seen in the current programming period) have contributed to this aim by a) supporting training initiatives, lifelong learning and the development of skills for the labour market, mainly with interventions supported by the European Social Fund, and b) funding RTDI investments.

The dominance of the ‘Archipelago Europe’, with its concentration of nearly half of all European research capacity, has focussed attention on the need to address these RTDI imbalances.

Objective 1 regions have 26.6% of the population of EU15, they account for 15% of the GDP of the Union, but only 4% of the Union’s RTD personnel, and only 2% of patenting activities, 7 times less than their economic weight.

In response to these imbalances, Structural Fund investment in RTD increased significantly between the first (1989-93) and second (1994-99) programming periods, from 1.4 to 5 billion EURO.

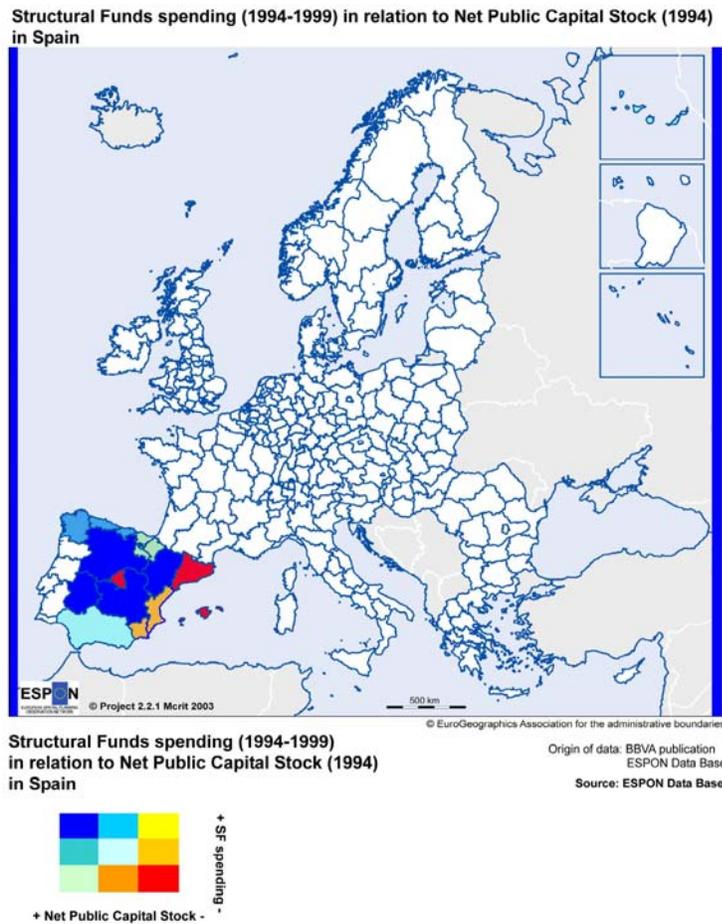
The RTDI content of Structural Fund programmes (particularly the Objective 2 programmes) has evolved over the last decade, in line with growing awareness about the importance of technology transfer and innovation to regions seeking to regain competitive advantage and a deepen understanding of the barriers to establishing these dynamic, interactive processes. Across successive programming periods, rising expenditure has been dedicated to RTDI policies, across an increasingly diverse and sophisticated range of interventions. The policy orientation has changed, with the science and technology focus of early programmes being replaced by a stronger emphasis on applied policies, targeted at raising the ability of regional firms to compete.

Initiatives increasing the demand for technological solutions to business problems have been complemented by policies enabling existing regional research organisations to respond. In addition, the balance of interventions being supported has changed, with a shift away from the focus on infrastructure which characterised the early programmes (science and technology parks, equipping of research-oriented

laboratories), towards softer and more demand-side measures, including support services to assist businesses to identify and implement projects to raise their technology and innovation levels.

ERDF policies have also routinely been complemented by human resource development measures – unusual among ESF interventions in that they tend to target those who are already highly qualified in relevant fields - helping employees to raise or adapt their technical skills, or introducing technical or research staff into firms. An element of policy addressing a particular deficit of Objective 2 areas and receiving increasing attention is the diffusion of established technologies to lagging firms. In addition, policies explicitly promoting the adoption and exploitation of new communication and information technologies are increasingly central within policy measures.

Map: Structural Fund spending and net public capital stock in Spain (1st draft)



8.2.4 The Information Society

As has been seen, accessibility is one of the crucial factors in the achievement of territorial cohesion. Accessibility relates to both the physical and immaterial aspects such as telecommunication technologies. The EU has placed increasing emphasis on the Information Society over the last decade and this has been reflected in the strategic objectives of the European Commission for the Structural Fund programmes for the 2000-06 period.

Information Society can thus be seen as emerging as a policy area in its own right, and as a horizontally perceived area of activity addressed through the Structural Funds among other instruments. The development of the Information Society has been particularly closely connected to the Lisbon Council's objective of making Europe more competitive and dynamic (in fact "the *most* competitive and dynamic economy in the World"). The Information Society was in this context seen as a prerequisite of this competitiveness. In addition to the horizontal approach, a more explicit IS policy initiative was also launched, with the introduction of the comprehensive eEurope Action Plan, which was in turn connected to the Commission's Communication 'Strategies for jobs in the Information Society'. The Broad Economic Policy Guidelines provided the economic policy context in terms of innovation policy and stressed the need for well functioning capital markets and more competition in product markets in order to foster innovation. Side by side with this explicit policy activity, the Structural Funds were identified as a major contributor to regional development measures within IS development.

In the EU, Europe's core regions and the most IS-oriented Member States have the greatest potential advantages. While ICTs hold the promise of helping overcome the spatial disadvantages of some less favoured regions, for example enabling firms to overcome distance and gain access to remote markets and sources of information, or enabling information processing or creation work to be decentralised from core regions: 'there is nothing inevitable about the realisation of this benign vision. [It is just as likely that] information activities will become increasingly centralised in information-rich core regions and that the electronic highways will be used to control, rather than liberate, remote or peripheral regions' (Cornford J, Gillespie A and Richardson R 1996)

The less-favoured regions in the least ICT-oriented states need to maximise the quantity and quality of activity supported, exploiting the scope of ICTs to address their own specific disadvantages and achieve competitive advantage. They may be poorly prepared for this, not only in terms of infrastructural endowments, but also in the readiness of their firms, institutions and citizens to adjust to the wider implications of the information society, adopting new practices and modes of organisation and interaction.

The contribution of the Structural Funds to the development of the Information Society has been long-standing, particularly in terms of infrastructural and strategy-building actions. The following three examples illustrate the type of role played by the Funds to date.

- Investment in infrastructure under STAR and TELEMATIQUE. STAR, the Special Telecommunications Action for Regional Development, provided 780 mecu of ERDF funding between 1987 and 1991 to accelerate levels of

advanced telecommunications infrastructure investment in seven Member States. It was predominantly focused on supply measures (improving infrastructure, including network digitalisation, public data networks and cellular mobile radio), and was superseded by the TELEMATIQUE programme.

- Investment in strategy building. A first initiative was the 1994 Interregional Information Society Initiative (IRISI), involving six regions and supported by DG XIII (Telecommunications) and DG XVI (Regional Policy and Cohesion). This was then extended in the form of the Regional Information Society Initiative (RISI), which was launched in late 1997. The initiative focused on strategy building, with no additional resources for implementation, although regions could apply for RISI+ support, which provided finance for more implementation-oriented activity. The initiative has been evaluated, providing useful lessons for strategy building in this complex area.
- Other actions. Selected 1997-99 Objective 2 programmes already included an explicit Information Society dimension, e.g. in the UK (North East England, West Cumbria and Furness, Industrial South Wales, Yorkshire and Humberside, East Midlands, Greater Manchester), Italy (Marche, Piemonte, Toscana) and France (Aquitaine, Champagne-Ardennes, Languedoc-Roussillon, Picardie, Bretagne).

The Information Society has also become more significant in the policies and strategies of EU Member States - at both national and regional levels. The rationale for the development of regional level IS strategies is multifaceted. First, the economic development role of regions is becoming more important and, as the experience of regional and local authorities in economic development planning increases, they are more able to react to the groundswell of ICT-related developments. Second, the spatial dimension of the new knowledge-based development has been increasingly recognised. The concept of the 'learning region' has emerged which stresses that regions need to be able to adapt to fresh ideas and evolve new organisational patterns – a key concept when applied to the challenge of the Information Society.

The new 2000-06 programming period is viewed by the Commission as one where the focus and volume of activity in the area of Information Society should increase significantly. Although many regions have been promoting aspects of the IS under previous Structural Fund programmes – for example, support for telecommunications infrastructure, IT skills training, information access – the novel aspect of current thinking about the IS is that it requires programme managers to take a strategic approach to the provision, awareness and exploitation of ICT. However, as discussed by Taylor and Downes (2001), any review of the importance of the Information Society in the programmes encounters a number of practical difficulties, the central problem being that there is no standard definition of the intended scope of the IS concept.

From an analysis carried out in the framework of the IQ-Net network on partners Objective 2 SPDs (2000-06) shows that the role of the IS in the 2000-06 SPDs is commonly restricted to particular aspects of the strategies. Relatively few SPDs include a detailed or comprehensive analytical treatment of the regional situation as regards IS development. In some cases, the limited IS analysis in SPDs is linked to the parallel availability of significantly fuller analyses which have informed the

development of dedicated IS strategies in the region. Similarly, in most SPDs, the IS and/or ICTs are not explicit elements of the overall statement of strategic objectives.

However, at priority and measure level, the IS concept is clearly visible. All programmes have at least one priority with relevance to the IS, and most have more (though no programmes have priorities explicitly dedicated to the IS). Overall, there is no standard, ideal combination of IS policies, though the IS dimension can be incorporated into a variety of policy aims. This is reflected in the diversity of IS-related measures found in the SPDs:

- infrastructure: a common measure in past programmes, this typically involves support for ICT infrastructure and the ability of individuals and businesses to make use of it;
- business environment: a more frequent and targeted option than infrastructure improvements in the 2000-06 round, such measures aim to improve the IS-related equipment and resources of the business economic infrastructure;
- business development: as well as addressing supply issues, many IS-influenced measures aim at promoting demand for ICTs;
- RTDI: a range of measures is included here, such as support for technological development, the innovation capacity of businesses and training;
- equity: IS measures can address issues of urban and rural exclusion by using ICTs to improve social and economic access for disadvantaged groups and communities;
- training: human resource development is an essential element as serious skills gaps are putting a brake on the development of the IS;
- equal opportunities: given the recognised differences in gender access and usage of ICTs, there is clear scope for IS-related measures to address imbalances;
- sustainable development: many Structural Fund programmes aim to pursue sustainable development and to facilitate IS, though an explicit link tends not be made between these parallel objectives; and
- strategic initiatives: co-financed activities in this area include developing coherent strategic responses to the IS challenge, and improving information for decision-making.

However, mainstreaming the IS in the Structural Funds has remained difficult. The next stage for regions will be following through the reorientation of strategies into the programme implementation stage.

