

## ESPON 2.2.1

# The Territorial Effects of the Structural Funds

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## The territorial effects of the Structural Funds

Project report

### Separate volumes

Annex report A

Country reports

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The relationship between National Regional Policies  
and Structural Funds Policies

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**NORDREGIO**

Nordic Centre for Spatial Development

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## Foreword

The study presented here represents the final Report of the ESPON 2.2.1 project "Territorial effects of the Structural Funds". The focus here is on the mapping of the Structural Funds and assessing their contribution to the aims of spatial development policies, with particular emphasis on territorial cohesion and polycentric development. The study has sought to establish the possible links between Structural Funds intervention and the promotion of territorial cohesion and polycentric development (as a particular operationalisation of territorial cohesion, as discussed in more detail in the scientific summary section dealing with the methodology).

Territorial Cohesion is seen to address the potential, the position and the relative situation of a given geographical entity. It can be analysed and operationalised at various geographical levels or scales, i.e. at the *micro*, *meso* or *macro* levels. Polycentricity addresses the aspects of morphology, accessibility, functional specialisation and co-operation links of an area. Polycentric development is used as a bridging concept merging the policy aims of economic growth and balanced development.

The Structural Funds aim to re-balance the economic and social disparities between regions in Europe thus overcoming imbalances in socio-economic development (measured mostly in terms of GDP and unemployment). By contributing to this primary aim, the Structural Funds also potentially contribute to the objectives of balanced territorial development and territorial cohesion. The overarching research question for this study has been formulated as: ***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?***

The focus was on the programming period of 1994-1999, mainly due to the fact that it was deemed too early to judge the final effects and in particular, impacts, of the 2000-2006 activities. This also allowed for a complete financial picture, as the data would not yet have been available for the current period. Where possible we have however also both referred, and related the current analysis, to the current programming period, as well as to the post-2006 regime. In the context of this project both the Structural Funds and the Cohesion Fund were analysed, though in the report reference is usually made to 'Structural Funds' as a shorthand expression. After the quantitative data on Structural Funds spending was compiled for the second Interim Report, a further quality check was made, with the national authorities responsible for the Structural Funds in each country being asked to comment and if necessary correct the data presented to them. The financial data compiled here corresponds to approximately 93,5 percent of the total Structural Fund spending during the 1994-99 period.

The project was organised around nine thematic working packages, the main responsibilities for which were distributed between the project partners as described below. Here also the key persons involved from each of the partner institutions are listed.

Project team:

- **Nordregio** – Nordic Centre for Spatial Development (Stockholm, Lead Partner): Responsible for the co-ordination of the project, as well as for the conceptualisation and impact assessment (Working package 1) and the case studies (Working Package 6), as well as the assessment of the potentials and importance of trans-national sub-regions emerging as a result of Interreg IIC and IIIB activities (Working Package 7). Researchers responsible for the co-ordination were Kai Böhme (until October 2004) and Kaisa Lähteenmäki-Smith (since October 2004). The co-ordination tasks were undertaken in co-operation with a number of research assistants, in the stages towards final reporting by Alexandre Dubois. Hallgeir Aalbu contributed to the drafting of the conclusions and identifying their policy implications. Tomas Hanell was a key resource in the mapping exercises undertaken within the project, with additional help from Jörg Neubauer. Arto Ruotsalainen was responsible for the Finnish case study, together with Kaisa Lähteenmäki-Smith. Fabian Kumkar was responsible for the Swedish case study. Anita Kullen and Anja Porseby were responsible for the financial management of the project. Research assistants involved with the project at different stages have included Moa Tunström, Patricia Jacob, Fabian Kumkar and Pétur Ingi Haraldsson.
- **EPRC** – European Policies Research Centre (Glasgow): EPRC was the organisation responsible for the meta-analysis of Structural Fund 1994-99 programmes and the hypotheses on the spatial effects of past and present Structural Fund programmes (Working Package 2), as well as for the review of existing national systems for financial equalisation, the interrelationship between national and European regional policies in the EU15 and the formulation of the typologies based on these (Working Package 5). EPRC was also responsible for the analysis of the governance system in relation to national influences on Structural Funds policies and aspects related to the governance of the Structural Funds (within Working Package 5). EPRC was responsible for the British, Italian, Irish, Belgian and French case studies. The main resource persons from EPRC were Laura Polverari, John Bachtler, Douglas Yuill, Irene McMaster, François Josserand and Martin Ferry.
- **Mcrit sl** (Barcelona): Main responsibility for the mapping of ongoing spatial development trends (Working Package 3). Mcrit was also involved in the identification of indicators for measuring the territorial effects of the Structural Funds, as well as in doing the Catalunya case study. Main resource persons from Mcrit included Andreu Ullied, Laura Turro and Oscar Chamat.
- **INFYDE** (Información y Desarrollo sl, Bilbao): The organization mainly responsible for the data collection and analysis of the spending of Structural Funds financing at the NUTS III level, including the development of spending typologies. (Working Package 4). INFYDE was the territorial expert for Spain and Portugal, as well as responsible for the case studies of Madeira, Extremadura and Cantabria. Resource person from INFYDE was Silke Haarich.
- **ITPS** – Institute for Growth Policy Studies (Stockholm): Involved in the development of policy recommendations and as the territorial expert for Sweden (Working Package 9). Resource person involved in the project was Göran Hallin.

- **University of Utrecht**, Faculty of Geographical Sciences, Dept. of Urban and Regional Planning (Utrecht): Territorial expert for the Netherlands. Resource person from Utrecht was Willem Buunk.
- **Peter Ache** (Independent Consultant for Spatial Planning Policies): Territorial expert for Germany and Austria, as well as in charge of the German case studies.
- **SYSTEMA** (Systems Planning & Management Consultants, Athens, Greece): Territorial expert for Greece and responsible for the Greek case studies. Resource persons were Dimitris Koryzis and Angeliki Roussou.
- **Margaret Hall** (Independent Consultant for GIS, Luxembourg): Main responsibility for the development of indicators for measuring the territorial effects of the Structural Funds (Working Package 1 and 3). National expert for Luxemburg and partially Belgium.

Apart from the project partners, many others have also contributed with useful comments, material and data during the course of the research process and in the context of the ongoing work of the broader ESPON network, which has been of great use in developing the final report.

The report is divided into following parts:

- Final report (list of indicators, typologies) included in the final report itself
- Part 1: Summary (including key findings and maps, as well as conclusions and their policy implications)
- Part 2: The main results
- Annexes
  - Report A on the country reports
  - Report B on the relationship between national regional policies and Structural Funds policies
  - Report C on Interreg

Stockholm, March 2005

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

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# PART A

# 1 Executive Summary

The aim of the project is to assess the territorial effects and potential spatial impact of the Structural Funds. For this purpose a two-fold approach was applied. **Firstly**, the project presents a comprehensive picture of the Structural Funds, including both the mapping of the geography of Structural Funds and an analysis of their spatial implications (for 1994-1999 period). **Secondly**, we focus 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, both in terms of the policy content and nationally regionally specific implementation practices. The analysis addresses the spatial impacts of Structural Funds with a particular focus on polycentricity and territorial cohesion in Europe.

## **Structural Fund programmes and territorial cohesion and polycentricity**

Structural Fund programmes remain in their essence mainly regional development programmes. The main objectives of the programmes in the 1994-99 period were those of reducing disparities in GDP and unemployment between the regions of Europe. Whilst in 1994, the Objective 1 programmes were seen as lacking a clearly articulated underlying 'model' of how regions could best develop, (which was one of the issues working against the achievement of a truly integrated approach), during the current programming period strategies have become 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. Within Objective 2, stronger links to wider national/regional economic development strategies have emerged when the 1994-1999 and 2000-2006 periods are compared. More explicit strategic thinking has been introduced, which has led to a number of changes, including an increased focus on soft aid, new technologies and innovative methods of financing.

## **The limited funding calls for better integrated policies**

Although in total the territorial policies implemented through the Structural Funds represent the second largest budgetary share of the EU budget (second only to agriculture), outside the Cohesion countries the European Structural funds are relatively limited, especially in relative terms (in relation to national regional policies for instance). In 1999 Structural aid, as a share of the GDP, constituted on average some 0.28 percent of the total EU15 GDP. Only the Cohesion countries were above this average, with the highest rates being for Portugal and Greece with 1.89 and 1.86 percent respectively. Despite the long-term nature of the Funds, and the fact that the Structural Funds have important additional leverage effects (i.e. mobilise an important amount of additional national, both private and public resources), this necessarily means that the capacity for reducing disparities through this financial source is limited. This also means that the utilisation of the funding available becomes all the more important. As such then, both the integration and coherence of policies, as well as the efficiency of the delivery systems are of importance.

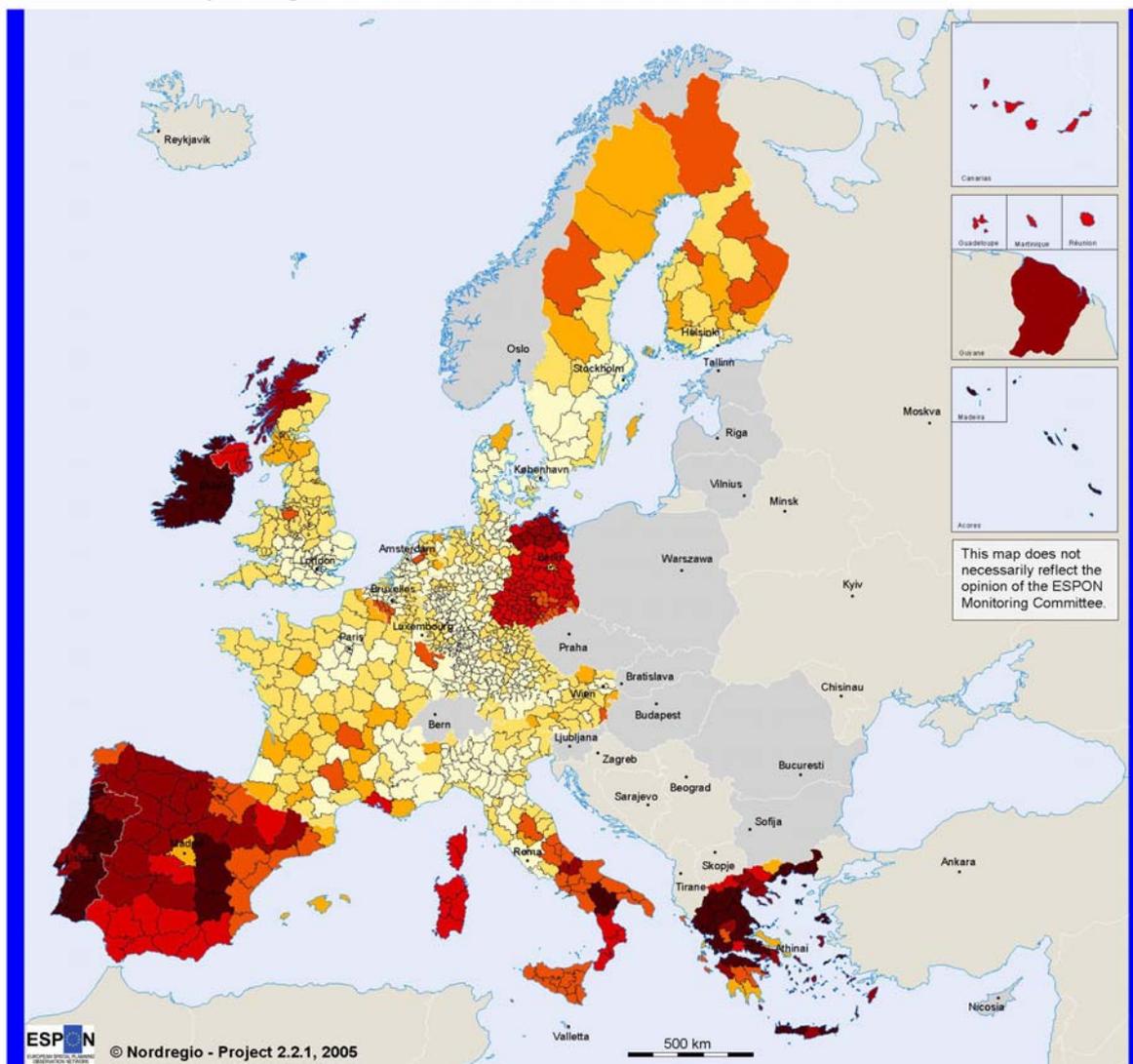
There are two main ways in which the Structural Funds may influence spatial development. **Firstly**, there is potential inherent in the spatial nature of the funds themselves and there is the potential expressed in the area designation process. By deciding which areas are to be

covered, by what types of interventions and by what intensity of intervention, a main channel of influence within spatial development is defined. 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. Instead of area designation specifically targeted to polycentric development, a horizontal approach to the issue seems more promising. Area designation paying attention to functional urban areas, e.g. not splitting those, would increase the possibility of contributing to polycentric development. **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 the adverse effects of investment or disinvestment decisions, and (2) Speeding up investment decisions. The effect in this sense is likely to be more significant in regions/countries where the national funding available targeted at strategically important infrastructure investments is scarce.

Map 1 presents an attempt to highlight the macroeconomic potential of the Structural Funds. We have made two hypothetical assumptions here, namely: (a) that all allocated funding is *de facto* on the temporal scale paid equally across the entire programming period, and that (b) the GDP of each region in 1999 represents an average in respect of the GDP score during the period when funding was actually disbursed.

Map 1: Annual average Structural Fund spending as a share of GDP in 1999

**Structural Fund spending**

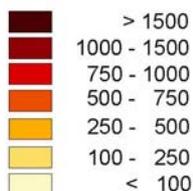


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

In the lower left corner of the map is a box plot diagram showing the spread of this ratio between all regions within a country. Among the 50 European regions with the highest share, 26 are in Greece, 20 in Portugal and 4 in Spain. All in all, in around a third (352) of all NUTS III regions the share of Structural Fund spending was above the EU15 average. These regions cover around 31 percent of the total EU15 population. 113 of these regions were in Germany, 52 in Spain and 51 in Greece, while in Italy and Portugal such regions numbered more than 30.

On the whole, a large majority of the regions with the highest shares were Objective 1 or 6 regions. Dividing Europe into two groups – on the one hand those regions where the macroeconomic impact is larger than in the EU15 on average, and on the other hand those regions where it is smaller – provides an average macroeconomic impact of nearly one percent for the first group but only as little as 0.07 percent for the second one.

### **Spending mostly targeted at urbanized areas in total terms**

There is no significant correlation between the type of region and the impact of the Structural Fund intervention. Some of the findings as to the relationship between interventions and polycentricity were reported above. In terms of the funding there are discernible differences however, as the analysis of Structural Fund spending has shown, that spending is mainly targeted on urbanised areas. As regards the correlation between the spending geography and the aim of polycentric development, polycentric development at the *macro* level is more likely to be supported than polycentric development at the *meso* level. In terms of territorial cohesion, differences between countries may have decreased, but differences between regions have remained (or been further accentuated), which implies that cohesion policy has thus not been particularly successful in its primary goal.