8.2.5 Outputs from the Objective 1 and the Objective 6 1994-99 programmes

It is not possible within this study to draw an overview of the outputs, results and impacts achieved by the Structural Fund programmes implemented in the past programming period. Attempts at this have been undertaken in dedicated studies, i.e. in the ex post evaluation of the programmes, but these underline that quantifying the outputs, results and impacts of past programmes is a particularly challenging task, for a number of reasons: first of all, the lack of monitoring data for the programmes; monitoring systems in the 1994-99 period focussed mainly on financial data and left aside the issue of physical monitoring. Second, even when physical monitoring data is available for the programmes, this is often unrealistic (e.g. based on the assumptions made by project applicants) and/or based on definitions that are not harmonised across (and often even within) programmes, which hinders the possibility for aggregation.

Finally, with regard to particular impacts, assessing the impacts delivered by the programmes as opposed to other initiatives, implies the need to address double-counting, displacement effects and additionality, but this is often complicated due to the programmes' territorial, functional and financial overlap with other initiatives.

This having been said, the table below provides an insight into the effects delivered by Structural Fund programmes in the 1994-99 programming period (1995-99 for Austria, Finland and Sweden) with regard to Objectives 1 and 6, based on the quantifications made in the ex post evaluations for these Objectives. The table covers five main areas: transport infrastructures realised; HR development (training under ESF); SME support; RTD initiatives for SMEs, and employment generated, reflecting the information available from the above mentioned evaluation reports (it is structured in particular on the basis of the data provided in the Objective 1 ex post evaluation); as can be seen, not all data is available across all countries.

Other information on the outcomes of the programmes that would be of interest for this study - such as the outputs and results in terms of ITC development, urban renewal and others - are not available on a country-by-country basis from the evaluation documents reviewed.

Table: Outputs of the 1994-99 Objective 1 programmes and 1995-99 Objective 6 programmes (Finland and Sweden)

Country	Transport				HR		SME support	RTD	Employment
	Motorway constructed (Km)	Other roads constructed (Km)	Other roads improved (Km)	Rail constructed (Km)	No. ESF training beneficiaries	No. of unemployed ESF trained	No. SMEs supported	No. of SMEs supported for RTD projects	Employment created
Austria (1995-99)	n.a.	n.a.	n.a.	n.a.	12,369	n.a.	263	15	5,387 (+6,067 secured)
Belgium	22	n.a.	33*	n.a.	142,525	n.a.	2,512	103	17,035
Finland (O6)	-	-	-	-	110,000	n.a.	3,700 new firms	n.a.	3,200+ 9,000 saved (estimated)
France	n.a.	3	21.5	n.a.	230,695	n.a.	361	n.a.	5,200 (estimate)
Greece	316	n.a.	615	441	521,691	100,394	1,263	70	390,000
Germany	n.a.	n.a.	3,500*	n.a.	700,000 (up to 1998)	n.a.	26,555	1,900	57,214
Ireland	n.a.	n.a.	2,211	n.a.	n.a.	n.a.	n.a.	n.a.	212,874
Italy	n.a.	253.6	493.6	n.a.	1,378,182	n.a.	105,344	n.a.	73,727
Netherlands	18.5	n.a.	n.a.	n.a.	25,683	n.a.	309	n.a.	7,342
Portugal	43	n.a.	23,237*	188.7	1,374,506	74,839	5,008	n.a.	6,656
Spain	3,650.5	n.a.	482	n.a.	4,453,444	217,240	61,916	25	n.a.
Sweden (O6)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,000+ 1,800 maintained (estimated)
UK	n.a.	18.55	n.a.	127.2	n.a.	n.a.	10,657	n.a.	22,249 (Merseyside only)

Source: ECOTEC (2003) Ex-Post Evaluation of Objective 1 1994-99

8.3 Power of delivery mechanisms and the partnership principle

8.3.1 Structural Fund governance and delivery mechanisms

As has been seen, the importance and role attached to Structural Fund programmes has dramatically increased over time. In line with this, the management of Structural Fund programmes has progressively been integrated into national policy contexts. This has been complex and occurred with different patterns and characteristics in the various Member States.

Because of the different domestic policy contexts and the different scale and scope of funding, the roles played by the national government, regional administrations and sub-regional actors is often significantly different across the EU and, in some cases, also within the Member States. The allocation of responsibilities and roles in the management and implementation of the programmes is a useful indication, along with the strategies implemented, of the degree to which the programmes are likely to contribute to territorial cohesion and of the level to which this may occur.

Structural Fund governance

In broad terms, and bearing in mind that any typology of institutional arrangements in implementing the funds is to a certain extent arbitrary – as no typology would be able to capture the many factors in the equation, nor the dynamic aspects that characterise Structural Fund policy-making – a broad distinction can be operated in relation to the degree of centralisation of Structural Fund policy-making and implementation, looking in other words at where responsibility for the management of the funds lies (Managing Authority). In the past programming period, while in some countries – Austria, Belgium, Germany, Italy and the Netherlands – Structural Fund programme management was devolved; in others – such as Denmark, Finland, France, Greece, Ireland, Luxembourg, Portugal, Spain, Sweden and the UK – Structural Fund implementation was dominated by central government departments, either because management responsibility fell under the competence of national government administrations or because it was assigned to representatives of the national governments in the regions (this was the case for example of England, France, Greece, Portugal, Spain). As has been noted (Bachtler J and Taylor S, 1999), in some countries this central government role is more marked than in others, as in France, Sweden, the UK, Luxembourg, Denmark and Finland. Either central government departments (the National Agency for Industry & Trade in Denmark, the Ministry of Interior in Finland, the Ministry for Industry & Trade in Sweden) or the regional representatives of central government (e.g. the Regional Prefects in France or Government Offices in England) chair the Monitoring Committees and take responsibility for the final funding decisions, although some aspects of programming management may be devolved or delegated to special executives or committees.

It is evident that the degree of centralisation of each country and the existence or non-existence of regional authorities has had an impact in the governance of Structural Fund programming from the early days: the federal states for example managed the funds from the beginning in a devolved framework. A number of scholars, though, have argued that the implementation mechanisms inaugurated with the Structural Funds have had an influence on national governance, facilitating in a number of countries a shift towards devolution and regionalisation. Fabbrini and Brunazzo, for

example, observe that the European regional policies by their nature are bound to undermine centralist models for the organization of the territorial systems of the member states of the European Union (EU), although they are not necessarily going to generate *quasi-* federal solutions.

Whatever the causalities for the on-going devolutionary trends - that are affecting Italy, UK and the Nordic Countries - may be, looking particularly at Structural Fund implementation, it appears that a number of countries that would figure as 'centralised' in the past programming period can now be considered to be devolved or regionalised: Sweden, the UK and, to a certain degree, also Ireland. In the case of the first two countries, the Structural Fund programmes are now managed under the responsibility of new regional bodies, whereas in the latter case (Ireland), the move towards regionalised implementation is due to the subdivision of the national territory into two NUTS II units and subsequent approval of two distinct (but almost identical) regional OPs. In this case, though, despite the creation of two regional Assemblies responsible for the implementation of the two regional OPs, the role of the national government remains strong and predominant (in particular as regards the coordination of the CSF/NDP).

Of course the subdivision between centralised and devolved implementation of the funds is not clear-cut, for example, while in Finland and Spain national Ministries figure as Managing Authorities, regional governments play a role too. In addition, differentiations exist also within countries, for example in Italy the management of Objective 2 programmes is more devolved than that of Objective 1 programmes, for which the national Ministry of Economy and Finance operates a strong coordination role, as the responsible authority for the Community Support Framework for the whole of the Mezzogiorno. Bearing this caveat and those others mentioned above in mind, the table below presents an overview of the current degree of centralisation or devolution/regionalisation of Structural Fund implementation in each Member State.

Table: Structural Fund implementation responsibilities (level of Managing Authority function). Period 2000-06

Centralised	Intermediate	Devolved/regionalised
Denmark	Ireland	Austria
Greece		Belgium
Finland		Germany
France		Italy
Portugal		The Netherlands
Spain		Sweden
		UK

Table: The Taylor Model for Structural Fund Implementation

Type of System:	Member State	Project Appraisal	Project Selection
<p>Subsumed Systems:</p> <p>Structural Fund project generation, appraisal and selection functions are largely embedded within established domestic policy channels. Projects are generated and appraised, and decisions made on Structural Fund co-financing through pre-existing systems, by the relevant competent authorities where, at the programme development stage, participating economic development organisations (e.g. government departments, agencies) bring forward those aspects of their strategies and programmes, which the Structural Funds could co-finance. These organisations are then allocated envelopes of funding to implement those schemes or projects that are accepted for inclusion in the programme. Where business development schemes are co-financed, firms apply to the scheme managers, and are awarded funds for projects that may include an EU contribution. These applicants do not complete separate Structural Fund forms, or go through a separate decision-making process, and the relevant agency often decides alone on both the domestic and EU parts of the funding package.</p>	<p><i>Austria, (Greece), Germany, (Luxembourg) (Portugal) Spain</i></p>	<p>Secretariat, expert panels and/or technical committees</p>	<p>Dedicated Structural Fund Committee</p>
<p>Mixed Systems:</p> <p>Structural Fund decision-making is made on the basis of pre-existing national administrative structures, however with procedures which gives some visibility to Structural Fund programmes and interventions.</p>	<p><i>Finland, France, Ireland, Italy</i></p>		
<p>Differentiated Systems:</p> <p>can be found where Structural Fund programmes are considered as separate instruments. Here, a range of economic development actors, through a discursive consultation process, develops Structural Fund policies and then applications are invited under the programme. Recommendations on the award of Structural Fund co-financing are prepared by secretariats, single competent agencies and/or panels of experts, using a framework agreed among the programme partners (often approved by the Monitoring Committee). Decisions are then taken on a partnership basis by dedicated decision-making committees. Committees are typically composed of a representative selection of programme partners brought together to make project decisions on behalf of the whole programme or a geographically targeted part of it.</p>	<p><i>Belgium, Denmark, Netherlands, Sweden, UK</i></p>	<p>Usually single competent authorities</p>	<p>Usually single competent authorities</p>

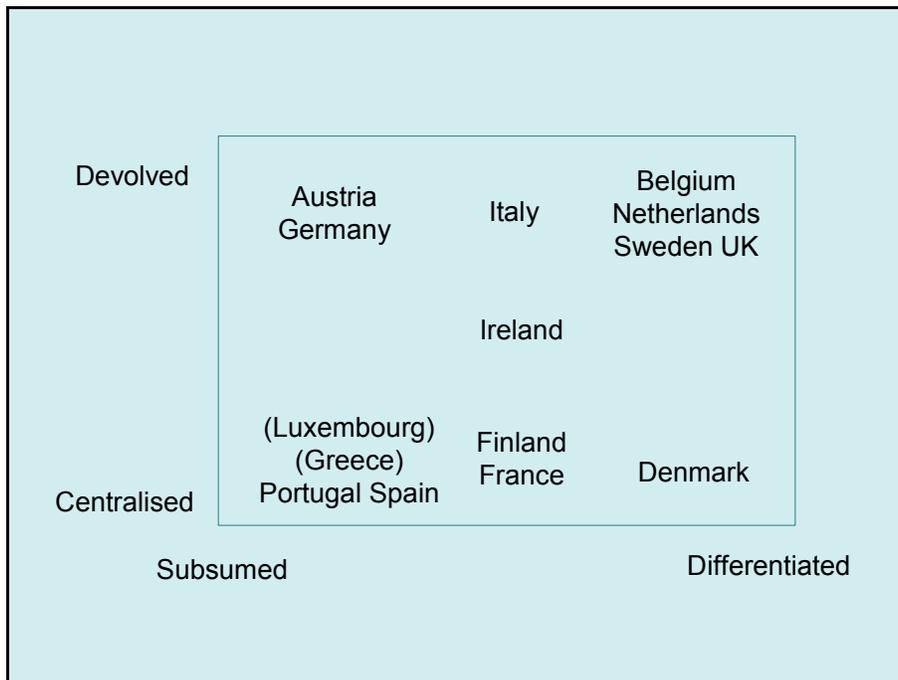
Structural Fund delivery

Another useful distinction that may help us to better understand Structural Fund implementation in the various EU countries is that suggested in the framework of IQ-Net research by Taylor in relation to the delivery of Objective 2 programmes: this approach looks at the centres for decision-making on co-funding allocation as a criterion for differentiation and is based on the 'administrative additionality' of the organisations in charge of this, i.e. the extent to which decision-making is undertaken using specially established systems, or pre-existing administrations. This model can also be applied to the Objective 1 countries: the Member States can be seen to exist on a continuum: at one extreme lie those countries where dedicated systems can be found, established on an *ad hoc* basis for deciding upon Structural Fund co-financing. At the other end of the spectrum are those countries where Structural Fund programmes are channelled through domestic policy decision-making. These two extremes have been named 'differentiated systems' and 'subsumed systems' (see table below).

In reality, most Member States' systems display elements of both of these approaches and can therefore be considered mixed. In Italy, for example, Structural Fund programmes are the responsibility of the regional administrations but with the creation within the regional administration of an *ad hoc* Structural Fund Unit (in general the Managing Authority for the programme is represented by the Region's President, while an *ad hoc* DG acts as the programmes secretariat).

A cross-analysis of the two typologies above is meaningful in understanding how differentiated the governance of Structural Fund programmes is across the Union (see figure below).

Figure: Structural Fund governance and implementation



The Structural Funds have also contributed to encouraging the emergence of levels of governance lower than the regional level, through the creation of *ad hoc* organisations at the local levels with the functions of implementation and delivery (e.g. project generation and/or selection). This has occurred for example in Austria and Finland.

In Austria, to face the challenge of implementing Structural Fund programmes, which had a brand new approach in terms of the domestic regional policy tradition, Regional Management Offices (RMO) were created with the functions of: development and implementation of regional projects and programmes; information particularly in relation to EU Structural Funds and other EU action programmes, and increasing visibility and accessibility of these funding sources in the region, promoting networking and regional level development. The RMOs are comprised of representatives from pre-existing organisations, such as government owned companies, municipalities organised as an association and owners of an operative company; associations of municipalities, politicians etc. and are funded through a mixture of sources, such as membership subscriptions from the municipalities, funding contracts from the Land (including Structural Fund co-financing), contracts from Leader, project-related funding and other service contracts. Since their establishment, the regional managers and management offices are seen as having played an important role in identifying regional projects, communicating between various different involved actors, creating and encouraging networking at the regional level, and of having a knowledge of the EU and other funding sources, which could be used to support regional level initiatives. The utility of these organisations is such that a debate is taking place in Austria to assess whether these should be retained after 2007 even though Structural funding in the country will be minimal.

In Finland, the Ministry of the Interior has overall responsibility for the design and coordination of regional policy, while the Ministry of Trade and Industry, is responsible for the implementation of regional policy through a network of 19 regional business service offices throughout Finland. Structural Fund implementation reflects the centralised historical tradition of regional development: the regional councils, created in 1994, were assigned the role of coordination, planning and implementation of national and EU regional policy but with a marginal role compared to that of the central government and the municipalities. Structural Fund management, though, assigned to Programme Managing Committees, was placed in the regional councils in each of the six Objective 2 areas, and was composed of representatives of the region, the local offices of the national ministries and social partners. While project funding was largely decided by the central ministries or by their local offices, the Regional Management Committees examined and formally adopted all projects, giving them some control over how the SPDs were implemented at the regional level.

In those countries that have been classified as differentiated, the creation of *ad hoc* organisations for programme management, acting in close coordination with local partnership, is often the result of a pre-existing national centralised policy-making approach combined with a weak sub-national level. In Denmark, for example, the programmes encouraged governance at the local level by influencing the creation of regional business partnerships. For example, in 1994, when the geographical coverage of Objective 2 was expanded to cover the whole of Lolland, a network of business people on Lolland decided that it would be better to promote the interests of business on the island as a whole, rather than in separate initiatives by business centres

scattered throughout the nine (mutually competing) municipalities. They decided to create a co-operative alliance between the businesses and the public and private organisations, which supported them.

8.3.2 Partnership, bottom-up policy-making, the programming method: improved policy integration

The points raised in the final paragraphs of the section above recall also another aspect of Structural Fund management that can be considered to be in line with the definition of territorial cohesion adopted in this study. The cross-sectoral nature of policies for territorial cohesion has been discussed above. It is worth underlying, while dealing with delivery mechanisms, that Structural Fund programmes have encouraged cross-sectoral approaches through the introduction of partnership mechanisms of decision-making and by promoting local-level debate and action on policy priorities and interventions. Already in 1999 the Thematic Evaluation of the Partnership Principle underlined that partnership, although a relatively recent innovation, has already become deeply embedded in all stages of Structural Fund programming. There are major differences in partnership practice and consequences between different Structural Fund Objectives and Initiatives. This is especially so between territorial and sectoral funds on the one hand and Objectives 3 and 4 on the other. However, across all funds an extension of partnership can be seen to include more socio-economic actors and so called horizontal partners and an extension of the roles and activities of partners in terms of Structural Fund programming tasks.

The partnership principle applies to both horizontal and vertical aspects of policy coordination. On the one hand, the Structural Funds have encouraged different actors, from diverse socio-economic sectors and backgrounds, to pull together and contribute dialectically to the definition of policies and, in some cases (e.g. in the UK), their delivery. On the other hand, they have encouraged dialogue between actors from different territorial scales, enabling the integration of different perspectives and visions on the needs acknowledged with regard to the functions to be attributed to the territories. Structural Funds in this area have been an exceptional motor of innovation, often inaugurating practices and methods that have subsequently then been exported into the national policy realm.

In Sweden, for example, national regional policy has recently been re-oriented towards new programme-oriented models, the Regional Growth Agreements (which will, in 2004-07 become Regional Growth Programmes). These are key instruments of county-level coordination in that they provide a coordination framework for both regional planning and government spending in the regions. This new formula for economic development foresees a clearer distribution of responsibilities between government and local authorities, encouraging the municipalities within county boundaries to engage in and combine efforts towards furthering economic development.

Structural Fund programming, by favouring bottom-up approaches to policy-making and delivery, has also contributed to increasing the potential for policy innovation at the local levels. In Italy, for example, new policy instruments have been introduced in the current programmes called PITs (Programmi Integrati Territoriali, Integrated Territorial Programmes) or PISL (Programmi Integrati per lo Sviluppo Locale),

characterised by a bottom-up definition of policy priorities and by a cross-sectoral approach.

The PISL introduced in the Objective 2 SPD for Toscana region for example, have been defined as ‘a set of integrated actions’, of an inter-sectoral nature, which encompass both material and immaterial infrastructural interventions and aids to enterprises converging towards a specific common objective, such as to justify a single implementation and project selection procedure. This set of integrated actions is a coherent set of interventions, of an inter-sectoral nature, economically and functionally indivisible and based on an idea-strength and shared through partnership-based procedures.

The PISL’s are the outcome of a bottom-up programming effort of local social, economic and institutional partners, coordinated by the provincial authorities, and they act on a local territorial scale. Project selection is undertaken on the basis of the analysis of expected impacts forecasted. The core principle of the PISL is that of integration, *in primis* territorial integration, i.e. the coordination and unity of the interventions in a territorial (local) dimension. These instruments also promote environmental integration, i.e. the achievement of local environmental objectives; financial integration, i.e. the optimal use of resources (public and private, including project financing); functional integration, i.e. the integration of actions which belong to different priorities and measures of the SPD, e.g. infrastructures and aids to businesses (at least two different measures), providing, as such, enhanced scope for the delivery of increased territorial cohesion.

The Leader Community Initiative has also promoted integration and partnership involvement and is a good example of a case where Structural Fund programmes are facilitating the implementation of integrated strategies on the territory and, as such, promoting territorial cohesion.

More generally, prior to Structural Fund implementation in most countries there were no programme-based, multi-annual strategies for economic development. The Structural Funds represented a major improvement in the approach to policy-making. The programming method generated more comprehensive approaches to economic development, where different types of interventions (e.g. infrastructure development, business support and training courses) would be pooled together towards the objective of socio-economic development.

9 The Spatial Dimension of Structural Funds

From the review of past and current Structural Fund programmes carried out in previous chapter, some considerations emerge related to the extent to which these programmes may have contributed and/or are contributing to the objectives of territorial cohesion. In most cases it is argued that this influence has been indirect, even at times *unintentional*.

Drawing on the information provided in the previous chapter and the information on the geography of Structural Fund spending during 1994-99 we will now discuss the spatial dimension of the Structural Funds.

The map is based on work carried out by this ESPON project, localising Objective 1, 2, 3, 5b and 6 assistance, which corresponds to approx 93.5 percent of the Structural Funds assistance. Furthermore, the Cohesion Funds have been taken into account in this map. The chapter on the working methodology provides a more detailed background to the way this data has been collected and systematised.

The map clearly reflects the dominance of Objective 1 areas and presents the general core periphery image of Europe. It does however allow for a more differentiated picture of the regional distribution generally revealing that regions with major cities receive less funding per capita than their neighbouring regions (e.g. Madrid, Barcelona, Bilbao, Athens, Berlin, Amsterdam, Hamburg, Paris or Stockholm) with some exceptions for old industrial regions (e.g. Bremen, Merseyside or Tyneside).