The study shows 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 to the drafting process of the current Structural Fund guidelines and programmes. 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 have been considered. The Structural Funds may also be able to contribute more explicitly to polycentric development by integrating this policy concept into the Structural Funds instruments and governance systems.

Even in regions with lower Structural Funds intensity, the relative limitedness of the funding does not necessarily undermine its impact, rather it makes it all the more essential to use the available funds effectively.<sup>1</sup> It is most likely that vast amounts of funding (such as those of the Cohesion countries) cannot but help to contribute to local economic development, especially as much of this funding is directed towards investments. In many cases Structural and Cohesion funding constitutes the lion's share of total public investment in a poor region. How well this financing is utilised, and for what kind of investments, was investigated in the case studies undertaken as part of the project.

There is something of a 'coincidence' between the aims formulated in the Structural Fund programmes and the aims of European spatial development policy. Furthermore, the assessment of the relationship between European regional policies and national regional

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<sup>1</sup> Here the question of identifying best practices in programme management terms is also important, and in particular in the case of Interreg this has become a main focus of methodological support, as interactive methods for learning are highly prioritised. (See for instance InterAct 2005).

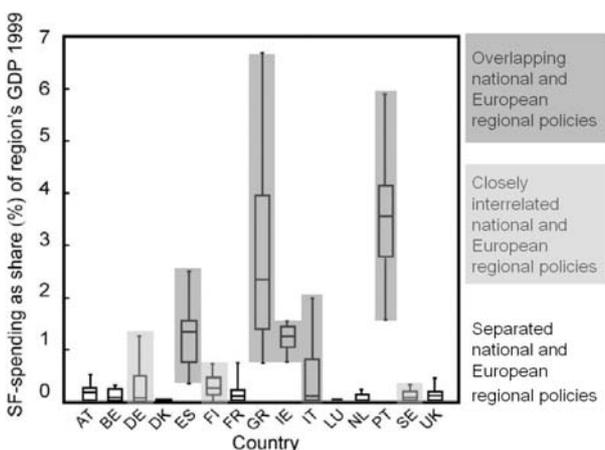
policies illustrates that the Structural Funds have considerable leverage effects in the countries receiving the highest *per capita* assistance in particular.

Due to their leverage effects, a more holistic approach to Structural Funds interventions is required, considering them as a part of the overall regional development interventions and policies. In order to achieve effective structural policies, national and European policies need to be co-ordinated so as to make them compatible. Here the governance systems also play a role. In a majority of countries, the two policies can be considered as 'separated': Austria, Belgium, Denmark, France, Western Germany, Luxembourg, the Netherlands and the UK. In Eastern Germany, Greece, Ireland, the Italian *Mezzogiorno*, Portugal and Spain, the two policies are to be considered coincident, while a third cluster of countries includes countries can also be identified where national regional policies (NRP) and European regional policies (ERP) do not coincide, but are certainly closely interrelated (either due to the geographical scope, or due to the overall approach and strategies implemented). These countries include the Italian Centre-North and the two Nordic Countries of Finland and Sweden.

This typology on the interrelationship between national and European regional policies shows a clear core-periphery picture, with separated policies in the core of Europe and more related policies in the peripheral parts of the EU15. The only exception here is Germany, which can be explained by the relative weight given to Eastern Germany.

This is also reflected in a clear **relationship between the national and European regional policies and the Structural Fund share of a region's GDP**. As illustrated in the figure below, those countries that are categorised as 'coincident' are also the countries where the share of Structural Funds with respect to the region's GDP is highest. In countries categorised as 'separated' the share is low, while the countries seen as 'closely interrelated' are grouped in an intermediate position.

Figure 1: The coincidence of European and national regional policies in relation to Structural Fund spending



Source: ESPON 2.2.1

Thus it can be argued that the amount of Structural Fund money allocated to a country matters as regards the leverage effects that the Structural Funds have on national regional policies.

The leverage effects of the Structural Funds on national regional policies imply that the Structural Funds have a wider range of indirect effects in Greece, Ireland, Italy and Spain (i.e. those countries seen as overall overlapping) than in the rest of Europe. The effects of national regional policies can, to a large extent, be considered together with the effects of the Structural Funds – i.e. the effects of national regional policies may be considered as the indirect/leverage effects of the Structural Funds.

### **Polycentricity and Structural Funds intervention: an implicit connection?**

The investigation of the connections between polycentricity and Structural Funds necessitates both the consideration of policy priorities of Structural Funds and the ways in which the area designation may help or hinder polycentricity, as well as the consideration of policy content and governance (for instance whether national and European policies for regional development and territorial cohesion are compatible with the emerging European priorities for urban policies and competitiveness). How could polycentricity be promoted at different scales through Structural Funds instruments? The scale issue has emerged as particularly relevant as Structural Funds policies have varied ways of impacting the constituent parts of polycentricity (discussed in more detail in the glossary section dealing with the key concepts). Whilst not taking a normative stance on the question of whether polycentricity should be strived for (and if so, in what relation to other prioritized normative goals and policy priorities), we do argue that territorial cohesion is a necessary but not sufficient condition for polycentric development. For structural policies to be polycentric they need to address the issue of polycentricity vs. monocentricity in an 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 vs. monocentric development. Interventions focusing on infrastructure may have a direct impact on accessibility, and can thus be of direct influence to the urban and regional structures. On the other hand, interventions focusing on human resources and business infrastructure tend to have more indirect effects.

The meso and micro levels (i.e. the individual programme level) are in our view the most efficient levels through which the concept of polycentricity 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'.

Referring to the Dissimilarity Index, the actual development trends differ regarding the level in question, e.g. there are trends towards increasing territorial cohesion at the macro level (NUTS 0), while at the micro and meso levels the trends predominately point towards decreasing territorial cohesion (NUTS 2 & 3)

Table 1: Dissimilarity indices of GDP in PPS in 1995 and 2000 at NUTS 0, 2 & 3

EU15 at:	Dissimilarity index		Units change 1995-2000	indicating:
	1995	2000		
NUTS 0	0.465	0.460	- 0.005	increasing cohesion
NUTS 2	0.339	0.341	+ 0.002	decreasing cohesion
NUTS 3	0.531	0.620	+ 0.089	decreasing cohesion

Source: New Cronos

In addition to the different development trends at various geographical levels, the implications of pursuing the same policy aim at various levels may also be contradicting or even counterproductive between various levels. Developments towards greater polycentricity at the macro level may imply certain concentration tendencies potentially leading to more monocentric developments at the lower (meso) level. This is easily illustrated by looking at the geography of Structural Fund spending according to the types of Functional Urban Areas identified in Nordregio 2004. 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, such that they can improve their competitiveness. In order to improve trans-national and national polycentric urban systems (*meso* level) it 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 *micro* level by enlarging local functional areas, Structural Funds assistance could be targeted towards local functional areas. By improving the position of regional functional areas in relation to other areas, Structural Funds can assist regional functional urban areas to develop towards a more polycentric spatial pattern.

Because of the ambiguity between levels and the scales involved, it has been necessary to distinguish between spatial effects at the micro, meso and macro levels.

## 1.1 The spatial impacts of the Structural Funds at the macro level

Supporting polycentric development at the European level mainly implies strengthening promising and already strong functional urban areas that are already internationally competitive while also showing the potential to become European hubs. Focusing on functional urban areas that are of importance at the *macro* level – i.e. those with international profiles – it becomes obvious that those beyond the Pentagon received substantially more assistance than those inside. Indeed these regions received six times as much funding *per capita*, i.e. 78 Euro versus 484 Euro. Thus, at first sight, the geography of Structural Fund spending works towards territorial cohesion and polycentric development at the *macro* level. A more elaborate picture is available if we use the ESPON 1.1.1 typology on regional endowment with FUA areas of influence. Following this typology, about 17 percent of the funding went to areas that can be viewed as already strong nodes in a European polycentric system. About 30 percent went to areas strengthening the European polycentric pattern, while only 12 percent was spent on areas that in the long run may

contribute to polycentric development at the European level. The lion's share however (41 percent) went to regions that are unlikely to show up in any European polycentric pattern at the *macro* level.

With regard to the Structural Funds contributions to territorial cohesion at the *macro* level, four aspects in particular are of interest. These are, the relation to ***economic growth, employment, demographic development and transportation***.

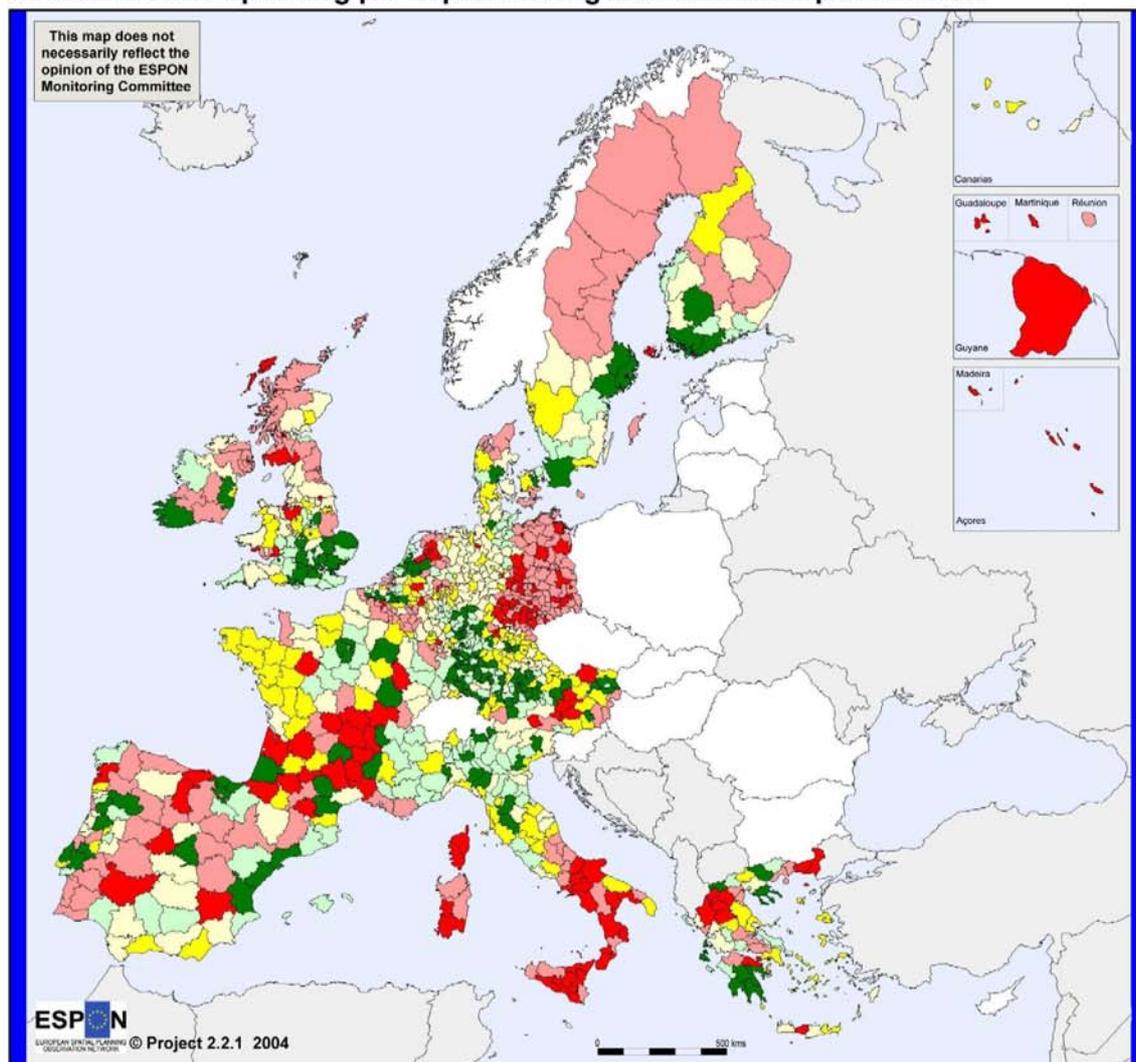
### ***1.1.1 Economic growth: indirect effects***

Our analysis of Structural Fund spending and relative economic growth shows that there are no countries that demonstrate a clear-cut positive relationship between (relative) regional economic growth and the level of spending. This relationship is discernible (albeit only vaguely) in France and Italy, while in Sweden for example the reverse holds true. Countries such as Greece and Portugal however display a near random pattern. Thus one possible conclusion here could be that if the Structural Funds have a discernibly positive impact at all, it is not found in relation to the economic growth indicator. This is largely consistent with our previous hypotheses on the impact of the Structural Funds, i.e. that **the indirect and qualitative impact is likely to be proven more interesting than the impact on changes in the economic performance**. Furthermore, it illustrates the importance of the national context for regional development. No counterfactual information is however currently available that would allow us to make conclusions on how the situation would change without the Structural Funds.

The study establishes a fairly strong connection between the amount of money utilised per inhabitant, the region, and the corresponding level of GDP. In general, poorer regions received more, and richer ones less, with the largest exceptions being Ireland and northern parts of Sweden and Finland, Pais Vasco and Umbria along with some large city regions (e.g. Madrid, Merseyside).

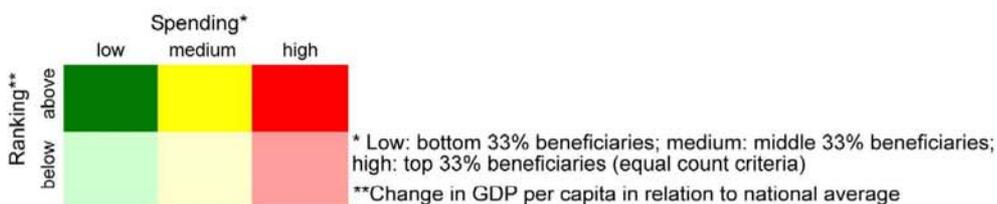
Map 2: Structural Funds spending per capita and regional economic performance

**Structural Fund spending per capita and regional economic performance**



Structural Fund spending per capita in Europe (objective 1, 2,3, 5b, 6 and Cohesion Funds) (1994 - 1999) and change in GDP per capita in relation to national average (1996-2000)

Geographical Base: Eurostat GISCO  
Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database



Regions receiving most funding (in the national context) and displaying higher economic growth rates than regions in their respective countries, on average, can be said to adhere to the general goals of cohesion policy. This was the smallest category of regions, both in terms of the number of regions (13 percent of all EU15 NUTS III regions) and in terms of population coverage (11 percent). These regions are mostly in the southern European cohesion countries as well as in southern Italy and eastern Germany, (including Berlin). Furthermore a batch of some 20 regions in France (mostly in the south), more than ten in the UK, six each in Austria and the Netherlands, and two in Belgium belong to this group. In the Nordic countries only the autonomous region of Åland in Finland is included in this group.