9.1 Coherence of policy aims

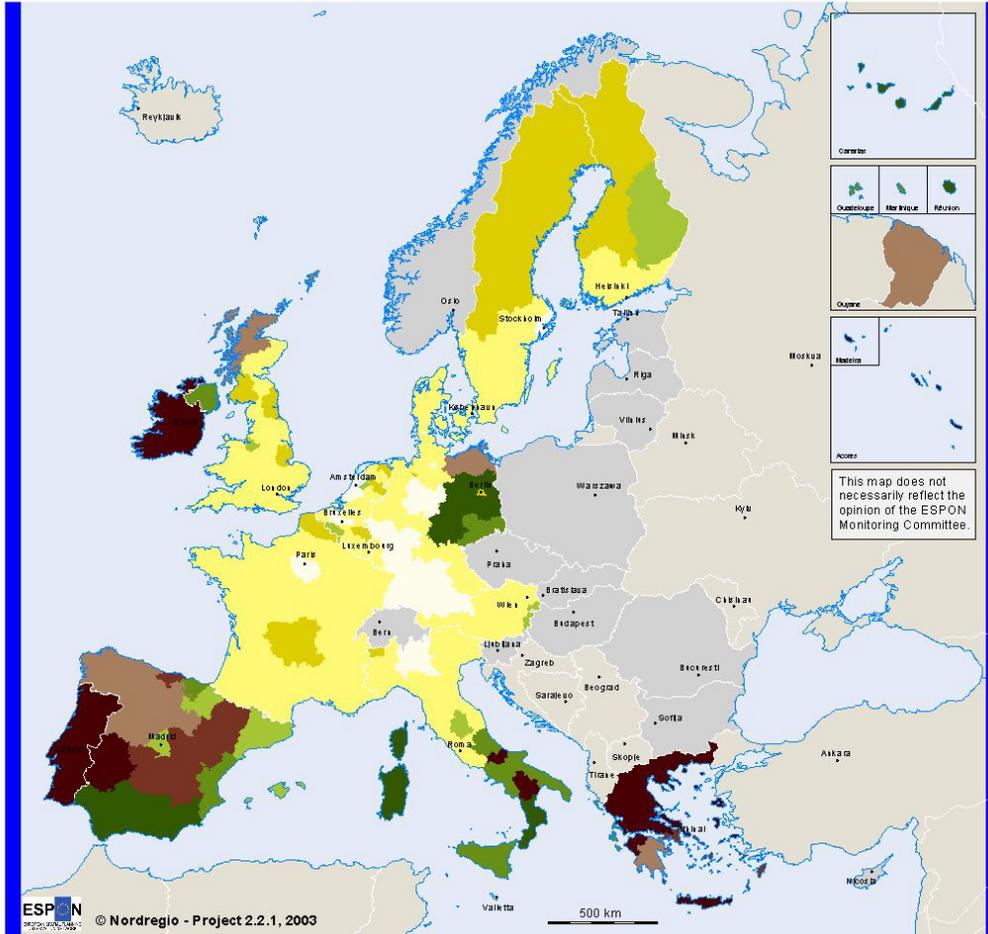
As it clearly emerges from the programme review, the programme strategies show a certain consistency with the objective of territorial cohesion, albeit in many cases implicitly and/or unintentionally. This is in line with the conclusions of past research and can be explained by a number of factors that affect current European regional policies.

This can also be related to tendencies towards the clearer targeting of resources: the reduction of resources allocated to Structural Fund policies (and more generally to regional policies) and the related increasing emphasis on concentration, have witnessed (or perhaps even in part caused) the pursuit of increased efficiency and the more accurate and evidence-based targeting of policies. This has progressively led to the development, on the one hand, of new policy paradigms and, on the other, to their progressive incorporation into policies. Recent studies highlight the importance of the extensive and coherent mobilisation of resources in order to maximise productivity, and by so doing, improving regional competitiveness. As underlined recently by the OECD (2003:4):

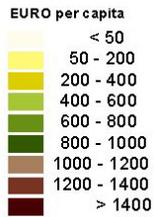
New economic geography models [...] predict that in many cases the flows of investment and workers between regions reinforce rather than reduce disparities. Acknowledgement that, in some circumstances at least, convergence is not assured through market mechanisms has provided a justification for regional policies based on re-distributive subsidies and financial incentives.

Map: Structural Fund spending per capita 1994-99 (1st draft)

Structural Fund spending, 1st draft



Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)



Geographical Base: Eurostat GISCO

Origin of data: National data collection

Source: Nordregio

Since these policies were first introduced, however, evidence suggests that they have had a limited impact on regional competitiveness. Between 1980 and 2000, less than 25 per cent of the lagging regions in OECD countries, the lowest quintile in terms of GDP per capita, improved their position relative to the national average. Over three-quarters of all lagging regions have remained “trapped” in a position of low competitiveness.

The competitiveness of regions is expected to be linked to their capacity to take full advantage of local assets and to attract mobile resources. The regions’ comparative advantages are believed to be related to the structure of the local economy and the characteristics of local firms, to the quality of life, and to regional attractiveness in the eyes of potential investors. Despite the overall persistence of disparities across regions, most recent economic development strategies adopt the viewpoint that these factors are susceptible to improvement through policy action, particularly where policy is targeted to an existing, but under-used asset. These new beliefs are reflected in regional policies (and among these in the policies implemented under the Structural Funds) in a move from redistributive approaches to an emphasis on areas of growth potential and from the attraction of external resources to the endowment of existing indigenous resources.

As a consequence of this new approach to regional development, policies are becoming more holistic or ‘systemic’. As underlined by Bachtler and Raines (2002):

The focus of new policies is often on regional capabilities, particularly with respect to innovation systems, and the role of regional policy is frequently to mobilise a more effective use of public and private resources rather than direct intervention. [...] The new concepts of regional development give primacy to human capital, ‘soft’ production factors and behavioural issues. Uneven development – concentrations of economic activity in some regions and not in others – is attributed to the business environment of the ‘region’, in particular its institutional infrastructure, and the degree to which it facilitates networking and other forms of association. Regional development policy is more concerned with improving regional capabilities, through measures that are socio-cultural as well as economic, in areas such as entrepreneurship, productivity and innovation. [...] In addressing regional capabilities, it appears that more policy attention is being given to ‘systemic’ issues, in other words, specific failures in the operation of regional systems of business development, exporting, innovation, technology etc. (Bachtler / Raines 2002:4)

It is a clear corollary of this new understanding of economic and regional development that the departure point of policy making is the territory, intended as the geographical space taken into account and the people that live in it. As has been discussed, one of the central features that policies should incorporate to be able to attain territorial cohesion is that of taking into account the territory (intended as space and people) as the basis for policy making. This has now become a crucial feature of Structural Fund programming over time, and does not just relate to the definition of strategies to be implemented, but also to the method of design and delivery of such strategies.

Descending from the new approach to the economic development policies discussed, current economic development and regional (including Structural Funds) policies are increasingly cross-sectoral. As has been discussed previously their cross-sectoral

nature is the essence of territorial cohesion. Past Structural Fund strategies have in some cases been criticised because of a lack of overall strategic coherence. For example, it has been observed in relation to the 1994-99 Objective 1 programmes that:

The most significant criticism of the strategies was that they did not constitute much more than the sum of their parts. Whilst each was an adequate response to the identified needs in particular fields there was less indication as to how these different elements contributed towards an overarching development strategy. This was a charge levelled by the national evaluators for the UK, Belgium and Italy but in the view of this synthesis evaluation can be applied to all CSFs and SPDs. There is a strong question as to whether the support provided has been sufficient to activate a development process, rather than simply responding to national or regional needs. There were also some criticisms levelled at particular aspects of the overall strategies. (ECOTEC 2003:63)

From the analysis of current Structural Fund programmes carried out in this and other research, it seems reasonable to assess that current strategies have achieved, at least in respect of the largest programmes of Objective 1, a higher degree of internal coherence and consistency, thus reflecting more the will to pull together different sectoral approaches in one single framework than in the past. In other words, the current Structural Fund strategies are holistic in their approach to economic, but also social and, implicitly, territorial, development. Perhaps the most striking example of this is represented by the Irish National Development Plan, whose central aim is to achieve long-term sustainable development by spreading the presence of the key drivers of sustainable economic growth, acknowledging the fact that the key determinants of sustained economic performance, both nationally and at the regional level, are related to accessibility to national and global markets; to the quality of the educational system and of the workforce, to a good overall quality of life and of the environment, to the stimulation of the innovation capacity of the regions and suchlike. This results in a strategy where physical infrastructures (transport, energy) are funded alongside investments in housing and rural development, education and so forth.

The discourse is however somewhat different for the smaller programmes of Objective 2: real impacts on territorial cohesion can be inferred only for large Objective 2 programmes where both the geographical scope and the volume of resources allow us to devise and implement integrated cross-sectoral policies, substantiated in a mix of instruments for the endowment of the economic, social, physical and environmental capital of the regions. As stressed in a recent IQ-Net paper,

The largest Structural Fund programmes have had the most tangible net economic development impacts. The quantitative impact of the Structural Funds in smaller programmes such as Objective 2, by contrast, has been elusive. However, Structural Fund co-finance has enabled projects to be undertaken which are bigger, better and/or have been implemented sooner than would otherwise have been the case. (Bachtler / Taylor 2003:13)

In this context, the qualitative outcomes of the programmes and their non-material 'added-value' appear to be the most important aspect, but this is not easily quantifiable.

9.2 Discussion on the scale of Structural Funds impact

Structural Fund programmes have been drafted as regional economic development programmes. Past research stresses that while clearly spatial considerations inform their design and are explicit in many instances, a variety of approaches are apparent across the different programmes, including those that emphasise largely sector-based or macroeconomic issues, and have little spatial or urban focus.

The degree to which there is accordance or correspondence with the goals and concepts of European spatial development policies could be seen in many cases as coincidental. However as has been argued, there is evidence to suggest that Structural Fund programmes could contribute to the delivery of (depending largely on national policies) increased territorial cohesion.

Nonetheless, the discussion on spatial development concepts, such as territorial cohesion and polycentric development, illustrated that these concepts can show self inherit inconsistencies when applied at various geographical scales. Consequently, potential contributions of the Structural Funds to achieving these spatial policy aims will depend on the geographical level in question.

This is easily illustrated by looking at the geography of Structural Fund spending according to the types of Functional Urban Areas identified by ESPON 1.1.1. For improving a European polycentric urban system and the number of globally important functional urban areas (macro level) it seems reasonable to concentrate funding on existing European, and perhaps on some promising national functional urban areas, in order that that they can improve on their competitiveness. For improving transnational, i.e. Baltic Sea, and national polycentric urban systems (meso level) it seems more plausible to stress funding in national or perhaps some promising regional functional urban areas to support them in strengthening their position. Aiming at polycentric development at the regional or local level (micro level), one certainly wants to give Structural Funds assistance to local functional areas in order to improve their position compared to regional functional areas and to a certain degree it can be considered desirable to assist regional functional urban areas to develop towards a more polycentric spatial pattern.

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period, shows more than half has been used in what is categorised (by ESPON 1.1.1) as local or regional functional urban areas, less than 20% went to the meso level, approx 10% to the macro level and approx 15% to areas not typologised as functional urban areas. The significant difference, as regards total spending is also related to the type of measures stressed at the various levels. The spending per capita shows a similar pattern, the macro and meso levels received approx 220 Euro per capita, whereas the micro level had about 50 % more (approx. 320 Euro per capita). Regions without any functional urban areas are placed in-between the micro and macro/meso levels as regards spending per capita.

Table: Structural Fund assistance for different types of functional urban areas.

	International FUA	National FUA	Regional/Local FUA	Non FUA
SF spending per capita in €	212	220	321	255
SF spending on regional development and productive infrastructure (in % of total)	5,9	9,4	32,5	9,0
SF spending on agriculture, fishery, rural development (in % of total)	0,6	1,8	6,7	1,7
SF spending on social integration and human resources (in % of total)	3,4	5,1	14,2	3,6
CF spending on transportation and environment (in % of total)	1,4	1,4	2,8	0,6
SUM	11	18	56	15

Source: ESPON 2.2.1 using the FUA typology of ESPON 1.1.1.⁶

9.3 Micro Level

Traditionally, regional policy has focused on equity or efficiency encompassing mainly designated aid to classical problem areas.

Structural Fund programmes have often had an impact on the spatial distribution of economic development resources – not just within the Member States, but also within regions, as resources are channel to the needier areas. (Bachtler / Taylor 2003:15)

This is not least illustrated by the traditional focus on less favoured areas and on very small designation areas.

In this respect, urban areas lagging behind may serve as an example. ESPON 2.2.3 has developed a typology of urban areas, which indicates whether an NUTS III region is in absolute difficulties, fragile, in relative difficulties or has no difficulties. Applying the spending typology to this classification of urban areas in difficulties, it becomes obvious that almost half of the Structural Funds assistance (Objective 1, 2, 3, 5b and 6 plus Cohesion Funds) of the 1994-99 period fell to urban areas that are classified as not being in difficulties. Considering that this type of urban areas represents only 42% of the urban areas classified, urban areas not in difficulties receive relatively more funding than those in difficulties.

⁶ The calculations are based on the ESPON 1.1.1 database on the types of functional urban areas within each NUTS III region. For NUTS III regions with more than one functional urban areas, the Structural Fund assistance has been divided according to the number of functional urban areas present in the NUTS III region.

Table: Structural Fund assistance in urban areas in difficulties

	Urban areas in absolute difficulties	Fragile urban areas	Urban areas in relative difficulties	Urban areas in no difficulties
SF per capita (in €)	275	530	275	365
No of region	149	170	96	300
SF spending on regional development and productive infrastructure (in % of total)	6	18	7	25
SF spending on agriculture, fishery, rural development (in % of total)	1	4	1	5
SF spending on social integration and human resources (in % of total)	2	6	3	15
CF spending on transport and environment (in % of total)	0	1	0	5
SUM	9	30	12	49

Source: ESPON 2.2.1 using the urban areas in difficulties typology of ESPON 2.2.3.

170 regions, i.e. approx. 23 percent of the urban areas, are classified as fragile. These received 30 percent of the Structural Fund assistance going to urban areas. Urban areas in absolute difficulties and urban areas in relative difficulties received approx. 10 percent each. It has to be kept in mind that about 20 of the urban areas are in absolute difficulties whereas only about 13 percent are classified as in relative difficulties. Consequently, the assistance per region is lowest of urban areas in absolute difficulties.

The figures show a different picture when taking into account the number of inhabitants in the various types of regions. Fragile regions have the highest assistance per capita, 530 Euro between 1994-99, followed by areas not being in difficulties, 300 Euro, and areas in relative and absolute difficulties with 275 Euro per capita. It has however, to be taken into account that this are average values and there are considerable disparities between the regions coming together in one type of urban areas.

In addition to the amount of funding, also the programme contents need to be taken into account. At this micro level most decisions with regard to spatial issues will occur as a result of intra programme priorities, moreover, they can be influenced by the Commission through the guidelines by which the programme documents are written.

More generally, the Funds are broadly considered to be responsible for the **strengthening and empowering of the regional and local levels** of governance, by facilitating local-level dialogue through the implementation of horizontal partnership and by the creation of sub-national and often local organisations with specific functions associated with Structural Fund implementation. This often spills over from the domain of European regional policy, to pervade also national practices (such as in

Sweden with the new regional policy bill passed in 2001 or, more generally, in Italy and the UK with the recent constitutional reforms).

By stimulating *partnership* work and *bottom up policy-design*, in line with the subsidiarity principle, the Funds have also facilitated the tailoring of policies to needs and preferences expressed by those living and operating in the affected territory. In some cases, project selection is undertaken at the local level, enhancing the potential for acknowledging and exploiting the strength and weaknesses of the territories. As has been illustrated, moreover, through the funds, innovative approaches to socio-economic development and instruments have been utilised, including *territorially-based integrated forms of programming*, such as the previously mentioned PISL and PITs in Italy.

In terms of concrete contributions to polycentric development at the micro level, Structural Fund measures addressing local/regional traffic-infrastructure and economic specialisation have shown a certain potential. In this respect we have previously discussed current Objective 2 programmes that stress in their strategy the need to address the poor transport infrastructure links between urban core and hinterland, as well as other programmes that target measures on urban areas, including urban development, regeneration or socio-cultural facilities, as well as measures on industrial, mining, fishing or rural areas or communities.

9.4 Meso Level

The rapidity of technological change, combined with market liberalisation and deregulation, has greatly increased the exposure of regions and countries to international competition. Enterprises have greater flexibility in the production and delivery of goods and services, and investment is more mobile. Especially within Europe, barriers to trade, investment and factor mobility have been reduced and governments are less able and willing to provide protection to sectors and firms. In this more globalised production environment, competition is increasingly viewed as being between regions and cities, rather than between countries. Competitive success is thus now based on the ability to adapt and innovate, and to produce new ideas, products and services.

Through area designation, territorial cohesion may be addressed, there is also a potential for implicit polycentric development. The selection of areas eligible for support (at least as regards the regionalised interventions i.e. those implemented under the current Objectives 1 and 2, and, in the past, the Objectives 5b and 6) can represent a way for the increased spatial targeting of policies to take place. Of course, as has been pointed out in the discourse developed in this report, area designation can also represent constraints on the achievement of territorial cohesion and polycentrism, depending on the criteria underpinning such an exercise. It has been underlined that in some cases, exclusion from the support of the regions' growth centres has indeed had the effect of not enabling the pursuit of a coherent strategy for competitiveness and growth.

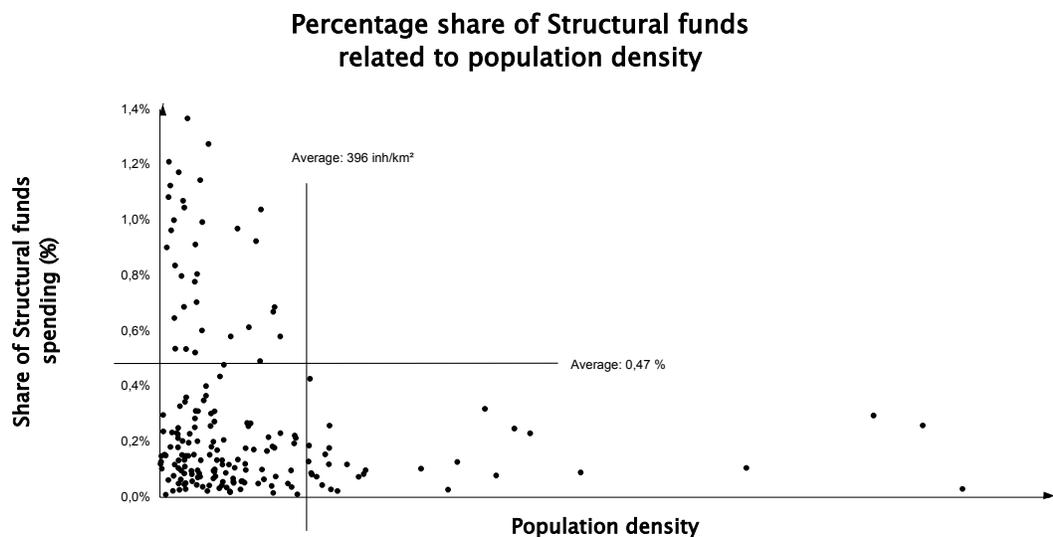
Indeed, the Second Report on Economic and Social Cohesion amongst others noted that regional disparities in economic development within countries are often larger than those between countries. Increasing disparities between regions challenge

cohesion at the meso, i.e. national, level. A sufficient degree of national cohesion is thus now considered necessary in order to maintain a growing Europe, i.e. achieving European cohesion in a more competitive environment. This is not least illustrated by the on-going debate on rural-urban partnerships and rural areas versus urban areas as regional growth centres.

An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance per inhabitant, suggests that densely populated areas receive less funding than do sparsely populated ones. Sparsely populated rural areas receive on average about three times as much assistance, per inhabitant, than do densely populated urban areas.

Figure: Structural Fund assistance and population density



Source: ESPON 2.2.1 and ESPON database

- Looking at total spending, the table illustrates that more than to 75% of the assistance goes to densely populated urban areas and medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a minor share of the assistance. The table illustrates that predominately urban densely populated areas received most assistance (approx 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approx 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

Table: Structural Fund assistance in rural and urban areas.

	Densely populated urban region	Intermediate level populated urban region	Sparsely populated urban region	Densely populated composite region	Intermediate level populated composite region	Sparsely populated composite region	Densely populated rural region	Intermediate level populated rural region	Sparsely populated rural region
SF spending per capita in €	245	670	515	205	285	700	360	390	730
SF spending on regional development and productive infrastructure in%	19,0	7,0	0,4	0,9	1,4	0,4	5,7	11,6	10,6
SF spending on agriculture, fishery, rural development in %	2,3	1,0	0,1	0,2	0,2	0,2	1,2	3,1	2,4
SF spending on social integration and human resources in %	11,7	2,4	0,1	0,7	0,5	0,2	2,4	4,2	3,8
SF spending on basic infrastructure and European cohesion in %	2,6	0,6	0,0	0,0	0,0	0,4	0,1	0,7	1,8
SUM	36	11	1	2	2	1	9	19	19

Source: ESPON 2.2.1 using the urban-rural population typology of ESPON 1.1.2.⁷

The discussion on assistance for rural and urban or densely and sparsely populated areas, leads to the general question as to whether there are certain types of areas that are to be subject to regional policy measures. Following the trends of modern regional policy encompassing all regions and supporting business environments, by addressing regional capabilities and increased competitiveness, the demand for national balance is opened up for a discussion of polycentric development at the meso level. This discussion focuses mainly on economic competitiveness⁷ and the national benchmarking of urban areas.

Considering polycentric development at the meso level, economic specialisation turns out to be of greater importance than accessibility. At the macro level, transportation infrastructure can be seen as a significant measure for achieving polycentric development by regional enlargement. At the meso and micro levels, proximity is of less importance and the focus of increased polycentric development is on strengthening national or international specialisation and competitiveness. Still, to a certain degree, accessibility matters, as is illustrated by the Greek Objective 1 programmes highlighting national transport infrastructure.

At the same time, endogenous development and competitive territories are important elements of the Structural Funds strategies. Strategies related to the current Objective 1 programmes in particular reflect this, as do e.g. some British programmes that consider the idea of polycentric development to be helpful, stressing the role of urban

⁷ This table is based on the NUTS III typology of urban-rural population provided by ESPON 1.1.2. Scotland, Northern Ireland and Wales are not taken into consideration as they lack a definition on the urban-rural typology.

areas as regional growth poles etc. Another example is that of the Eastern Finland Objective 1 programme, addressing territorial balance intended as polycentrism and the differentiated roles of urban and rural areas, both of which are needed for the role of urban areas as engines of growth.

These examples illustrate that programme based priorities can work towards the Structural Funds contributing to spatial policy aims. The main aspects with relevance for polycentric development (endogenous development and increased regional competitiveness) are, however, not sufficiently specified in order to guarantee a polycentric twist in programming documents. Indeed, examples presented in this reports are mainly to be considered as co-incidental and rather unintended contributions to the aims of polycentric development.

The same is true with regard to territorial cohesion. Reflecting its lack of focus as a policy priority, there is little evidence that the interventions have significantly reduced spatial disparities within the Objective 1 regions. In some cases at least they have contributed to the generation of growth within capital cities and other relatively strongly performing regions.

In addition to the direct effects of Structural Funds pointing towards polycentric development, there are considerable indirect effects. By their very nature, Structural Fund programmes promote cross-sectoral approaches to economic development and can indeed be used as a flywheel for other policies.