At the other extreme are regions that, despite substantial funding (again, in the national context), demonstrate poorer growth rates than most regions in their respective countries. With more than a fifth of all regions this is the largest group in number, though it covers only 16 percent of the EU15 population. These regions are mostly located in eastern Germany, northern parts of the UK (mostly Scotland), as well as southern Italy. In addition, many fairly populous regions both in southern and North-Eastern France, and some regions in Spain and Portugal, as well as most of the regions of northern parts of Finland and Sweden adhere to this pattern.

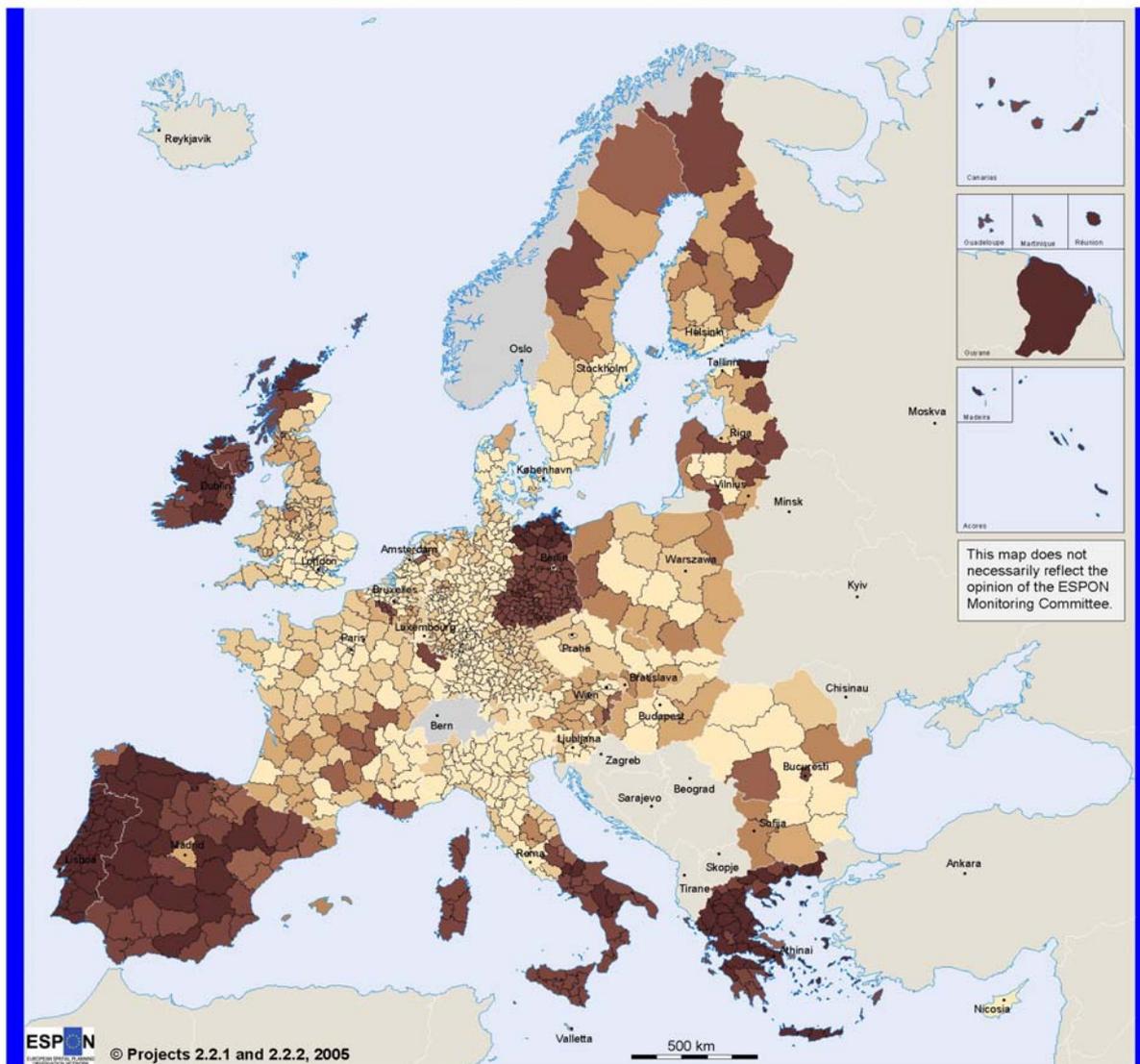
There are no countries that demonstrate a clear-cut positive relationship between (relative) regional economic growth and the level of spending. This relationship is discernible (albeit only vaguely) in France and Italy. For example in Sweden the opposite holds true, while countries such as Greece and Portugal display a near random pattern. Thus one possible conclusion here could be that if there indeed is a discernible positive impact of the Structural Funds, it is not found in relation to the economic growth indicator. This is largely consistent with our previous hypotheses on Structural Fund impacts, i.e. that the indirect and qualitative impact is likely to be proven more interesting than the impact on changes in the economic performance.

The common mapping exercise with ESPON 221 and ESPON 222 shows the picture of annual Structural Fund or pre-accession aid spending at a particular moment in time, as a share of regional GDP in euro. Needless to say, this provides us with a mere snapshot picture at a particular conjuncture of macro economic development.

There are however some more general observations that are shared by our project and the 222 on pre-accession aid, most importantly the focus on the need for institutional capacity as a prerequisite for successful implementation of programmes and projects. In order for the resources to be effectively used, interventions should be concentrated to the regions most needing them, after having made sure that such funding is managed in ways that allow results, effects and impacts to emerge and sustain themselves.

Map 3: Annual average of Structural Funds and pre-accession aids spending as a share of regional GDP in Euro, 1999

**Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)**

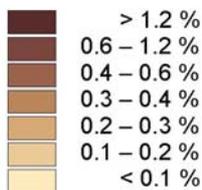


Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)  
 NUTS2: BG, CZ, HU, MT, PL, RO; all other countries NUTS3

Geographical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, IRS, ESPON database



### ***1.1.2 Employment: increases in areas with high spending***

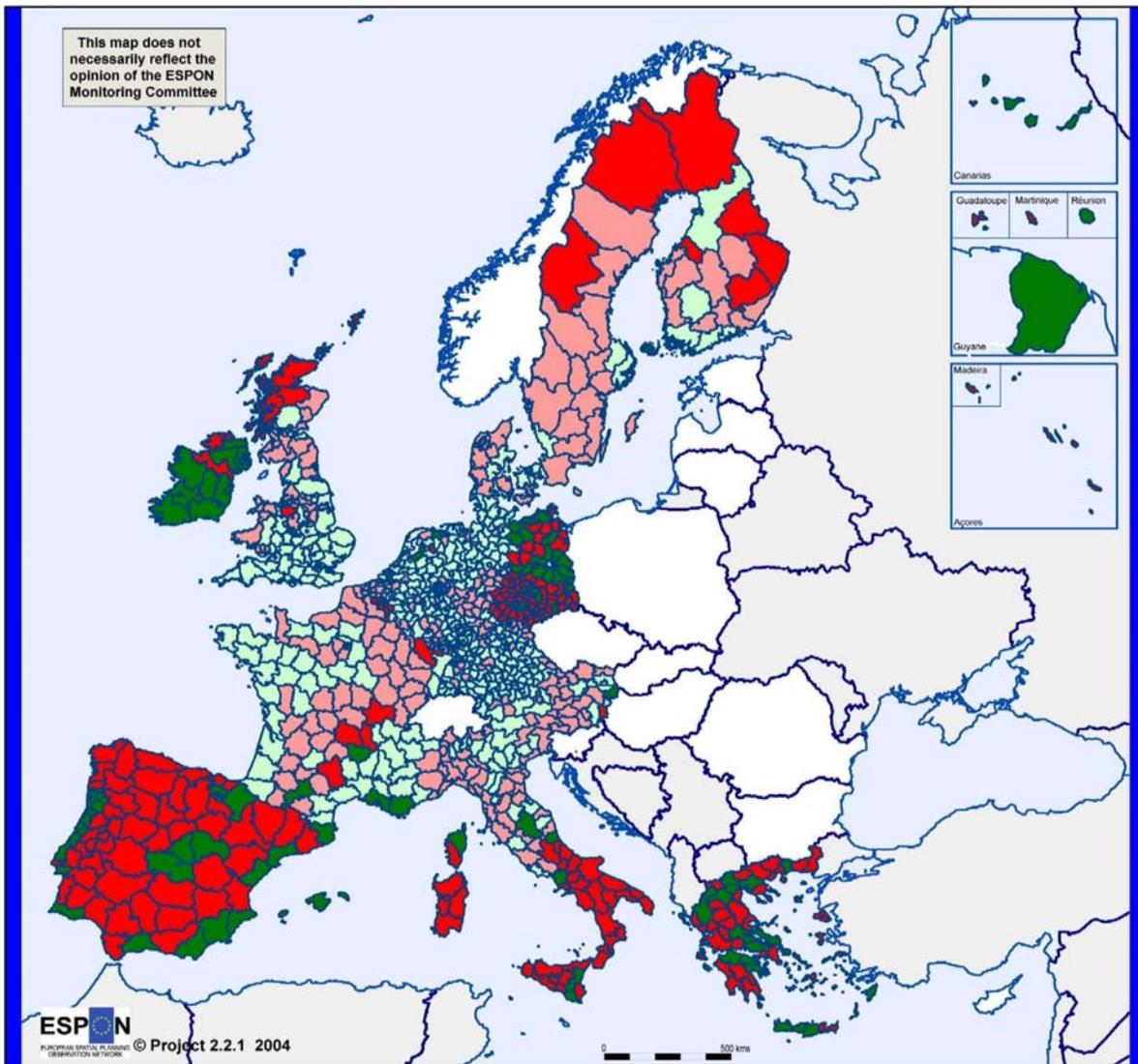
The analysis shows that regions receiving more Structural Fund assistance demonstrate both better and worse employment dynamics than those relating to the EU as a whole. Apart from substantial national differences, one aspect that probably reflects this random pattern is the fact that not all funds have increasing employment as their primary goal. Therefore, when separating the Objective 3 programme, which has job creation as a primary objective, the correlation is stronger (albeit still weak). However, scrutinizing the variables further a connection with levels of spending and employment change does emerge. For all 73 NUTS II regions where Structural Fund spending *per capita* was higher than that of the EU15 average, the median employment increase was 1.4 percent per year, while for those regions receiving less funding than the EU average, the corresponding increase was only 1.0 percent *per annum*.

### ***1.1.3 Demographic development: high spending and negative population development coincide***

Unsustainable demographic development is one of several pressing socio-economic issues that continue to attract significant levels of public attention and debate. Most of the areas that are the primary targets of structural policy are hampered or severely affected by unfavourable demographic trends.

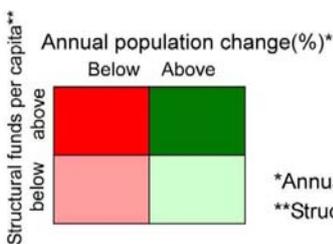
Map 4: Structural Funds spending per capita and annual population change 1995-99

**Structural fund spending per capita and annual population change 1995-1999**



Structural fund spending per capita and annual population change 1995-1999 (%), NUTS3

Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database



\*Annual population change average for EU15: 0.269  
 \*\*Structural fund spending per capita at NUTS3 for EU15, average: 358.92

Our analysis reveals that on the regional level the direction and intensity of population changes does not appear initially to coincide with Structural Fund spending *per capita*. As such, there seems to be little difference between regions undergoing either positive or negative demographic developments as to whether they are likely to be high and low receivers of assistance. A closer look at the population development in relation to Structural Fund expenditure during the period in question however reveals small but not insignificant differences. Structural Fund spending in regions with a negative population development on

the whole was, on average, more than 60 percent higher than in regions with an increasing population, or 493 Euro *per inhabitant* in the former group as opposed to 304 in the latter. Similarly, among the 100 regions with the lowest assistance levels *per capita*, the population increased more than twice as fast as in those 100 regions with the highest assistance. On the whole, in all regions receiving funding over the EU15 average of 359 Euro *per inhabitant*, population increased by 0.7 percent over the period, whereas it increased 1.3 percent in those regions receiving less than the European average. There are only 100 regions where relatively high spending and relatively positive demographic development coincides, covering 11 percent of the EU15 population. One fourth of these are in Eastern Germany and one fifth in Greece. This result can also be found across Ireland (apart from the region of Border), in 17 regions in Spain and in most of coastal Portugal (11 regions).

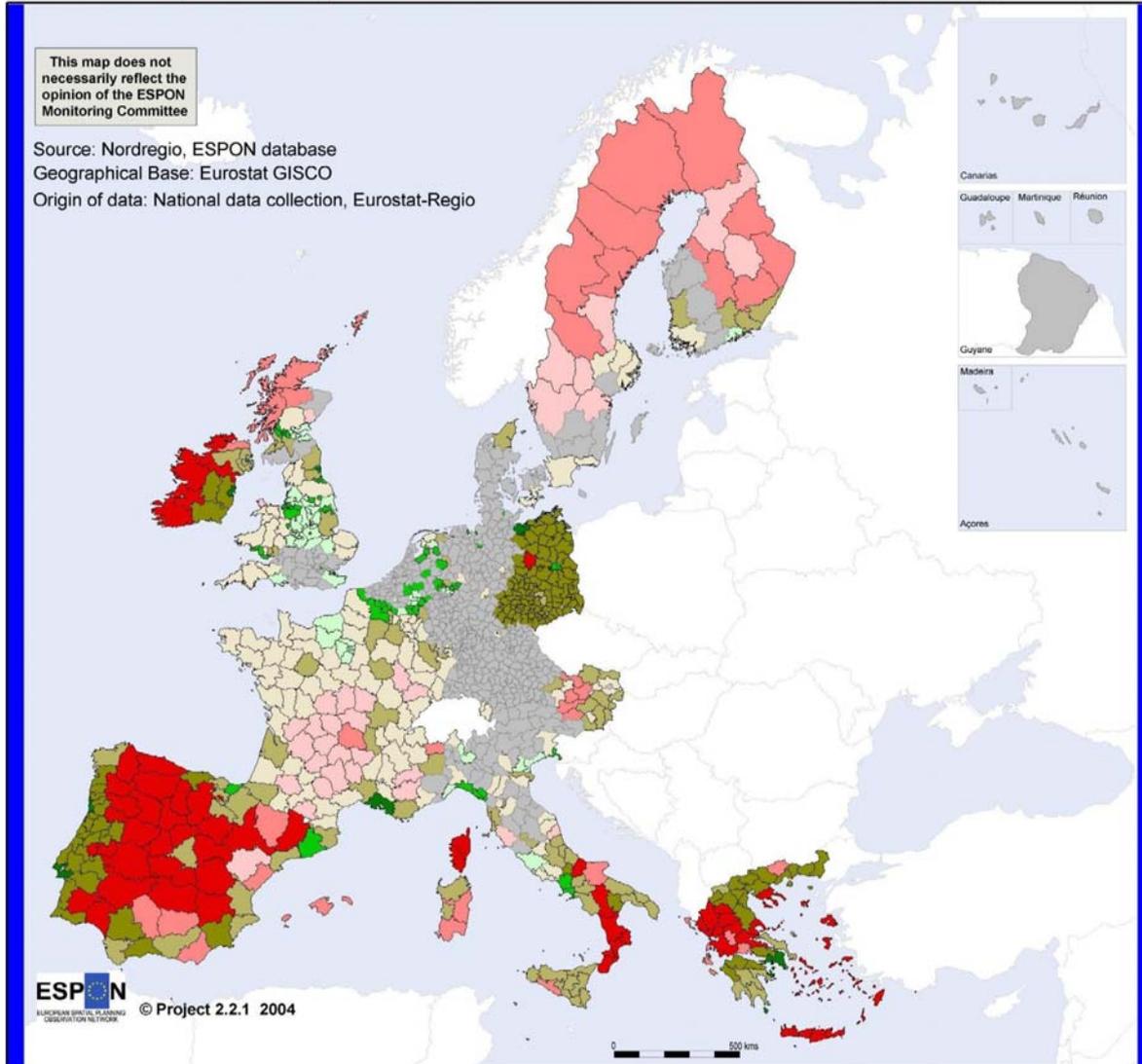
#### ***1.1.4 Transportation: High spending in areas with low European accessibility***

As regards the areas of intervention, at the *macro* level, transportation infrastructure is a significant measure in achieving polycentric development. While at the *meso* and *micro* levels, proximity is of less importance and the focus of increased polycentricity is on functional specialisation and competitiveness. A short analysis of the connection between Structural Fund spending on the one hand and transport-related issues on the other is of great interest, not least when considering its large share of the total funding. In the context of the investigation, only Structural Fund spending *per capita* related to productive infrastructure has been considered, i.e. the ERDF parts of Objectives 1 and 2 and the infrastructure part of the Cohesion Funds in 1994-99.