EU programming has promoted a strategic dimension in regional policy-making. Regional development has become more integrated and coherent, through the multi-sectoral and geographically focused approach of programmes. Structural Funds have also contributed over time to the building of policies on *evidence*: strategies are based on consideration of territorial potentials and needs (ex ante evaluations, SWOT analyses). In a number of the Member States, prior to Structural Fund implementation there were no programme-based, multi-annual strategies for economic development and the Structural Funds represented a major improvement in the approach to policy-making.

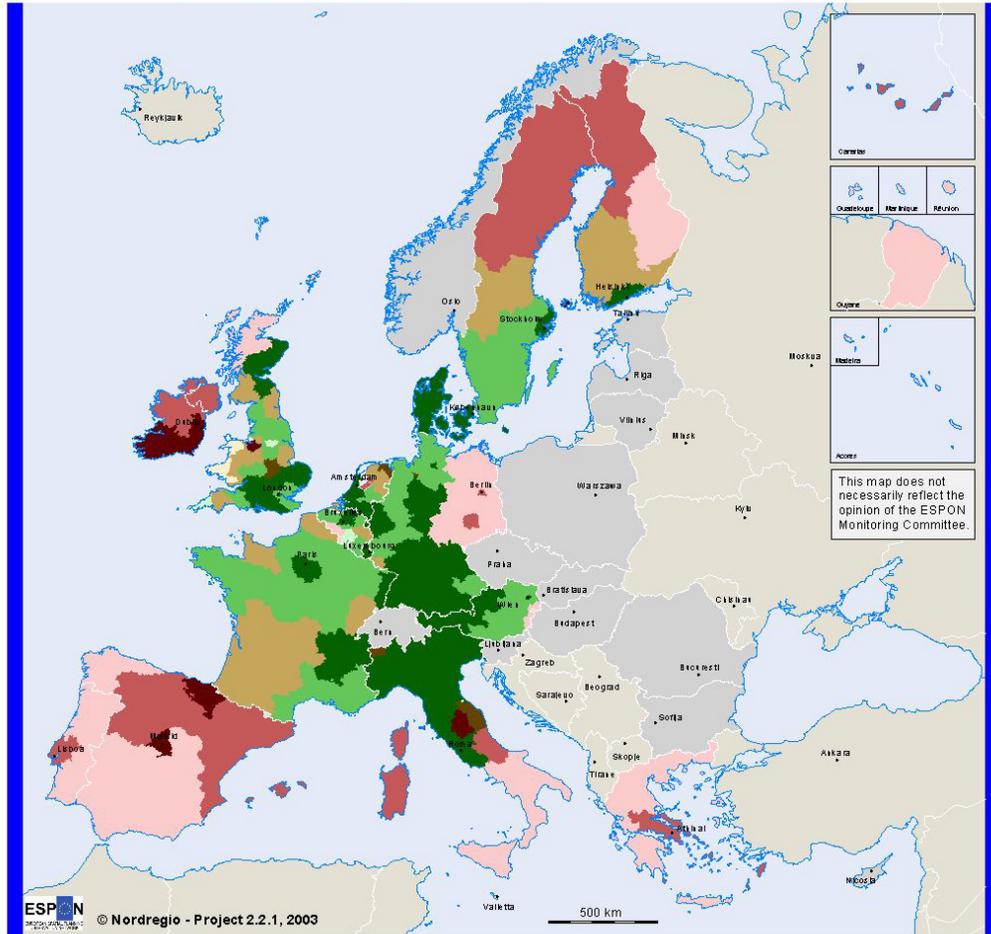
There is mixed evidence of the influence of the Structural Funds on domestic policy priorities. For the most part, the EU programmes do not appear to have ‘bent’ expenditure against the direction of national policy trends. However, they have played an important role in pioneering new types of interventions (in areas such as community economic development and the horizontal themes) and they have also been associated with institutional innovations in the management of regional development.

9.5 Macro Level

In the Second Cohesion Report 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 at the European level is stressed. The polycentric approach is thus regarded as a model bridging between competitiveness and balance, to foster economic growth and, at the same time, meet the challenges of regional imbalances and thus counteract the increasing core-periphery duality.

Map: Structural Fund spending and regional performance (1st draft)

Structural Fund spending and regional performance, 1st draft

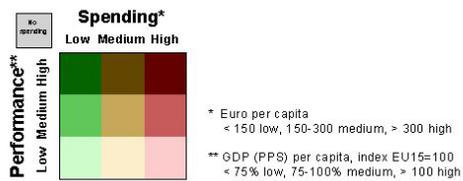


Structural Fund spending per capita in Euro (Objective 1,2,3,5b,6 and Cohesion Fund) and GDP per capita 1999, Index EU15=100

Geographical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat - Regio

Source: Nordregio, ESPON database



This links nicely with the Lisbon strategy: For increasing European competitiveness and dynamics, the territorial structure shall support the best possibility of exploring potentials and comparative advantages, and avoiding the diseconomies caused by (physical) overheating. The urban poles as places with the potential to act as engines for improved competitiveness and dynamism should be carefully considered, this also includes aspects regarding the accessibility of urban nodes. Secondly, to support a knowledge-based enlarged EU, a European priority should focus on job-creation build on education and innovation. A territorial component will in this context be the supply of services supporting education and innovation in regions showing the most promising potentials. This may be less favoured regions as well as rich and prospering regions, i.e. the given means are best used for strengthening potentials for improved competitiveness.

Relating the Structural Fund assistance per capita for the period 1994-99 to the GDP per capita in 1999 illustrates that there is a clear relationship between Structural Funds assistance and GDP per capita, even towards the end of the programming period. As regards the areas with more than 300 Euro Structural Funds assistance per capita, many were, in 1999, still below the 75% GDP per capita EU 15 average. The clear exceptions here being Ireland and Northern Finland and Sweden. Furthermore, Merseyside, Umbria, Madrid and Pais Vasco (Bilbao) have moved above the EU average, and a number of other areas have come above the 75% threshold. On the other hand, areas that have received substantial funding (over 300 Euro per capita) and are still below 75% GDP per capita of the EU 15 average, are mainly peripheral areas, areas of the New German Länder, Burgenland in Austria and the Province Hainaut in Belgium.

Thus, the question remains to what degree have regions changed relative position (performance ranking) in the European territory (EU 15), and how does this coincide with Structural Funds assistance. The map reflects whether the GDP per capita of a region has increased (dark colours) or decreased (light colours) from the European Union average or whether it changed in parallel to the European Union average (intermediate colours) during 1995 and 2000, i.e. whether a region has changed its ranking position. This gives a rather diversified picture of Europe as regards changes in the relative positions, generally showing that there is no strong correlation between the change of relative position in the EU context and Structural Funds assistance. Looking at areas that received more than 300 Euro per capita in assistance we find regions that decreased their relative position, as e.g. Northern Ireland, the Highlands and Islands (Scotland), Eastern Finland, large parts of the New German Länder), as well as a number of areas that have increased their relative position, i.e. are catching up, such as Ireland, and the regions of Lisbon, Madrid, Pais Vasco (Bilbao), Valencia, Felvoland or the Peloponnisos.

This can be interpreted in two ways:

- With regard to polycentric development one may want to argue that in areas with high Structural Fund assistance – especially looking at the Iberian Peninsula – major urban regions have improved their relative position, while within the pentagon most capital regions and major urban areas have maintained their position. Thus potentially, the Structural Funds may be seen to have contributed to increased European polycentrism. Such a conclusions needs however to be further investigated preferably at a lower geographical level.

- With regard to territorial cohesion, we will now return to the Study Programme on European Spatial Development. There, the territorial discontinuities of GNP per capita between contiguous areas have been analysed and the border between regions with dissimilarities between 23% and 76% have been identified. The map allows us now to look at those borders in areas with high Structural Fund spending and a change in their relative position. In such cases we can see whether the dissimilarities have increased or decreased. Huge dissimilarities that have decreased during the previous Funding period can e.g. be seen at the land border between Sweden and Finland, and between Ireland and Northern Ireland, or at the Northern part of the border between France and Spain. Increasing dissimilarities can be noticed e.g. between Lisbon and its neighbouring regions, or Madrid and its neighbouring regions, as well as between Pais Vasco (Bilbao) and Castilla y León. This first assessment supports the observation made in the Second cohesion report that cohesion increases between countries and decreases within countries, also as regards areas with substantial Structural Funds assistance. On the other hand it may be possible to argue that the increasing dissimilarities within countries mainly concern major urban areas and their surrounding regions. One possible conclusion then is that this contributes to polycentric development at the European scale, by strengthening urban nodes. This relates to the debate over the coherence of spatial policy aims across different scales. However, such conclusions need further investigation.

As regards the contribution of the Structural Funds to polycentric development at the marco level, the focus here is on the international specialisation of regions and networking between regions, as well as on area designation of less favoured regions. Supporting polycentric development at the European level mainly implies strengthening promising and already strong functional urban areas that show the potential to become European hubs and to be internationally competitive because of their specialisation. In terms of the Structural Funds this implies a twofold challenge, i.e. in so doing however, there are two strands that are not necessarily related:

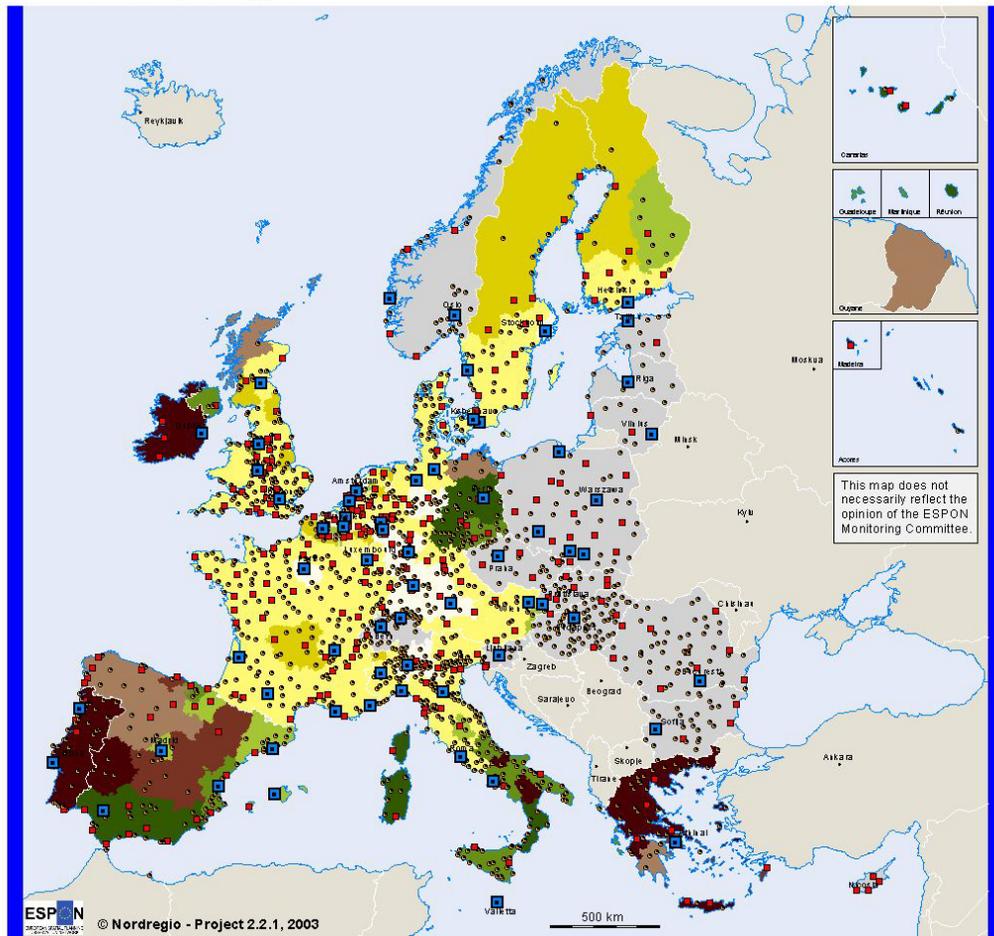
- **Agenda setting and establishing a way thinking**
The Structural Funds can function as an eye-opener for some to see regional development in certain terms. Especially with regard to non-objective 1 activities, the avocation of certain procedures and policy concepts, are major achievements of the Structural Funds, going beyond the actually financed activities. Thus the contribution of the Structural Funds to polycentric development at the European level is often related to agenda setting and leverage. Given the discursive power of funding instruments, we may conclude that even minor Funds such as Interreg have contributed to generating a shared vision of the European territory and, through the implementation of cooperation programmes, to the dissemination concepts and practices associated with territorial development and cohesion across different Member States and regions. Recent studies show that at the regional level it is often considered that the application and understanding of European concepts is only achieved by hands-on-approaches, e.g. the idea of polycentric development is first understood once you have personally tried to apply it.