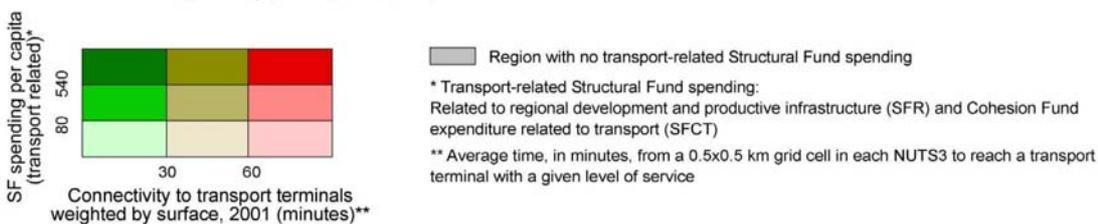
The map shows the cross-analysis of these sections of Structural Fund spending with the potential accessibility by road figures as presented in the ESPON 1.2.1 project. It clearly illustrates a core-periphery pattern where Portugal, Ireland, large parts of Greece, Spain, and Southern Italy are marked by relatively low accessibility and high Structural Funds assistance for productive infrastructures, while large parts of the Northern Periphery, i.e. Finland, Sweden and Scotland, show similarly low accessibility while receiving less assistance. Eastern Germany is characterised by medium to good accessibility paired with high levels of assistance. Furthermore, large parts of the Pentagon or 'Blue Banana' do not receive any assistance related to productive infrastructure.

Map 5: Potential accessibility by road and transport-related Structural Funding

### Connectivity to transport terminals and Structural Fund spending



Connectivity to transport terminals (minutes) and transport-related Structural Fund spending (Euro per capita)



In relation to the potential accessibility and related Structural Fund spending a picture emerges where poor accessibility and high spending seem to go hand in hand. Some 40 percent of the EU15 population have a potential accessibility by rail equal to or below the EU15 average and at the same time receive Structural Fund assistance related to transport investments, a similar percentage (38 percent) is found in respect of potential accessibility by road. In both case those regions obtain more than 80 percent of the EU15 (productive infrastructure related) Structural Fund assistance.

Moreover, 23 percent of the EU15 population have a potential accessibility by rail that is less than the half the EU15 average, while obtaining 68 percent of the total Structural Funds budget related to productive infrastructure. Regarding potential accessibility by road, those percentages are very similar, 24 percent of the population of the EU15 have a potential accessibility by road equal to or lower than half of the EU15 average while receiving 66 percent of the total budget.

At the other end of the scale, 7 percent of the EU15 population have a potential accessibility by rail and by road that is more than 50 percent above the EU15 average, while receiving only 4 percent of the Structural Funds budget related to productive infrastructure.

### ***1.1.5 Effects on territorial cohesion at the macro level***

Taking these four aspects together it can be concluded that the geography of Structural Fund spending makes only a minor contribution to territorial cohesion at the macro level. 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. The Funds have however 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 across the Member States (regardless of the funding intensity in the country in question).

As regards the fields of intervention, direct contributions towards spatial development aims are mainly visible in the field of accessibility. In the case study analysis accessibility and development of transport infrastructure are the themes that dominate the discussion of potential macro level effects of the Structural Funds. However, considering both direct and indirect effects the field of socio-economic specialisation is of even higher importance than that of accessibility. This is particularly so when it comes to the international positioning of areas outside the pentagon. In addition to the details of financial assistance agenda setting and establishing of new ways of thinking are also crucial aspects through which the Structural Funds influence spatial development patterns at the macro level.

### ***1.1.6 Focus on transport and socio-economic profiling measures***

Turning from the question of territorial cohesion and spatial disparities to the question of polycentricity at the *meso* level, we can see that the 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 (socio-economic specialisation), followed by aspects of accessibility. In addition to the direct effects of the Structural Funds pointing towards polycentric development, there are also considerable indirect effects. By their very nature, the Structural Fund programmes promote cross-sectoral approaches to economic development and can indeed be used as a flywheel for other policies. This is also underlined by the analysis of Interreg IIC projects, where a clear peak of learning aspects was on the trans-

national dimension of polycentricity and here in particular on transportation issues, followed by questions regarding socio-economic specialisation.

## 1.2 The territorial effects and possible spatial impacts of the Structural Funds at the *micro* level

During the 1994-99 period, **polycentric regions received less funding *per capita* than other regions**. Also as regards the total amount of funding, less than half went to regions that were polycentric or had a clear potential for polycentric development, which constitute 60 percent of the regions.

Table 2: Overview, spending in polycentric and non-polycentric regions

	Spending per capita	Percent of total spending	Number of regions
Assistance to non-polycentric regions	425 €	50,6	84
Assistance to regions with potential for polycentric development	326 €	31,6	75
Assistance to polycentric regions	255 €	17,8	52

Source: ESPON 2.2.1 using the FUA level of polycentricity typology of ESPON 1.1.1.

Indeed, this picture correlates with the findings of the ESPON 1.1.1 project, which states that polycentric countries perform better economically than do non-polycentric countries (and were therefore in most cases not eligible for Structural Funds assistance).

When it comes to the spatial effects of the Structural Funds, the case studies illustrate that **at the *micro* level the strongest effects occur as the result of direct programme measures**. 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 to address 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 the regeneration or socio-cultural facilities to measures targeting the special needs of industrial, mining, fishing or rural areas or communities. In broader terms, the need to stabilise settlement patterns in a region has also been identified in some predominantly rural regions (e.g. Lakonia, Grevena and Madeira). Similar influences have also been identifiable in both Calabria and Toscana.

Most decisions involving spatial issues will occur as a result of intra-programme priorities. The Commission can, through the guidelines it provides in respect of the drafting process for programme documents, further influence these decisions.

In addition, with regard to governance, the Structural Fund programmes undoubtedly have an important impact. By favouring 'bottom-up' approaches to policy-making and delivery, they contribute to the strengthening and **empowerment of the regional and local levels of governance**. This also involves 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. Thus governance measures have important indirect spatial impacts as they provide fertile ground for local and regional spatial development action. This is also supported by the analysis of Interreg IIC projects which illustrates that these contributed to learning and awareness rising regarding polycentricity at regional level, especially when it comes to questions of morphology and transportation.

Despite the limited quantitative effects, *important qualitative effects have been identified relating to a number of areas at the micro level*, such as:

- 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.

It was however also argued that this 'added value' has been undermined by administrative complexities, fragmented maps (area designation), the n+2 rule, as well as by the risk-aversion implicit in the available funding mechanisms.

*In the area of governance, Structural Funds programming has had an important impact on governance innovation and renewal.* By favouring 'bottom-up' approaches to policy-making and delivery, it has contributed to increasing the potential for policy innovation at the local level, as well as being considered responsible for the strengthening and empowering of the regional and local levels.

*On the regional level there is scarcely any apparent pattern discernible.* Regions receiving more Structural and Cohesion Fund assistance demonstrate both better and worse employment dynamics than for the EU as a whole. No clear-cut correlation is visible between the variables.

The regions that received more funding per capita than in the EU as a whole seem to have performed slightly better in employment terms than those receiving less. The imbalance within the groups however is larger in those regions that have received most funding, as opposed to those receiving least.

*The 'Lisbon themes' were most often included in an indirect or implicit fashion*, due to the timeframe of the two processes under analysis: when the programmes were drafted

and implemented, the Lisbon themes were not yet on the policy agenda. At the same time it is obvious that some of the themes were already central to the Structural Funds' priorities and measures. Issues such as the promotion of research and development and innovation capacity, SMEs and the Information Society were already being addressed during the 1994-1999 period, though this has been intensified during the 1999-2006 period. Better jobs and social inclusion were however seldom addressed as specific priorities during the 1994-1999 period. Competitiveness seems to have been interpreted in rather traditional terms during the 1994-1999 period, as R&D and SME services rate highly, while social inclusion rates much lower. Few conclusions can be drawn here on the types of regions more prone to address Lisbon related themes in their programmes.

***In terms of the impact of Structural Funds on governance, the case studies reported most impacts on new working practices and methods associated with the programming cycle, evaluation and partnerships***, while there were also indications that the influence of the themes and policy emphasis may have contributed to a more broadly based understanding of regional policy and the governance model required to promote the objectives it encompasses.

When compared to a similar analysis of urban areas (within the ESPON 2.2.3 project), there are both similarities and differences. Whereas in the urban areas the main aspects of policy impact and governance learning were identified as networking and organizational innovations (partnerships leading to new co-operation networks and more broadly based management structures); increased citizen participation and identity-building for the inhabitants, as well as the visibility and awareness of EU policies, here the impacts were identified in the emphasis on partnership constellations and working practices. This is not however surprising when we consider that the regional level within which the analysis was undertaken in this project was broader, and thus some of the grass-roots impacts and influences were perhaps more difficult to identify.

On the micro level, the stabilisation of settlement patterns in a region (particularly in rural areas) was identified in some predominately rural regions (e.g. Lakonia, Grevena and Madeira). A similar level of influence is also deemed identifiable in Calabria and Toscana. Additionally, at the micro level, a concentration on the major cities of a region, i.e. a more balanced national picture emerged in Southern and Eastern Ireland and in Sachsen.

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. The qualitative effects identified on the *micro* level include the deployment of economic development resources, the promotion of the strategic dimension in policy-making, the introduction of new types of interventions, enhanced partnership, and the promotion of new learning and innovative dynamics.

## **1.3 Policy implications and recommendations**

### ***1.3.1 Explicit inclusion and operationalisation of polycentricity***

As was argued above, if one wishes to better integrate polycentricity into Structural Funds programming, the *meso* and *micro* levels (i.e. the individual programme levels) are in our view the most efficient level through which the concept of polycentricity could be introduced. This relates both to the Structural Fund management system and the programme 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. For this to be effective, a set of guidelines for the understanding of polycentricity is also necessary. The guidelines for the programmes should include an analysis of how the funds could best contribute to the 'development of a balanced functional region' or 'a balanced urban and regional system'.

### ***1.3.2 Area designation the key to polycentricity***

We have seen that thus far, the majority of funding has been targeted at monocentric rather than polycentric regions. Area designation thus seems to be one of the most feasible ways of addressing polycentricity. In area designation the issue of territorial cohesion at both the *macro* and *meso* levels, together with polycentric potentials should be addressed. Area designation paying attention to functional urban areas, e.g. by not splitting them, can contribute to polycentric development.

### ***1.3.3 Policy sectors with relevance for polycentricity: infrastructure and functional specialization***

There are clear sectoral differences in respect of generating effects and impacts on polycentricity. The regions with high support intensity have been those most disadvantaged in accessibility terms, which seems to suggest that transport infrastructure is one of the sectors where impacts could potentially be found. In addition infrastructure (through influence on spatial positioning and accessibility), tourism and R&D have potential in addressing the spatial positioning and strengthening regional specialization. Here the existing policy toolkit of Structural Fund interventions seems to be sufficient and no direct polycentricity measure or priority is needed. An increased focus on infrastructure spending could be a viable option to promote polycentricity through Structural Funds. At the *meso* and *macro* levels in particular measures designed to support specialisation, the use of development potentials and national and international competitiveness, can also favour polycentric development.

### ***1.3.4 More focus on the effective utilization of resources through increased focus on governance effects***

In an environment of reduced funding in a number of areas, the need for effective management structures and procedures is particularly important in order to ensure that financing is used both effectively and efficiently.

The indirect effects and discursive power also 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 strategy for promoting such indirect effects is required. Policy recommendations in this field include:

- *Intensified policy discourse and supporting new thinking*

For polycentric development to become a more explicit policy objective within the Structural Funds, there is a significant need for increased clarity over its meaning. There also needs to be a more distinct interpretation of polycentricity as regards different spatial scales. The *micro* and *meso* levels seemed particularly suited to promoting such new thinking and policy innovation, and it is here also that the *micro* level can see mobilization and empowerment effects among the citizens. Furthermore the merits of polycentric development need to be investigated in further empirical research.

- *Supporting new thinking*

For all three strands of future programmes, the Structural Funds could 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. Indeed the *micro* and *meso* levels seemed particularly suited to promoting such new thinking and policy innovation, and it is here also that the *micro* level can see mobilization and empowerment effects among the citizens.

- *Leverage of national practice*

Thus far no effective mechanism for linking the objectives of the Lisbon Agenda with EU regional policy has yet been found. One solution to this problem may be that of using the EU Structural and the Cohesion Funds as levers for national policies. In a similar way, as Objective 3 support has been linked to the adoption of national employment strategies, future Structural Fund support could also be linked to the adoption of explicit spatial development policies in each country. Through the national co-funding obligation, moreover, the Funds should 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 polycentricity comprise morphological aspects as well as the flows between various centres. The current Structural Funds programmes 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 however mainly limited to activities under Interreg. Currently, Interreg is the only EU instrument promoting co-operation. Fostering cooperation between centres with similar development profiles across Europe in the context of the Structural Funds may support polycentric development.