- **Significant financial assistance**

It was noted earlier that direct financial assistance at the macro level is low and difficult to implement, as the main focus is on specialisation and international competitiveness. This specialisation is, however, placed in a local environment that needs to be attractive and efficient. Thus, it may be that Structural Funds investments in the local infrastructure environment can be counted as supporting the potential of these urban areas to play a bigger role in a European urban system. This is, however difficult to assess. This is also the place where the circle closes and polycentric development and increased competitiveness at the macro and micro levels actually play together.

Map: Structural Fund Spending 1994-99 and Polycentricity (1st draft)

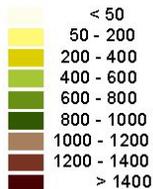
Structural Fund spending, 1st draft



Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita



- Metropolitan European Growth Areas (MEGAs)
- Transnational /national FUAs
- Regional /local FUAs

Origin of data: National data collection

Source: Nordregio

10 Conclusions and tentative policy recommendations

The Structural Funds in total represent no more than 0.46 percent of the EU's GDP total. Despite the long-term nature of the Funds, and the fact that the Structural Funds mobilise an important amount of additional national and private resources, this means that the capacity for reducing disparities through this financial source is limited.

The future development of regional policy in an enlarged EU needs to consider the inter-relationships between national regional policies, EU regional policy and EU competition policy. Each of these three policy areas was originally established to meet specific policy needs. Each has evolved along trajectories over the past 30 years such that they now increasingly impinge on each other. Indeed, it can be argued that it is now almost impossible to consider one of these areas without taking into account the other two. In reviewing future policy options, it is therefore essential to take a more holistic view and consider how these three policy areas are likely to interact post-2006.

The future course of EU regional policy is moreover being influenced by perceptions of effectiveness and, in particular, Community Added Value. Structural Fund programmes have had tangible net economic impact in the Cohesion countries and other larger Objective 1 regions. Outside these areas, economic impacts are difficult to quantify. However, the Funds have enabled additional economic activity to take place and the quality of economic development to be improved as well as acting as a catalyst for regeneration. More broadly, important qualitative effects have been identified relating,

- to the deployment of economic development resources;
- the promotion of a strategic dimension in policy-making;
- the introduction of new types of intervention;
- enhanced partnership; and
- the promotion of new learning and innovation dynamics.

On the other hand, added value is currently undermined by administrative complexities, fragmented maps, the n+2 rule and risk-aversion implicit in the available funding mechanisms.

Finally, in the Second Cohesion Report the development tendency towards an EU-wide centre-periphery division is outlined and special emphasis is put on the need to counter balance this. Furthermore, the report indicates that there is a general consensus that the post-2006 challenges require a strong financial focus on the less developed areas of the Union.

There are *two main ways in which the Structural Funds may influence spatial development*. The *first* is inherent in the spatial nature of the funds themselves. This potential importance is expressed in the area designation process. By deciding which areas are to be covered, by what types of interventions and by what intensity of intervention, a main road of influence within spatial development is defined. *Secondly*, the form of intervention also influences spatial development. Some policy forms may have more explicit spatial impact than others. In general however, policy interventions may take two main forms:

1. Cushioning any adverse effects of investment or disinvestment decisions?

This mainly concerns disinvestment problems, e.g. in old industrial regions or in rural or sparsely populated areas. Interventions here act to cushion the impact of disinvestments, but in the longer run also to serve as the building-block for new investment. The latter type is more immediately concerned with stimulating investment. In spatial development terms it could be argued that this type of policy intervention is designed to stimulate the exploitation of difference and to remove any remaining obstacles to such exploitation, thereby contributing to cohesion.

2. Speeding up investment decisions

This refers mainly to the ability of the Structural Funds to address problems of territorial cohesion. It may be argued that *territorial cohesion is a necessary but not sufficient condition for polycentric development*. For structural policies to be polycentric they probably need to address the issue of polycentrism – monocentrism in a explicit fashion. This is not the case in today's Structural Fund programmes. However different forms of interventions may have different capabilities in relation to polycentric – monocentric development. Interventions focusing on infrastructure may have a direct impact on accessibility, and are thus directly influential on the urban and regional structures. On the contrary interventions focusing on human resources and the business infrastructure have more indirect effects

Thus far, Structural Fund programmes have been drafted as regional economic development programmes. The degree to which there is accordance or correspondence with the goals and concepts of European spatial development policies could thus be seen in many cases as coincidental.

However, the Commission has been encouraging the integrated approach in the use of the Structural Fund in the current period. They are particularly keen to see the bringing together of land-use and economic development plans. DG Regio is considering how far the areas approach might be applied to the use of the Structural Funds in relation to physical handicaps such as islands, mountain and peripheral areas.

Following this line of argumentation, future Structural Funds can contribute to polycentric development by a variety of approaches. In the following we distinguish between direct and indirect methods of influence.

10.1 Direct Structural Fund contributions to polycentric development

The study has thus far shown that the Structural Funds contribute to the aims of spatial policies, such as polycentric development in a rather unintentional manner. This can partly be explained by the novelty of the concept and by extension by the fact that the concept was not central in the drafting process of the current Structural Fund guidelines and programmes. It is further argued that the Structural Funds may in themselves have contributed to making *polycentricity a necessary and politically attractive priority*. Both the practical (instrumental growth- and development-oriented) aspects and discursive aspects of this gradual paradigmatic change will be considered. It is further argued that the Structural Funds might be able to contribute more explicitly to polycentric development by integrating this policy concept into the Structural Funds instruments and governance systems.

- ***Integration of polycentricity in the Structural Funds programming***
 The Meso and micro levels (i.e. the individual programme level) are in our view the most efficient level through which the concept of polycentrism could be introduced into the Structural Fund system and requirements. Within the programming process it is possible to stimulate national and regional partnerships to analyse their urban structures. The need to consider issues regarding the morphology and functions of urban areas can be included in the Structural Fund regulations for Objective 1 as well as in Objective 2 programmes. This may be implemented as part of the SWOT analyses or as a horizontal topic. For this to be effective, a set of guidelines for the understanding of polycentricity is also necessary. The present guidelines for the programmes could be amended to include an analysis of how the funds could contribute to the ‘development of a balanced functional region’ or ‘a balanced urban and regional system’.
- ***Designating areas***
 The role of area designation is crucial for spatial policy. In area designation the issue of territorial cohesion at both the macro and meso levels could be addressed. In theory area designation could contribute to micro level issues as well, but an approach where Member States and national and regional programme stakeholders influence micro level priorities is probably more realistic. Area designation specifically targeted to polycentric development is not possible. However, area designation paying attention to functional urban areas, e.g. by not splitting those, may increase the possibility of contributing to polycentric development.
- ***Structural Funds priorities & measures supporting polycentric development***
 The existing toolkit of Structural Fund interventions seems to be sufficient for addressing territorial cohesion and polycentric development. Thus, no direct polycentricity measure or priority is needed, however issues supporting polycentric development at various levels could be strengthened. As regards the *micro* level some forms of intervention, in particular in the field of infrastructure, may have a more direct effect upon polycentric development than others. If a more explicit polycentric focus is considered desirable, an increased focus on infrastructure spending could be a viable option. At the meso and macro levels in particular measures designed to support specialisation, the use of development potentials and national and international competitiveness, can favour polycentric development.

10.2 Indirect Structural Fund contributions to polycentric development

In an environment of reduced funding in a number of areas, indirect effects and discursive power become increasingly important. Already now, European regional policy has major impacts through indirect effects, i.e. by agenda setting and influencing debates on national regional policies. A more conscious use of such indirect effects may help to increase the influence of Structural Funds. It would also contribute to focusing on specific spatial policy aims within the wider aim of polycentric development in situations where regions face reduced funding opportunities. Tentative policy recommendations in this field include:

- ***Intensified policy discourse***
 For polycentric development to become a more explicit policy objective within the Structural Funds, there is great need for increased clarity over its

meaning. The relative opaqueness of the concept of polycentric development is perhaps a strength in terms of the ability to form a hegemonic policy discourse around it, which then needs to be taken into account by the various actors. At the same time such an approach faces the danger of not being precise enough to fulfil the role of carrying concept for implementation strategies. There thus needs to be a more distinct interpretation of polycentricity as regards different spatial levels and the correspondence between these levels. Furthermore the merits of polycentrism have thus far not been demonstrated in empirical research.

- ***Supporting new thinking***

In particular in the cases of limited funding resources the Structural Funds could be used to promote the goals and concepts of European spatial development policies also in less direct ways, such as by funding studies, evaluations and promoting new thinking in this area.

- ***Leverage of national practice***

There has thus far been no effective mechanism for linking the objectives of the Lisbon Agenda with EU regional policy. One solution to this problem may be that of using the EU Structural Fund and the Cohesion Fund as a lever for national policies. In a similar way as Objective 3 support has been linked to the adoption of national employment strategies, likewise future Structural Fund support could be linked to the adoption of explicit spatial development policies in each country. Through the national co-funding obligation, moreover, the Funds could be used to ensure that a portion of the national budgets be tied to the objectives of territorial cohesion, in a similar way as in the past they have contributed to preserving the allocation of national resources to regional development, against competing priorities (especially in periods of austerity).

- ***Promoting trans-national links***

Territorial cohesion and polycentrism comprise morphological aspects as well as the flows between various centres. Current Structural Funds may contribute to the support of material and non-material flows between and within regions by increasing their economic competitiveness and accessibility. Interaction between centres showing related profiles, such as potential co-operation partners, is mainly limited to activities under Interreg. Currently, Interreg is the only EU instrument for actively promoting co-operation. Fostering co-operation between centres with similar development profiles over Europe in the context of Structural Funds may support polycentric development.

11 Next Steps

The next steps of this project will lead the debate from that concerned with the overall European level down to one focussed on more concrete aspects. For this, working packages on the national regional policies, concrete case studies and the role of Interreg are planned.