## **2 Scientific summary of the concepts, methodologies and typologies used**

### **2.1 Key concepts**

The key concepts and the relevant policy discussions are described in more detail in the glossary section of this report. Suffice to say that the concepts of most relevance here have been:

- Territorial Cohesion, 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 and addressing the potential, the position and the relative situation of a geographical entity
- Cohesion policy = policy aiming at achieving cohesion (increasingly understood in the broader sense of 'territorial cohesion'), elements of this policy include both Structural Funds policies and territorial and spatial development policies more broadly (both in terms of national and European policy)
- European spatial policy = any EU policy which is spatially specific or is in effect spatial in practice' and includes any policy which seeks to influence land use planning or spatial strategy making within member states (e.g. Williams 1996). Central to the emergence of this policy field has been the adoption of the ESDP.
- Polycentric development = operationalisation of territorial cohesion for the purposes of this study, which addresses the aspects of morphology, accessibility, functional specialisation and co-operation links of an area, each of which has a scale dimension to it, i.e. micro, *meso* and macro levels.
- Territorial effects = effects that a specific policy intervention has on the position and development of a specific territory. These can in turn be divided into DIRECT effects = effects discernible amongst those directly targeted by the intervention/investment in question and INDIRECT effects = broader effects that are also discernible amongst those that have not been the direct addressees of the intervention in question.

#### ***2.1.1 Polycentricity: a bridging concept between competitiveness and balance***

The concept of polycentric spatial development can best 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.' This bridging effect is also distinguishable in 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 of competitiveness.

Following the ESDP, polycentric development implies the encouragement of 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 to focus on potentials (e.g. possible specialisations in the world market) and less on problems. Furthermore, it also implies an integrated territorial approach, where small and medium sized cities are viewed as the motors of regional development.

For this study the concept of polycentric development has been operationalised by breaking it down into four key dimensions:

- *Morphology – settlement patterns*

The most prominent dimension of polycentric development relates to settlement structures, i.e. the distribution of population over a territory. The question of where smaller, medium sized and larger cities are placed relates to migration tendencies and inertia, and as such this is a factor that is difficult to influence through the Structural Funds. Moreover, these trends are such that the influence of any particular policy instrument will only become visible in the long run.

- *Transportation links and accessibility*

Polycentric development is also about the connections between nodes in a polycentric pattern. In particular, the question of proximity and accessibility with regard to co-operation and competition between activities placed in different nodes emerges. It is here that the Structural Funds can exercise significant influence through their support for infrastructural investments.

- *Functional socio-economic specialisation*

Undoubtedly the main reason for co-operation or competition lies in the attractiveness of a place, and thus in its specialisation. Thus the aspect of the socio-economic specialisation development of key competences and clusters needs to be considered. This aspect can also be influenced through the Structural Funds, in particular with regard to the aim of structural change etc.

- *Co-operation*

Whereas accessibility and specialisation target the potential for the development of relational and functional polycentric development, its network 'embeddedness' further illustrates the use of such potentials. This aspect is however rather difficult to measure. Nevertheless, as the Structural Funds – not least through the Community Initiative Interreg – address this issue, it needs to be taken on board.

Furthermore, polycentricity 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:

- *Polycentricity at the regional/local level*

The aim here 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.

- *Polycentricity at the trans-national/national level*

The aim here 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 for 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 mass, a national urban centre must also show sufficient specialisation within the national urban system, and thus demonstrate integration into the national urban system.

- *Polycentricity at the global/European level*

The aim here 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.

Bearing in mind the relational approach to polycentricity, 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 polycentricity 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 they have adopted a specific specialisation that 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 polycentricity.

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 that 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 where included as indicators of polycentric development.

### ***2.1.2 Spatial concepts and the Structural Funds: a problem of scale?***

Having defined the meaning and scope of the concepts under analysis, 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 the 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 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 following chapters, these themes are now central to current Structural Fund programming, although it is fair to say that this has occurred relatively recently in terms of them being designated as explicit policy objectives.

These points apply also when considering territorial cohesion delivered by the Structural Funds at the national and regional/local policy scales. It is however 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 of past and current Objective 2 programmes concerns 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 the Lombardy region in Italy, for example) making it difficult to pursue the objectives of balanced regional growth and competitiveness. This problem is further exacerbated in some cases by growth poles being 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, thus increasing the likelihood of a dispersion of effort and a lack of policy efficiency. Generally speaking, it is difficult to envisage the Structural Funds as having an effect on territorial cohesion where the delimitation of eligible areas results in fragmented maps, unless their strategies are explicitly targeting territorial cohesion related objectives and are used as a lever for converging national policies in this direction.

Moreover, any attempt to uncover the implications of the Structural Fund programmes on territorial cohesion at the national level has proven rather 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 high relative growth rates have also witnessed an increase in internal regional disparities (i.e. Germany, Spain, Ireland, Portugal, the Netherlands, Sweden and Finland).

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 of structural adjustment measures. This point has become even more crucial after the enlargement of the Union, after which one third of the EU's population now lives in countries with a GNP *per capita* below 90 percent of the EU average, compared to a figure of one sixth in the EU15. The ratio of income *per capita* in the top and bottom 10 percent of regions has also increased from 1:2.6 in the EU-15 to 1:4.4 in the EU-25. As accession has also led to a reduction in average employment rates as well as to increases in the unemployment rate, regional disparities measured in both indicators are also likely to rise in the enlarged EU.

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 polycentricity, 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.

## **2.2 Methodology**

The project has been organised into thematic Working Packages, as described in the figure and the descriptions below. The main tasks were to map Structural Funds spending, formulate a hypothesis on the factors influencing the achievement of territorial cohesion across the European space in term of the effects and impacts attained through Structural policy, and to test the hypothesis for territorial cohesion in a variety of dimensions where

these effects may be relevant. The working hypothesis has been that whilst the main goal of the Structural Funds has been economic cohesion, the Structural Funds may also contribute to the aims of balanced territorial development, as well as to polycentric development in the course of their drive for economic cohesion.

In order to test the hypotheses and provide a comprehensive picture of the potential territorial processes by which the territorial effects of the Structural Funds may be promoted, a further set of working hypotheses were produced, including:

- It is possible to identify explicit and implicit coherence between the objectives of the Structural Funds programmes and territorial cohesion
- The Structural Funds also contribute to territorial cohesion as regards their method of implementation and governance
- The Structural Funds contribute to territorial cohesion both directly (in terms of policy aims) and indirectly (promotion of new thinking, governance methodology and transnational links)
- Trends in national regional policies indicate a partial convergence with trends in European regional policies in support of territorial cohesion. The Structural Funds alone cannot deliver territorial cohesion (even if they were explicitly targeted)
- The territorial effects of the Structural Funds can be qualified, though only in some cases can they be quantified.

In data collection terms, the project followed a two-fold approach. Firstly, the project worked with the European-wide picture of the Structural Funds, presenting overall findings on their spatial implications. In the second step, the work focused on in-depth analyses of specific aspects and areas in order to discuss a more detailed picture of the territorial effects and impacts of the Structural Funds.

The territorial impact assessment of the Structural Funds has in this project been approached from three directions:

- *Territorial Development*

Working Packages 3 and 4 dealt 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 the Structural Funds were mapped. Assessments were carried out regarding the coincidences between Structural Fund spending and spatial developments in terms of GDP, demographic change, changes in the relative economic position of a region (economic concentration) and transportation.

- *Governance and Policy Development*

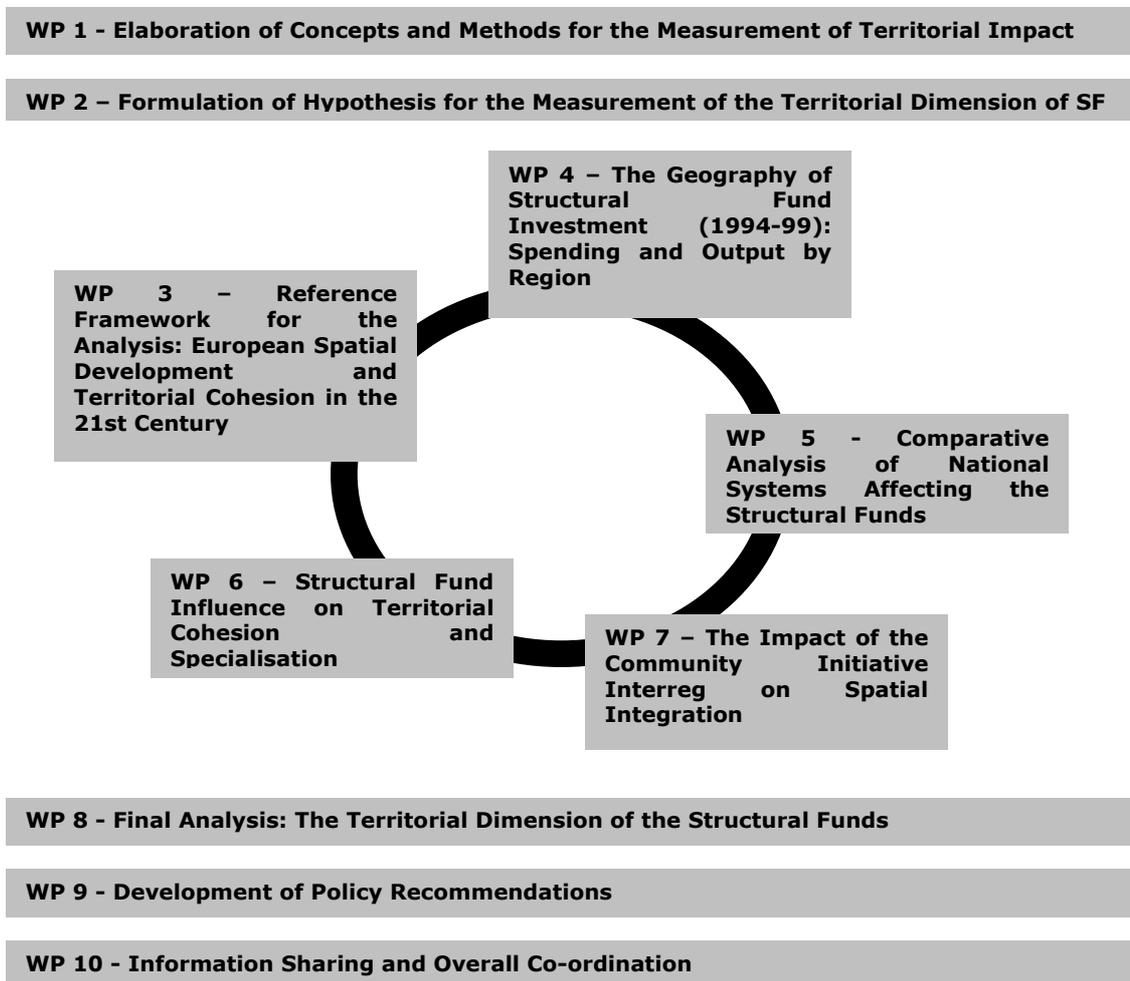
Working Package 5 partly drew upon the work carried out in Working Package 2, which developed the analytical approach to the policy dimension. This comprises the governance of the Structural

Funds in the various countries, as well as their conformity to national policies. The aim here was 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, reported in the Annex Report C of this final report.

- *Causal Links*

Comparing actual spatial development patterns to Structural Fund investment by region shows where development and investment coexist. This does not however allow for conclusions on the causal links between them. In order to pin down the territorial effects of the Structural Funds and to investigate further the causalities involved, 15 case study regions were studied with regard to their causal relations.

Figure 2: Organisation of working packages



### **2.2.1 Hypothesis for the measurement of the territorial dimension**

In the formulation of the working hypothesis on the territorial impact of the Structural Funds (Working Package 2), an attempt was made to better understand past and current Structural Fund programmes' strategies and implementation mechanisms and their potential for improving the Union's territorial cohesion (and polycentricity). This necessitated the adoption of a shared definition of territorial cohesion (and of polycentricity) and then the establishment of:

- *How past programmes took territorial cohesion into account*
- *What territorial effects were delivered (qualitative assessment)*
- *How the current programmes (2000-2006) took into account the different aspects of territorial cohesion*
- *What territorial effects were likely to be delivered by current Structural Fund programmes*

#### **Review of the evaluation documents on the 1994-99 programmes**

The study of past programmes was conducted by 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 the case studies a more explicit connection to the current programming period was also made, with evaluation reports forming part of the empirical material used in order to chart the perceived changes and effects from the previous programming period to the current one (and beyond).

#### **Analysis of current Structural Fund programmes (2000-06)**

The review of the current Structural Fund programmes was also conducted by means of extensive desk-bound research. This also encompassed a preliminary review of trends in national regional policies, where country experts were used on a sample of Structural Fund programming documents and complements. The analyses, 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 that which the table below would have anticipated), in order to cover both language areas.

Table 3: Selection of the number of programmes per country – rationale

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

The selection of the programmes to be analysed (listed below) was undertaken in accordance with the results of the EPRC/Nordregio research on the Objective 1 and 2 programmes. Those programmes that had demonstrated a higher degree of integration in terms of ESDP Policy Guidelines and, in particular, of the theme of polycentricity, were selected. 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 (included in Annex Report A), the cross-European analysis presented in this report was conducted.

Table 4: Selected programmes for analysis

	Objective 1	Objective 2	
<b>Denmark</b>		Denmark	1
<b>Luxembourg</b>		Luxembourg	1
<b>Austria</b>	Burgenland	Steiermark	2
<b>Finland</b>	Eastern Finland	South of Finland	2
<b>Sweden</b>	Norra Norrland	Norra	2
<b>The Netherlands</b>		Stedelijke gebieten, Ost Nederland	2
<b>Ireland</b>	BMW and South East		2
<b>Belgium</b>	Hainaut	Meuse-Veustre + Antwerpen	2
<b>France</b>	Reunion, NP de Calais	Alsace	3
<b>UK</b>	West Wales, South Yorkshire/Northern Ireland	West of Scotland	3
<b>Germany</b>	Thuringen, Sachsen, Sachsen-Anhalt	NRW	4
<b>Greece</b>	East Macedonia-Thrace; Ionian Islands, South Aegean Islands, Epire		4
<b>Spain</b>	Galicia, Valencia	Catalunya	4
<b>Italy</b>	Sicilia, Campania, Puglia	Toscana	4
<b>Portugal</b>	Norte, Centre, Alentejo, Lisbon		4
<b>Total</b>			40

### **2.2.2 Reference framework for the analysis**

A major aspect of the work here concerned the development of typologies relating to GDP spending and to the growth of GDP and Structural Fund spending. Furthermore, efforts were also made to relate the results of this project to the regional typologies developed by ESPON 1.1.1 (Polycentric development), ESPON 1.1.2 (Rural-urban) and ESPON 1.2.1 (Transportation). This resulted in the creation of a number of tables and maps that are reproduced elsewhere in this report.

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, or to a given geographic scale of observation. 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 new accession and the remaining Candidate Countries. GDP *per capita* gaps can be so dramatic in some instances here 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, or 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 enabling us to better understand the performance of each region. Moreover, an 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 macro-regions) could also be undertaken to learn more about relationships that are, to many people, at the forefront of European integration. In addition, undertaking intra-regional analysis for some case studies would be an interesting way of exploring why the gaps between counties or cities (or perhaps even neighbourhoods in the same municipality) are higher than gaps at other scales. The general lack of GDP data at the appropriate scale has however hampered attempts to carry out such an analysis.

All of 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 digest.

### ***2.2.3 The geography of Structural Fund spending, 1994-99***

The mapping of the geography of the Structural Funds spending for the period 1994(5)-1999 consisted of the following specific steps:

- *Checking data availability on the EC, national and regional levels,*
- *Data gathering on 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 the development trends and the physical outputs of the Structural Fund programmes.*

#### **Data availability and sources**

The main challenges of the project were initially concerned with data collection. In order to facilitate the data gathering process and the information search at the national and regional levels, a 'wish list' was prepared, explaining in detail the data requirements (detailed programmes, projects) and giving preliminary indications of where to find the national data on the web. In general and if available, the Structural Fund spending data should reflect:

- *Amounts in Euros.*
- *Final allocation (instead of initially planned resources)*
- *Structural Fund participation (instead of the total budget of the programmes or projects), where necessary determined through percent 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 following data sources and information resources were used in this context:

- *CEC reports and official information on the Structural Funds, the Cohesion Fund, and 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 turned out however to be rather inconclusive. On the one hand, ample information was found in respect of each kind of EU expenditure, per fund involved and per Programme. On the other hand however, this information was 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. On occasion, a whole region was eligible for funding, while at other times only parts of a region were so eligible. This affects the funding *per capita* figures on the NUTS III level. 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 was the lack of final expenditure data, as in some countries the programmes were still to be closed or to be revised, with official data therefore being unavailable at the time of the drafting of the report. Given this fact, the national experts in some cases 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 Euros. This particular problem was however solved by using a common timeline for converting national currencies into ECU and Euros.

### **Data treatment and description**

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

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

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

- *Closer analysis of the 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 further consideration 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 analyses 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 is comprised of one overall database, which was used to transfer the data into a Geographical Information System and so allow the mapping of the data. At the same time, EXCEL sheets for each country were developed which facilitate the data introduction for the national experts. In order to test the adequacy of the tool, a pilot study of the Structural Fund spending data for Spain and Sweden was carried out. After checking the tool, it was disseminated among the national experts in April 2003.

The final 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 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.

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 to trace. Indeed, the reason for omitting a number of programmes is simply the lack of consistent data. For Objectives 1, 2, 3, 5b and 6 we have obtained the most consistent and comparable data in order to accomplish the analysis.

In addition, the developed categories of the spending typology correspond to the availability of consistent data. In some cases more precise distribution data has been available for a selection of regions, but here the need was for comprehensive European level comparable data. Therefore this rough typology was developed in order to allow general insights into the type of spending. This information has however to be treated cautiously, as it does not reflect topics covered at programming or measure level, and in certain cases different funding sources are collapsed into one category, e.g. in the case of Objective 5b both ERDF and EAGGF funding are considered as 'rural development'.

Furthermore, the funding information was not always available at the NUTS III level. In such cases the available funding data was then distributed to the NUTS III regions relative to their population share. As such, these figures are partly proxies. The precise procedure and sources used in the single countries are described in the national reports, which are to be found in the annex. The final information contained therein has been double checked with the national experts, in order for us to be confident that the information is sufficiently robust to provide the basis for the later analysis.

Table 5: Structural Fund spending typology

<b>TYPE OF SPENDING</b>	REGIONAL DEVELOPMENT, PRODUCTIVE INFRA-STRUCTURE <b>R</b>	AGRICULTURE, FISHERY, RURAL DEVELOPMENT <b>A</b>	SOCIAL INTEGRATION, HUMAN RESOURCES <b>S</b>	BASIC INFRA-STRUCTURE, EUROPEAN COHESION <b>C</b>	INNOVATION AND EXPERIMENTAL SPENDING <b>I</b>
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"/>

Source: ESPON 2.2.1

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. The database was used in the compilation of a series of national reports that were then distributed among the national Structural Funds experts. The expert responses to the national reports were then used to improve the database at the NUTS III level.

Finally, the potential data availability of Structural Fund spending during the current period was investigated, with the results of the investigation showing that the effort needed to also collect data for the current period would imply an extension of the tasks envisaged in the tendering document, which would, in itself, neither add to the quality of the study nor be feasible within the given budget.

#### ***2.2.4 Comparative analysis of national regional policies***

European regional policy is not the only instrument for the support of less developed regions, rather it is complemented by a range of other instruments, including spatially discriminating policies (like urban policy or rural policy), a range of sector policies (for example, policies for R&D or innovation) and the regionalised allocation of public expenditure (for example, expenditure for the health sector, education and so on). Therefore it is clear that national policies entail implications for the achievement of increased cohesion within the Union, including territorial cohesion, as has been outlined in the Third Report on Economic and Social Cohesion, published by the European Commission last February.

More specifically, in addition, European regional policy is in many countries merely a component of explicit regional policy: national regional policy is often implemented alongside the interventions co-sponsored by the European budget through the Structural and Cohesion Funds, not least in the form of aids to firms in areas that are eligible for regional support under Article 87(3)(a) and (c) of the EC Treaty.

In order to address the potential of the Structural Funds to deliver increased cohesion in these circumstances, the analysis of European regional policy undertaken for the Second Interim Report was supplemented by an examination of the national regional policies implemented in each Member State (Working Package 5). The research for this part of the ESPON 2.2.1 project was led by EPRC and was conducted through different stages and with different inputs from both the project's country experts and EPRC's country experts.

The work undertaken can be summarised in two main tasks:

First, **a review of current national regional policy characteristics in the EU15**; and Second, **a categorisation of countries** according to

- a) The interrelationship between national and European regional policy, and
- b) The inclusion in national regional policies of a spatial dimension, and of the concepts of territorial cohesion and polycentricity.

The review of the main characteristics of national regional policy across the EU15 was undertaken by EPRC. The output of this review is the country fiches?? on National Regional Policy in each one of the 'older' EU 15 Member States. These country fiches discuss the following: (i) a brief historical contextualisation of the current approach to regional policy in each country; (ii) the strategies of national regional policies; (iii) the main instruments; (iv) the spatial targeting of national regional policy; and, the governance of regional policy in each country. The comparative work carried out here led to the identification of a typology based on three groups of countries: countries where national regional policy is separated from European regional policy; countries where the two policies are coherent; and countries where the two policies are overlapping. This classification was undertaken by looking at the following issues:

- *The overall strategic approaches of national as opposed to European regional policies implemented in each country (economic development programmes in the regions, programme based, or aligned to Structural Funds);*
- *The policy content (equity vs. efficiency);*
- *The spatial targeting, i.e. the philosophy of spatial targeting (all regions vs. spatial targeting), and the outcome of the spatial targeting exercises (i.e. the degree of overlap between state aid and Structural Fund designated maps);*
- *The policy instruments (same instruments, national instruments mainly co-funded, national instruments mainly non co-funded)*
- *The governance of national regional policy vis-à-vis European regional policy in each country (in terms of territorial level of responsibility and competent agents).*

The three groups identified regarding the interrelationship between national and co-funded regional policies in the countries under examination, were finally matched with the assessments made on the inclusion of territorial cohesion and polycentricity by the country experts, providing insight on the overall spatial approach of regional policy in each country and at a pan European level.

### **2.2.5 Thematic case studies**

Case studies were undertaken in order to provide us with more empirical data and concrete examples in responding to the two key research questions addressed in this project, i.e. *firstly, what (if any) can be seen to be the territorial effects of the Structural Funds implemented in 1994-1999 in the case regions in question, and secondly, what (if any) is the relationship between these effects and territorial cohesion and polycentricity.*

The key underlying assumptions here were:

- *The main focus of the case studies concern explanatory factors as regards the relationship between the spatial performance of a region and the type of Structural Funds investments, as well as the overall amount of funding.*
- *The case studies were intended to highlight the consistencies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework.*

Both of these issues were considered in relation to territorial cohesion and polycentricity, which have been key concepts throughout this study and therefore provided the epistemological and conceptual backbone of the study.

In selecting the case studies, the first step was a closer investigation of the database of the Structural Funds and Cohesion Fund spending data during the period 1994-1999 for all NUTS III regions in the EU15, in order to identify regions that could provide interesting observations as to the degree of funding, what kind of funding they received and their economic performance in relation to the EU15 average. Thus the following five criterion were used to identify and select the regions:

1. *High* Structural and/or Cohesion funds spending *per capita* and no or **negative** change in GDP (PPS) relative to the EU15 average 1996-2000 indicator (GDP index).
2. *High* Structural and/or Cohesion funds spending *per capita* and **positive** change in GDP (PPS) relative to the EU15 average 1996-2000 indicator (GDP index).
3. *Low* Structural and/or Cohesion funds spending *per capita* and **positive** change in GDP (PPS) relative to the EU15 average 1996-2000 indicator (GDP index).
4. High Structural Fund spending *per capita* for each of the spending types (R, S, A, CT, CE)
5. High relative Structural Fund spending *per capita* for each of the spending types (R, S, A, CT, CE)

All in all, thirteen categories were created from these five criteria, as different regions were selected for each of the 5 spending types. To begin with, regions that were statistically interesting for each of the thirteen categories in an EU15 context were identified, and not surprisingly, only regions in countries eligible for support from the Cohesion funds, together with the eastern part of Germany emerged as 'interesting' in the context of this exercise. The aim of the case studies was however not only to look at the regions that had received the highest total sums of financial support from the Structural Funds and/or the Cohesion fund, but rather to identify and highlight the consistencies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework more broadly. Therefore a similar exercise was performed for each of the EU15 countries (except Luxemburg). Two to thirteen NUTS III regions were selected for each country, depending on how relevant each of the thirteen categories was considered to be. The criteria used to identify regions, i.e. what was considered to be high or low spending *per capita* and/or change in GDP index, varied considerably between the different countries, as this question was related both to the overall EU comparative dimension and to the national context (ensuring also that regions that have performed particularly well or particularly poorly in the national context would be investigated, not simply the high expenditure regions. A more mechanical financial exercise was then accompanied by a qualitative selection process in order to identify cases that would be interesting and would provide us with the maximum of both geographic and thematic coverage across the EU15. Here the Structural Fund spending, GDP development and substantive policy concerns were all addressed, together with the typologies of ESPON 1.1.1, 1.1.2 and 2.1.1.

The case studies selected thus included: Norrland, Lappi, Madeira, Cantabria, Toscana, Calabria, Lakonia, Centre, Southern and Eastern Ireland, Highlands and Islands, Sachsen

(Leipzig – Leipziger Land), Grevena, Catalunya, Extremadura and Wallonia. The actual analysis undertaken in each case was based on both qualitative and quantitative data.

The focus of interest with each of the case studies was elaborated, both in terms of the financial relevance of the Structural Funds within the region in question and in terms of other characteristics of interest, which also took into account wider concerns with the integration and synergy between national and European level policies, as well as the role of the region in terms of European polycentricity. As for their role in the wider spatial system, the role of each case study region in relation to polycentricity at the European, national or regional level in general, and in relation to the eight indicators used by ESPON 1.1.1, was taken as the starting point. This provided us with a functional profile highlighting the specialisation of the region as outlined in ESPON 1.1.1, as well as in the urban-rural typology developed in ESPON 1.1.2.

The national experts were tasked with identifying changes and trends in functional specialisation, and where possible asked also to delve into the social and environmental aspects, as well as providing indicators on industrial profiles and accessibility, where possible. Here both the status quo and future trends were to be addressed, relating the regionally specific trends to perceived international mega trends or driving forces.

### ***2.2.6 The impact of Interreg on polycentric development***

The project was to address the potential for trans-national regions within the Structural Funds context and here the project sought to assess whether Interreg IIC (and IIIB) contribute to the achievement of the aims of spatial planning policies, namely polycentric development and territorial cohesion.

In order to avoid duplication of work already carried out under the framework of other ESPON projects, the project team decided to concentrate on the **results** of Interreg projects, rather than solely on networking *per se*. In general, the most positive results are to be seen in the field of learning as illustrated by various evaluations, and thus the question emerges as to what degree such 'learning' can contribute to the achievement of polycentric development or territorial cohesion? This question can best be approached by analysing the increasing awareness of place-based opportunities and spatial positioning in both the trans-national and the European contexts. The basic question informing the research was, to what degree does Interreg contribute to the awareness of the idea of polycentric development in Europe, as advocated in the European Spatial Development Perspective (ESDP)? Polycentricity was here understood as a function of size, physical links, collaboration and the degree of specialisation of a city region. The possible learning experiences may have developed both as a result of the project organisation and co-operation, and as a result of the topic or specific investigations undertaken within the context of the project. Indeed it is often the case that these two aspects are interrelated.

At the outset it was decided to choose a well-established Interreg pilot area for investigation, i.e. Interreg IIC in the Baltic Sea Region. An initial scan of the projects, their

focus of work and in particular their networks was then carried out. This involved categorisations of the projects according to their thematic topics, the question as to whether they work on joint or common challenges and the composition of their project teams. Furthermore, a database with contact details for all project partners was also compiled. In parallel, a questionnaire was developed seeking to assess whether collaboration in an Interreg project increased the participants' awareness and/or understanding of polycentric development. The understanding of polycentric development was assessed according to the geographical level (*micro* – *meso* – *macro*) and the four dimensions (morphology – accessibility – socio-economic specialisation – co-operation). This questionnaire was first distributed to participants in Interreg IIC projects in the Baltic Sea Region, and in the second instance after the pilot study was finalised, the geographical scope of this exercise was broadened to include the North Western Metropolitan Area (NWMA), the Central European, Adriatic, Danubian, South-eastern European Space (CADSES) area, as well as the Atlantic Arc, the Western Mediterranean (MEDOCC) and South West Europe (SUDOE). The final results of these comparative exercises are reported in Annex C of this Report.

### ***2.2.7 Development of policy recommendations***

As noted above, there is a close interdependence between national and European territorial policies, as well as their governance systems and practices. The territorial policies are developed and put into practice on various levels, thus necessitating a multi-level analysis. In a similar fashion to polycentricity, depending upon the context and territorial level within which it is applied (i.e. the *micro*, the *meso* or the *macro* level), the territorial policy measures also have this in-built dimension of scale. This is why it was necessary to develop policy recommendations that would take into account the scale and multi-level governance dimensions.

## 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, and on relations to regional GDP *per capita*, changes in regional GDP are used to further develop an analysis showing the first steps towards the development of the typologies. This specifically relates to the work on 'hot' and 'cold' spots in the case studies. Typologies also relate to the policy styles and content, as well as to the governance of the Structural Funds, including:

- Strategic approach to European regional policy and national regional policy, their degree of integration, as well as the relationship between national regional aid and Structural Fund maps (area designation): separated, coherent and coincident
- Policy content of regional policies: including **equity** – predominance of support for problem regions, e.g. job and income; **mixed** - compromise between two aims and **efficiency** –focus mainly on competitiveness and endogenous growth
- Typology of regional policy instruments: Regional incentives, Interventions for the business environment, Infrastructure provision and Regional strategies, which are, as above, separated, coherent and coincident.
- The relationship between national and European regional policy governance: as above separated, coherent and coincident.

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

## 2.4 Indicators

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, which amounts to approx 93,5 percent of the Structural Funds spending during the previous period. The project lead has decided not to collect any further data for the 1994-99 period, as based on discussions with the national experts and other information sources this would be unlikely to significantly raise the data coverage.