11.1 National Dimension

The Structural Funds are not the only instruments for the support of disadvantaged regions, indeed, a wide range of financial instruments are used in different countries for the support and development of poorer regions, and for wealth redistribution. These include explicit regional policy, other spatial policies (i.e. spatially discriminated policies other than regional policy, for example, urban policy, rural policy, policies for “crisis” areas etc.), sector policies with a regional dimension, and the regionalised allocation of public expenditure. The EC has already commissioned work in this area and a number of national studies have also been conducted in this field.

In some cases, these instruments overlap or are integrated with those of European regional policies (e.g. Ireland, Portugal); in others, there is a more clear-cut separation between national regional policies and other policies with a regional dimension, and European regional policy (e.g. in the Netherlands). In addition, the Member States are increasingly moving away from a more traditional ‘*regional policy*’ approach – focussed on the strengthening and development of disadvantaged parts of the countries concerned – towards a more recent ‘*regional development*’ policy type approach – focussed on the promotion of the competitiveness of all regions, by targeting those with the highest endogenous potential. It is clear that both of these issues can have an impact on the potential of the Structural Fund programmes to deliver increased territorially balanced development and spatial cohesion.

As part of this project, the research team would provide a typology of the equalisation instruments implemented in the Member States, listing these policies and identifying the degree to which their objectives, areas, instruments and governance are coherent and complementary, or whether they contradict the policies implemented under the Structural Funds as regards their potential for delivering a more balanced territorial development and cohesion. With particular reference to national regional policies, moreover the research will address the interrelationship between national regional policy frameworks and the Structural Funds, in particular as they relate to spatial development.

Review of national systems for financial equalisation

Drawing on the pool of existing literature, the research team will undertake a review of national equalisation policies across the Member States, identifying the main instruments and their characteristics. The European Policies Research Centre has extensive research expertise in this area: among others, it undertook a major research project for DG Regio in 1996 – in cooperation with L’OEIL, University of Paris XII – on the impact of the Member States’ own policies on the Union’s economic and social cohesion.

As part of this review, particular emphasis will be placed on the analysis of national regional policy frameworks, a theme that represents one of the main expertise areas of the EPRC. The research centre has in fact, since 1978, undertaken an on-going programme of research on the regional policies of the Member States and Norway, funded by a consortium of national governments, which currently includes 9 EU countries and Norway. This research activity involves detailed comparative assessments of regional policy and policy developments across the EU and Norway and culminates each year in an annual Sponsors' Meeting, where senior regional policymakers from the sponsor countries meet to discuss a range of EPRC policy papers. On the subject of the interrelationship between national regional policy frameworks and the Structural Funds, the research team would in particular seek to investigate the following themes: eligible areas and criteria for area designation (how do spatial considerations play a role in the selection of national regional policy areas?); strategies and development priorities (how are spatial objectives reflected in national strategies for regional development?); principal instruments of national regional development policies (to what extent do they reflect spatial considerations?) and the horizontal and vertical allocations of policy responsibilities.

The output from this part of the research project will be a synthetic overview of the equalisation instruments and their main characteristics – including national regional policies - available on a country-by-country basis.

Elaboration of a typology of equalisation instruments

Based on the review of equalisation instruments across the Member States, the research team will outline a typology of instruments, on the basis of the degree of coherence and integration with the Structural Funds' territorial objectives. The typology will be constructed in accordance with two criteria: the degree of *strategic* coherence and integration with the Structural Funds, and the degree of *institutional* coherence and integration with the Structural Funds. As a result, national equalisation policies and their instruments will be classified as follows:

- Policies that are complementary to the Structural Funds, that aim towards the same territorial development goals as Structural Fund programmes, enhancing their potential territorial impact and that are integrated from an implementation perspective;
- Policies that are complementary to the Structural Funds, albeit implemented via separate implementation channels;
- Policies that are not complementary but which are nonetheless strategically coherent with those of the Structural Funds and implemented under the same institutional framework as Structural Fund policies;
- Policies that are not complementary but which are nonetheless strategically coherent with those of the Structural Funds, albeit implemented via separate implementation channels;
- Policies that are in conflict with Structural Fund policies.

The formation of this typology will enable the creation of an overview on the degree of convergence or divergence occurring between existing national equalisation policies and Structural Fund policies as regards the objective of increased territorial cohesion and balanced development. As a result of this analysis, a number of recommendations will be drawn up for the reform of the Structural Funds in order to enhance their potential to deliver territorial cohesion.

11.2 Case Studies

The case studies to be undertaken during the autumn of 2003 are intended to highlight the constancies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework. In addition to explaining the connection between the scope of STRUCTURAL FUND funding and the performance of the regions in question, the project team will seek to identify best practices in Structural Funds implementation in relation to territorial cohesion. As described in the terms of reference of the project, the main focus of the case studies will be on explanatory factors as regards the relation between the spatial performance of a region and the type of Structural Funds investment, as well as the overall amount of funding. In addition, the endowment questions can only be analysed through case studies, as the required data is not available across the EU NUTS III regions. While the original motivation for case studies may have been to prove or disprove hypotheses (stemming from WP 2), case studies will also be used to highlight specific aspects of the policy recommendations.

As was argued previously, the Structural Funds alone cannot deliver territorial cohesion, though this actually makes the need for coherence between European and national policies all the more pressing. The degree to which this is required and whether it makes a difference as to which policy sector one addresses will be one of the key questions for the case study phase. As a tentative working hypothesis the endowment factors referred to earlier in the report seem particularly interesting in this respect.

The selection of case studies will be based on a comparison of the results of WP 2, 3 and 4, i.e. the identification of relevant “hot “ and “cold” spots in the context of an in-depth analysis of the territorial effects of the Structural Funds is the first task here. The final selection criteria will be developed in co-operation with the national experts in such a way that allows all the Member States to be included. Thus there will be a minimum of 15 cases, with a minimum of 1 from each Member State. The main aspects of “cold spots” and “hot spots” will include (1) the degree and areas of regional specialization, (2) the most central policy sectors/thematic priorities within both national and Structural Funds priorities, measures and policy initiatives. The second step consists of distinguishing between the productive capital stock and investments (e.g. highways, ports, airports, railways etc.) and social (education, health etc.) capital stock and investments. By cross-referencing these two areas case study regions will be placed in a policy matrix where both national and European priority areas are assessed and regions are placed in a typology according to both the nature of the regions in question and of national policy priorities (territorial = urban, rural, border regions, regions with specific geographical focus e.g. mountain, coastal etc.; Structural Fund intervention typology = very small, small, medium, large interventions; governance type = centralized, intermediate, devolved/regionalized). The analysis will then hope to make a distinction on the basis of the policy effects = Direct (e.g. the total amount of funding, infrastructure, training) or indirect (e.g. the influence on agenda setting, organizational models and governance solutions, discursive or symbolic politics).

Some policy areas identified in other sections of the study will be identified as main priorities. As has been argued previously in the course of this project, polycentrism is one of the policy ideals that is central in the selection and analysis of the cases, thus highlighting policy trends such as strengthening potential nodes, supporting urban networks, reducing disparities (between Member States and within types of regions), strengthening regions with specific geographical features etc.

The problems of spatial discontinuities are also relevant in selecting the cases and in drafting the methodology here. Regional GDP is a crude or limited indicator of development gaps and only gives a one-sided picture of the endowment aspects of regions. Some of these problems could potentially be addressed in making sure that the methodology also sufficiently addresses other types of indicators in connection with the typologies used. As polycentrism has been identified as a major concern or policy ideal to be followed, case studies could be selected on the basis of variable scale, i.e. at the same time addressing the position of regions within transnational or cross-border regional constellations, as well as in a micro regional or meso regional context.

As has been indicated in the previous ESPON 2.2.1 documents, as well as in a range of earlier EU policy documents, the discontinuities and development differentials between types of territories may be of specific interest for polycentricity, as the emphasis on the need to take full advantage of the existing development potential of growth regions is likely to exacerbate the gaps between different types of territories within Member States, thus while contributing to overall cohesion (between Member States) it is likely to have the opposite effect on the sub-national differences within Member States and at the same time between the different types of regions at opposing ends of the convergence continuum. Thus it will also be important to address specific policy initiatives or best practices that have explicitly addressed these imbalances or taken them into consideration.

11.3 Interreg

Intrinsic to Community Initiative Interreg IIC was the launching of a new approach to territorially designed European regional policies. The focus here is mainly on stimulating actors from the regional and local levels to catch up with European policy developments and to contribute to achieving them in a ‘bottom-up’ manner. Thus one of the major effects of the Interreg IIC and IIIB programmes in this regard has been the contribution made to European integration within the trans-national programming areas as well as the emergence of trans-national macro regions of different kinds. Two of these Interreg programmes, namely, the Baltic Sea Region and CADSES (the Central European, Adriatic, Danubian, South-East European Space), also include regions from candidate countries, and are therefore considered to be of considerable importance to the integration of future EU Member States.

The ability of the Interreg initiative to promote territorial integration and cohesion will be an important element of the analysing mechanism for spatial development. Because of its unique character as compared to other Structural Funds instruments it will thus be reviewed in greater detail. We will focus in particular upon two aspects:

The Promotion of new sub-regions

On the one hand Interreg IIC and IIIB programmes have a certain ability to promote new, or to strengthen existing, macro-regions in Europe. To what degree this is the case, and how it works, will be discussed. The Baltic Sea Region as one of the forerunner regions in the field of trans-national co-operation in spatial planning and development will be the focus here. Considering the importance of the creation of macro-regions to the enlargement of the European Union however, processes within the CADSES will also be discussed. Taking the Baltic Sea Region as a ‘test –bed’ an analysis will be carried out on the emergence of trans-national macro regions. The analysis will focus on factors contributing to the emergence of such regions, the function, role and the importance they have for spatial development/cohesion and territorial integration. With a view to the EU enlargement aspects of the inter-play with Non-Member States, preparations for enlargement and the potential to better facilitate the integration of the New Member States will be highlighted.

The Promotion of European policy issues and co-operation

In addition to the promotion of macro-regions, Interreg IIC and IIIB provide unique opportunities for transferring policy aims, such as e.g. polycentric development or rural-urban partnership, from the European level to the local level. How regional and local level representatives take on such issues through Interreg, and how they from the co-operation and learning forums that make Europe come closer together will thus be analysed. This analysis will, to a large extent, relate to a study on Interreg co-operation in the North Sea Region and the Northern Periphery, currently being carried out by Nordregio and EPRC. Thus it will be possible to analyse the lessons learned by regions and other partners in trans-national co-operation projects in the field of spatial planning and regional development and to identify the practical and policy lessons for effective inter-regional co-operation projects. With regard to the policy recommendation the issues suitable for trans-national co-operation programmes will be identified, as will the institutional arrangements facilitating co-operation.

Findings

The discussions on the potentials of Interreg for promoting new trans-national sub-regions and for promoting European policy issues at the regional level will finally be brought together in an overall analysis. The main focus of the overall analysis will be on the potentials of trans-national co-operation as regards the strengthening of territorial cohesion, integration and specialisation in Europe.

With regard to possible policy recommendations, the overall analysis will relate to the debate on the Structural Funds 2006+ and especially to the debate on a possible objective drawing on the approach and experience of Interreg IIC and IIIB.

PART C

12 References

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