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 and III levels.

Structural Fund spending during the 1994-99 period at the NUTS III level divided into

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

Following the tender, it was not planned to extend the data collection to the current programming period 2000-2006 and there were no resources for so doing. Please note that the collection of spending data for the previous period required most of the time and resources spent during the first year of the project. Furthermore, data for the current period would be of little use as there is no spatial development data to compare it to, nor can spatial impacts be effectively assessed at such an early point in programme implementation.

### 3 Networking within the broader ESPON programme

The ESPON 2.2.1 team has sought to co-operate in order to best utilise the expertise of the partner institutions. The main instruments of networking, in addition to day-to-day contacts, were the TPG and core team meetings held in Stockholm (project kick-off meeting in February 2003 and in November 2004, the second of which was held back-to-back with the "ESPON and the Nordic countries" seminar organised at Nordregio), Budapest (core team meeting in June 2003, in connection with the Fifth European Conference on Evaluation of the Structural Funds, organised by the European Commission) and Barcelona (November 2003).

The project team has made considerable efforts in respect of networking with 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**

*In particular with regard to the conceptual debate and to the work on tentative policy recommendations, a good level of co-operation, which in part also involved methodological discussions was achieved with ESPON 3.1.*

- *Structural Funds related co-operation:*

#### **ESPON 2.2.2 – Pre-accession aid**

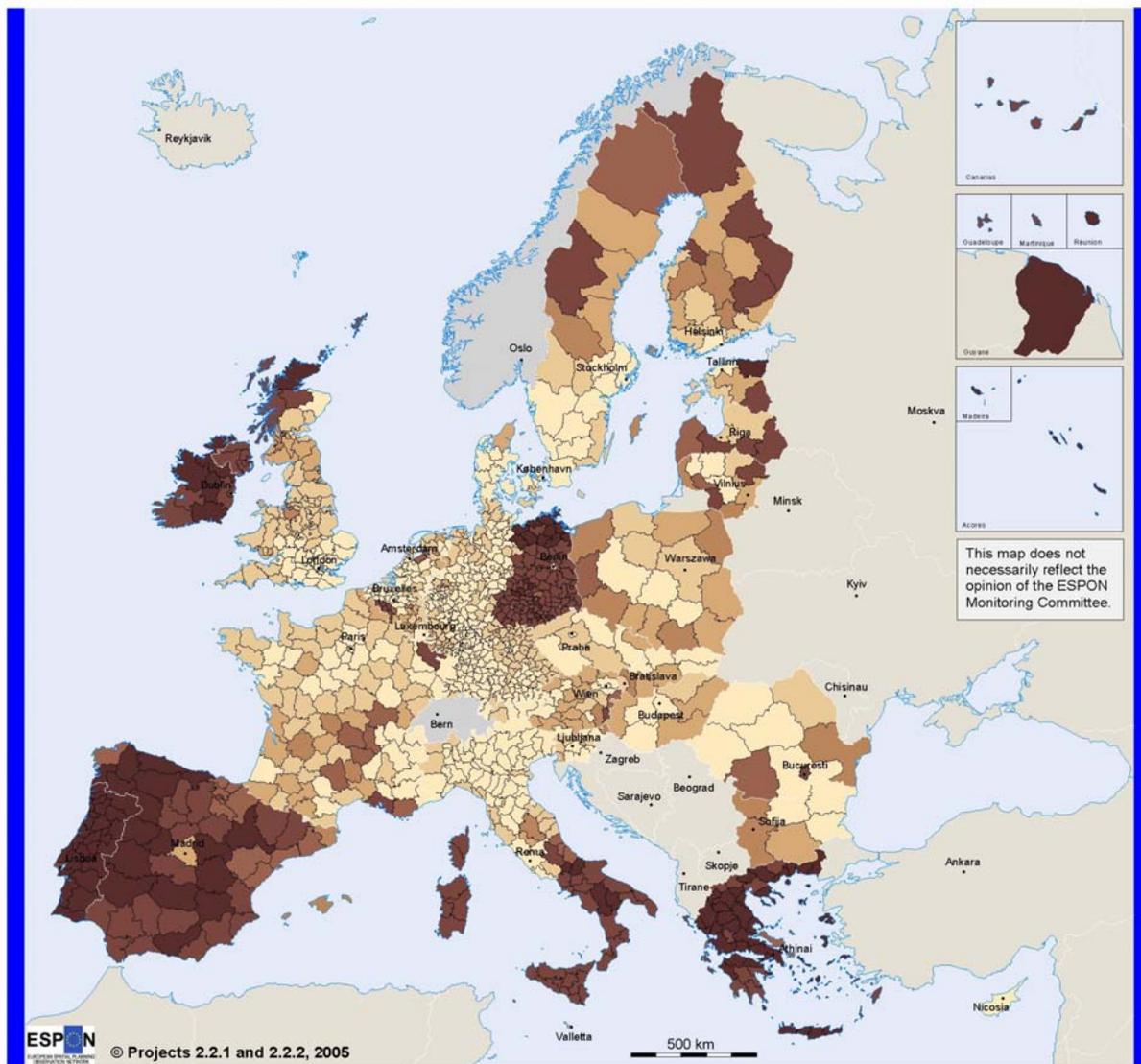
*The project design and the methodological approaches of ESPON 2.2.1 and 2.2.2 are similar. For this reason, a good level of co-operation and a useful exchange of experience were facilitated. This relates in particular to methodological debates and to the work on the formulation of a working hypothesis involving meta-evaluation exercises and the review of current Structural Funds programmes.*

*The common mapping exercise with ESPON 221 and ESPON 222 shows the picture of annual Structural Fund or pre-accession aid spending at a particular moment in time, as a share of regional GDP in euro. Needless to say, this provides us with a mere snapshot picture at a particular conjuncture of macro economic development.*

*There are however some more general observations that are shared by our project and the 222 on pre-accession aid, most importantly the focus on the need for institutional capacity as a prerequisite for successful implementation of programmes and projects. In order for the resources to be effectively used, interventions should be concentrated to the regions most needing them, after having made sure that such funding is managed in ways that allow results, effects and impacts to emerge and sustain themselves.*

Map 6: Annual average SF and pre-accession aids spending, as a share of regional GDP in Euro, 1999

**Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)**

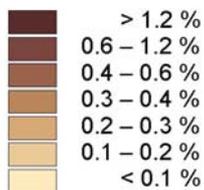


Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)  
 NUTS2: BG, CZ, HU, MT, PL, RO; all other countries NUTS3

Geographical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, IRS, ESPON database



### **ESPON 2.2.3 – Structural Funds in urban areas**

*After the Second Interim Report, co-operation between ESPON 2.2.1 and 2.2.3 was reduced to aspects of information exchange. This relates specifically to the design and analysis of case studies, as in both projects, case studies on the territorial effects of the Structural Funds have been carried out.*

- *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 was established. The focus here is mainly on conceptual discussions, with this resulting e.g. in the use of the ESPON 1.1.1 typology on functional urban areas in this project. However, joint discussions also involved the further 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 to be an essential element in the analysis of the use of the Structural Funds. Accordingly, there have been intense discussions with our partners from ESPON 1.1.1 focusing mainly on the conceptual and typology work.*

#### **ESPON 1.2.1 – Transportation**

*Transport infrastructure and accessibility are important aspects when it comes to the territorial effects of the Structural Funds. Thus the overlap of partners working in these projects has undoubtedly facilitated the smooth flow of information and a broader understanding of the issues involved.*

The Terms of Reference for this project, the *Addendum*, the ESPON Crete, Matera, Lillehammer and Nijmegen Guidance Papers, as well as the official response to the Interim Reports, have all contributed to shaping the framework of this project. All are integrated into the work carried out for this report.



# **PART B**

## **4 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 analyses the connections between the Structural Funds and wider spatial policy themes, in light of the terms and concepts provided by the conceptual framework of ESPON. A more detailed description is provided in the Annex report B.

*Firstly*, a summary analysis of the strategies of the Structural Funds programmes of the previous (1994-99) and current (2000-06) period is provided. A review of thematic evaluations of the previous period and programmes as well as the programme complements of the current period allows us to estimate to what degree Structural Fund strategies are in line with the policy aims and concepts provided by ESPON.

Strategies however only reflect intentions. Therefore, we will *secondly* also discuss Structural Fund interventions during the previous period. We will attempt to do so 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 the 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 also the indirect effects of programme management and government have similar effects. Thus, we will also discuss the 'soft' and indirect effects of the Structural Funds, i.e. how the management of Structural Fund programmes has progressively been integrated into national policy contexts.

### **4.1 The spatial dimensions of Structural Funds strategies**

For the purpose of this study - understanding the territorial effects that the Structural Fund programmes have thus far delivered and are likely to deliver in the future - the timeframe taken into consideration is 1994-2006, i.e. that of the previous and current programming periods. In the following sections some conclusions on the strategies of past and present Structural Fund programmes for Objectives 1 and 2, and of the 1995-99 Objective 6 programmes will be provided. A more detailed description and analysis of these programmes is provided in the annex report B of this project.

### 4.1.1 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 a narrowing of the gap in GDP *per capita* between the Objective 1 regions and the rest of the EU from 64 percent of the EU average in 1993 to 69 percent 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 that over time made the programmes more coherent, albeit not intentionally, with the objectives of territorial cohesion (and, although less so, polycentric development). The programmes did not however explicitly target territorial cohesion 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 contributed 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, particularly 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 percent). In some programmes, especially in Austria and the Netherlands, emphasis was placed on R&D.*
- *Physical infrastructure – this represented a significant proportion of spending in Objective 1 programmes across Europe, accounting for about 11 percent of the funds. Spending was 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 particularly 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 programme strategies, such as the promotion of environmental sustainability/sustainable development, endorsement of equality of opportunity 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 an un-intentional element of the 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 rarely mentioned in the programmes.

Current Objective 1 programmes mainly target three major policy objectives:

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

Current programme 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. 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 potentially be argued that there are 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.

Even if coincidentally, current Structural Fund programmes do demonstrate a certain degree of policy coherence with the concept of territorial cohesion. The concept of polycentricity is however less visible in the strategies. Links to the concept of polycentricity 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 polycentricity 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. The national analysis and programme examples are provided in the Annex report B of this project.

### **4.1.2 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, the improvement of rural areas (e.g. several French programmes).

Almost all of 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. A more detailed analysis of the programmes and their strategic focus is provided in the annex report B of this project.

#### **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 did emerge, while more explicit strategic thinking introduced a number of changes, including an increasing 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 often than in the previous programming periods, programmes from across the EU now make reference to these horizontal themes at the level of the strategic objectives. Moreover, various forms of action designed to address the horizontal themes through the priorities and measures further enhance this.

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 however the eligible area is highly fragmented, requiring a multiplicity of separate targeted initiatives. One response to this has been the 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 in order to deal with this problem.

### **4.1.3 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 face: out-migration of young people, falling population, severe unemployment, a decrease in the number of available jobs, and 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. Nevertheless, 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. (Katajamäki, 2002)*

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. These include:

- *The diversification of the regional economy*
- *The enhancement of local competitiveness, attractiveness and quality of life for local communities*
- *The promotion of development of human resources*
- *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.

## **4.2 The sectoral discussion of interventions**

The Structural Fund programmes in the 1994-99 period were primarily concerned with income and job creation; as such they generally lacked an explicit territorial focus. There are however 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', 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 (contributing 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.*

## **4.3 The power of delivery mechanisms and the partnership principle**

### ***4.3.1 Structural Fund governance and delivery mechanisms***

As we have already noted, 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 been progressively integrated into national policy contexts. This has however proved to be a complex process and has thus occurred in different ways and with different characteristics in the various Member States.

Given the different domestic policy contexts and the different scale and scope of funding, the roles played by national governments, regional administrations and sub-regional actors are 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 at which this may occur.

### **Structural Fund governance**

In broad terms, and bearing in mind the fact 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 previous programming period, while in some countries such as Austria, Belgium, Germany, Italy and the Netherlands, Structural Fund programme management was devolved; in others, i.e. 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).

Table 6: Structural Fund implementation responsibilities (level of Managing Authority function). Period 2000-06

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

Table 7: The Taylor Model for Structural Fund Implementation

<b>Type of System:</b>	<b>Member State</b>	<b>Project Appraisal</b>	<b>Project Selection</b>
<p><i>Subsumed Systems:</i> 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 a 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>Austria, (Greece), Germany, (Luxembourg) (Portugal) Spain</p>	<p>Secretariat, expert panels and/or technical committees</p>	<p>Dedicated Structural Fund Committee</p>
<p><i>Mixed Systems:</i> Structural Fund decision-making is undertaken on the basis of pre-existing national administrative structures, however with procedures which give some visibility to Structural Fund programmes and interventions.</p>	<p>Finland, France, Ireland, Italy</p>		
<p><i>Differentiated Systems:</i> Can be found where Structural Fund programmes are considered to be separate instruments. Here, a range of economic development actors, through a discursive consultation process, develop Structural Fund policies, with applications then being 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>Belgium, Denmark, The Netherlands, Sweden, UK</p>	<p>Usually single competent authorities</p>	<p>Usually single competent authorities</p>

Source: Taylor, Bachtler & Rooney (2001), Op. Cit.

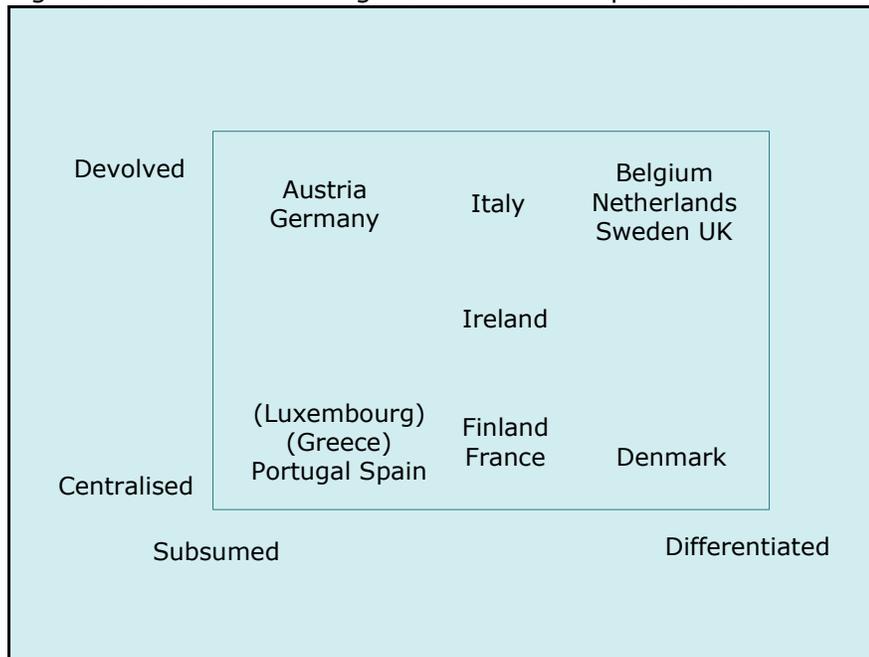
## Structural Fund delivery

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 et al. (2001?) 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 labelled, 'differentiated systems' and 'subsumed systems'.

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 helpful in understanding how differentiated the governance of Structural Fund programmes is pursued across the Union (see Figure below).

Figure 3: Structural Fund governance and implementation



The Structural Funds have also contributed to the blossoming of levels of governance lower than that of the regional level, through the creation of *ad hoc* organisations at the local level, usually displaying the functions of implementation and delivery (e.g. project generation and/or selection). This has occurred for example in two of the “new Member States” of the period investigated in this study, i.e. Austria and Finland.

#### ***4.3.2 Partnership, ‘bottom-up’ policy-making, the programming method: Improved policy integration***

Structural Fund programmes have encouraged cross-sectoral approaches to regional development through the introduction of partnership mechanisms of decision-making and by promoting local-level debate and action on policy priorities and interventions. 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. In this area then the Structural Funds have been an exceptional motor of innovation, often inaugurating practices and methods that have subsequently been exported into the national policy realm. Structural Fund programming has also, by favouring ‘bottom-up’ approaches to policy-making and delivery, contributed to increasing the potential for policy innovation at the local level.

More generally, prior to Structural Fund implementation in most countries there were no programme-based, multi-annual strategies for economic development. The Structural Funds thus represented a major improvement in the approach to policy-making in this area. 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.

## 5 The spatial dimension of the Structural Funds – the geography of spending

Structural Fund programmes have been drafted as regional economic development programmes. Past research stresses that while 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 with, or correspondence to 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.

Raising the question of the coherence between policy aims in the field of European (and national) regional policies and European spatial development policies is however of itself insufficient. As such, the assessment of goal coherence needs to be complemented by insights on the geography of spending, i.e. on which types of areas receive Structural Fund assistance.

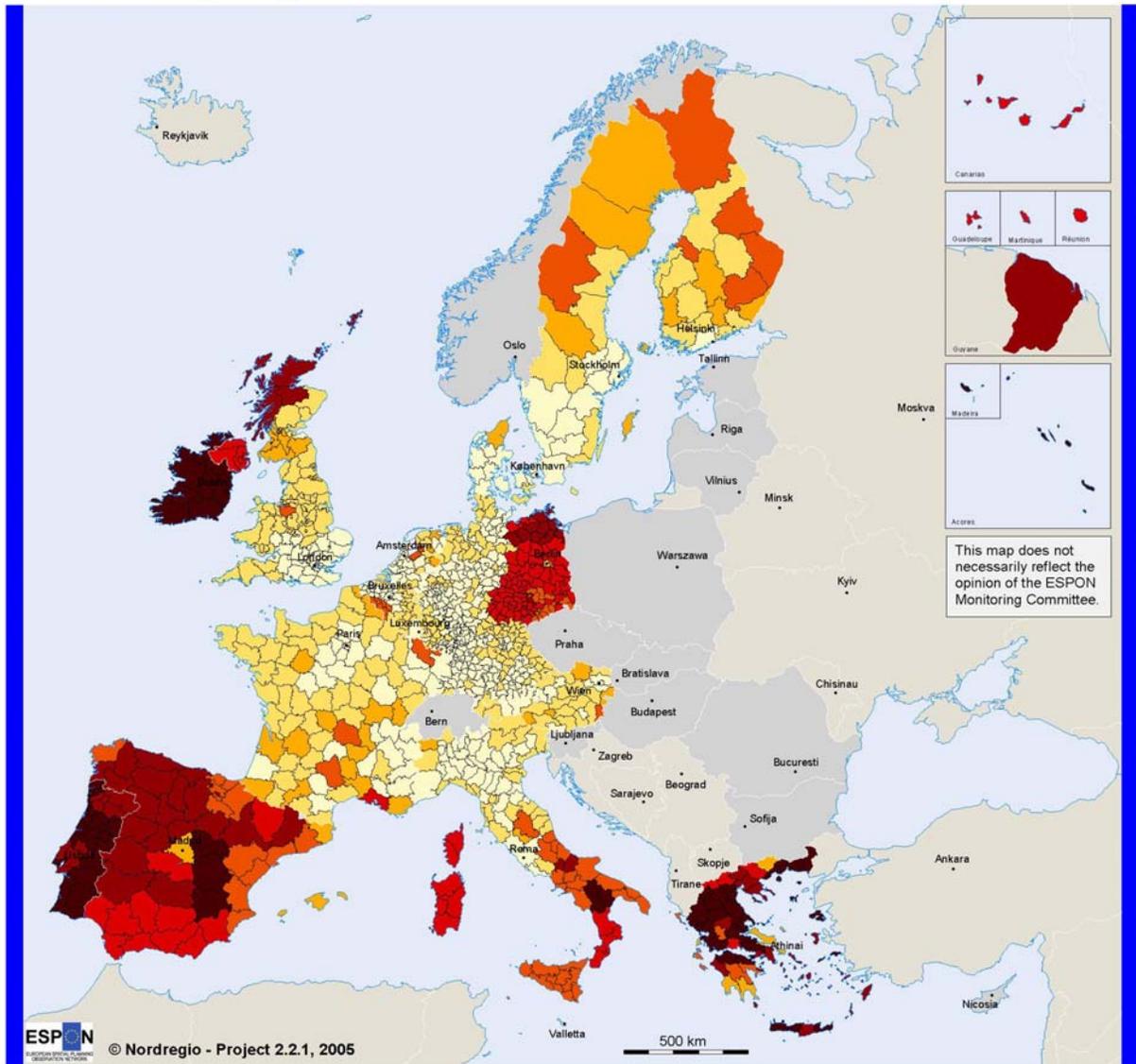
During this project extensive efforts were made to gather consistent data on the geography of Structural Fund spending during 1994-99. As such, it has been possible to localise in a consistent manner Objective 1, 2, 3, 5b and 6 assistance, which corresponds to approx 93.5 percent of the Structural Funds assistance. Furthermore, the Cohesion Funds have also been taken on board. The chapter on the working methodology provides a more detailed background to the way in which this data has been collected and systematised.

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).

In the following we will present an interpretation of the spending information and its territorial effects. When talking about territorial cohesion or polycentric development, it is however important to distinguish between development at different geographical levels.

Map 7: Structural Fund spending per capita 1994-99

**Structural Fund spending**

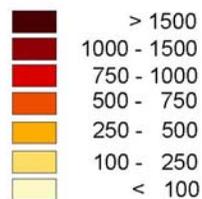


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

Whereas “regions” (on any level) are the primary spaces of Structural Funds action, during the period 1994-99, cohesion predominantly occurred at the inter-national rather than the region level, with interregional cohesion not being manifest to any large extent. Furthermore, the smaller the measuring unit, the less movement towards interregional cohesion can be observed. Partly then, cohesion seems to carry a fractal dimension to it which is somewhat analogous to the famous Steinhaus Paradox. This is exemplified by the distribution of GDP (adjusted for purchasing power) in 1995 and 2000 across the EU15 (Table ). The Dissimilarity Index is the sum of the differences between the share of GDP and the share of regions, providing an indication of how evenly (in this case) GDP is distributed across all European regions. The value *0* would indicate that all regions have a similar GDP, while the value *1* would indicate a contrary situation.

Table 8: Dissimilarity indices of GDP in PPS in 1995 and 2000 at NUTS 0, 2 and 3

EU15 at:	<u>Dissimilarity index</u>		Units change 1995-2000	indicating:
	1995	2000		
NUTS 0	0.465	0.460	- 0.005	increasing cohesion
NUTS 2	0.339	0.341	+ 0.002	decreasing cohesion
NUTS 3	0.531	0.620	+ 0.089	decreasing cohesion

Source: New Cronos

At least for GDP then the trend alluded to above seems to have been corroborated. Simply by adjusting the scale of analysis we can observe varying degrees of cohesion. This constraint is important to keep in mind when analysing socio-economic development across the European territory. Another aspect to this is that the measurement example above does not disclose any *spatial* patterns whatsoever in the distribution of GDP or in changes to it, for which numerous other methods, which need not be described here, are available.

A second constraint relates to the existence of the much sought-after estimations of the actual *spatial effects* of Structural Fund interventions. The largest restriction here lies in the impossibility of establishing causal relationships between the variables, other than through the use of simple macroeconomic statistical exercises. Given the relatively limited amount of available input information across the entire EU15 territory, this task is however better suited to the case studies presented in chapter 6 of this report. Thus the main issue in respect of measuring the impact of the programmes’ on the European territory remains in the background, while in the meantime we are forced to simply study the relations, correlations or coincidences between the variables.

Nonetheless, the discussion on spatial development concepts, such as territorial cohesion and polycentric development, illustrated that these concepts often display their 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 best illustrated by looking at the geography of Structural Fund spending according to the types of Functional Urban Areas identified by ESPON 1.1.1. In order to bolster the 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, so that they can improve on their competitiveness. For improving trans-national, e.g. Baltic Sea, and national polycentric urban systems (*meso* level) it seems more plausible however 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.

An assessment of 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 functional urban areas of local or regional importance, less than 20 percent went to the *meso* level, approx 10 percent to the *macro* level and approx 15 percent to areas not categorised 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 percent 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 9: Structural Fund (SF) assistance for different types of functional urban areas.

	<b>International FUA</b>	<b>National FUA</b>	<b>Regional/Local FUA</b>	<b>Non FUA</b>
SF spending <i>per capita</i> 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, fisheries, 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
Cohesion Fund 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.<sup>2</sup>

## 5.1 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 channelled to the needier areas. (Bachtler/Taylor 2003:15)*

This is illustrated by the traditional focus on less favoured areas and on very small designation areas.

Within the ESPON 2.2.3 projects, attempts have been made to analyse the territorial effects of the Structural Funds in urban areas, i.e. at the *micro* level. The assessment of the Structural Funds in different types of urban areas however presented a rather fragmented picture.

Another approach might be to follow the overall policy ideas underlying ESPON and look into Structural Fund assistance at the *micro* level according to whether it goes to regions that are of a polycentric nature or not. With this in mind, the ESPON 1.1.1 project developed a typology of regions that considered the degree of demographic equilibrium between the two largest functional urban areas influencing a NUTS II region. Thus it became possible to identify the regions that were mainly under the influence of one single urban area – i.e. monocentric – or influenced by two or more urban areas – i.e. polycentric.

<sup>2</sup> 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 area, the Structural Fund assistance has been divided according to the number of functional urban areas present in the NUTS III region.

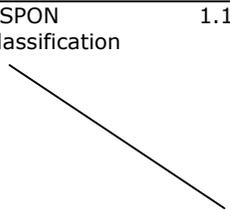
Using this typology as a point of departure it can be concluded that approximately 50 percent of Structural Fund assistance goes to non-polycentric regions, whereas about 32 percent go to regions with a potential for polycentric development, while only 18 percent of the assistance goes to polycentric regions. This division is however the result of Structural Fund geography and not of the amount of regions falling into the various categories. Of the NUTS II regions studied here, 84 were categorised as non-polycentric, and 127 as potentially or already polycentric regions (see table 10 below).

This emerging picture, that polycentric regions receive less assistance, is amplified further when looking at the spending *per capita*, which is clearly less in polycentric than in monocentric regions. Polycentric regions received, on average, 255 € *per capita*, regions with the potential for polycentric development received 326 € *per capita*, while regions that are dominated by the influence of one urban area (i.e. the second urban area shows a relatively weak influence) received 399 € *per capita* and regions that are influenced by only one or none urban areas – mostly rural areas under the primacy one urban area – received on average 655 € *per capita*.

Leaving aside questions of functional specialisation and accessibility and turning instead to the demographic aspects, it is obvious that during the 1994-99 period the Structural Funds mainly supported non-polycentric regions.

This certainly needs to be seen in the context of the programmes' content. At the *micro* level most decisions with regard to spatial issues will occur as a result of intra programme priorities, moreover, the Commission through the written guidelines for the programme documents can also influence them.

Table 10: Structural Fund (SF) spending in polycentric and non-polycentric regions

ESPON 2.2.1 interpretation of ESPON 1.1.1 classification	SF assistance to non- polycentric regions		SF assistance to regions with potential for polycentric development	SF assistance to polycentric regions
ESPON 1.1.1 classification 	Regions with less than two FUA areas of influence	Regions with strong relative weight of first FUA and weak relative weight of second FUA	Regions with average relative weight of first and second FUA	Regions with low relative weight of first FUA and strong relative weight of second FUA
SF spending per capita in €	655	399	326	255
SF spending on regional development and productive infrastructure in % of total	4,1%	23,8%	19,1%	9,9%
SF spending on social integration and human resources in % of total	1,8%	11,1%	8,0%	5,3%

SF spending on agriculture, fishery and rural development in % of total	0,9%	4,0%	3,6%	2,3%
Cohesion Fund spending in % of total	1,0%	3,9%	0,9%	0,3%
SUM	7,8%	42,8%	31,6%	17,8%
Number of regions in the category	22	62	75	52

Source: ESPON 2.2.1 using the FUA level of polycentricity typology of ESPON 1.1.1.

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 partnerships 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 strengths 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.

## 5.2 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, while investment is also now 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 seen as occurring 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 and there is also 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, 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 polycentricity, depending on the criteria underpinning such an exercise. It has also 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.

With regard to territorial cohesion and polycentric development at the *meso* level, an initial impression can be gained by discerning to what degree Structural Fund assistance goes to functional urban areas of national importance as compared to other areas. This picture will then be discussed in further detail by introducing the spatial discontinuities and the rural-urban dimension.

### ***5.2.1 Spending concentrated on national centres***

Drawing upon the typology of FUAs developed within ESPON 1.1.1 an initial assessment can be made as to whether Structural Fund assistance supports urban areas holding national key positions more than those of international or regional importance. For strengthening polycentric development at the *meso* level, the focus is on national FUAs strengthening the national settlement patterns and fighting the dominance of the international FUAs.

Looking into how funding was actually distributed in the 1994-99 period, it becomes obvious that national FUAs received slightly more funding than international ones, but that the lion's-share, both in terms of total spending and spending *per capita*, went to functional urban areas with regional profiles.

Table 11: Structural Fund (SF) spending in international, national, and regional FUAs

	<b>SF spending <i>per capita</i> in €</b>	<b>Share of total SF spending in %</b>
International FUA	212	11
National FUA	220	18
Regional/local FUA	321	56
Non FUA	225	15

The picture differs markedly from country to country, though the national breakdowns do generally confirm the Europe-wide picture. This implies that the Structural Funds did not particularly contribute to strengthening nodes in national polycentric urban patterns through their geography of spending. Accordingly, the contribution of Structural Funds to polycentric development at the *meso* level remains rather limited.

### **5.2.2 Spending in relation to spatial discontinuities**

Turning our attention to territorial cohesion at the *meso* level, the picture begins to change. An increasingly important issue of European cohesion policy at the *meso* level relates to the fact 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 perhaps best illustrated by the ongoing debate on 'rural-urban partnerships and rural areas *versus* urban areas' as regional growth centres.

### **5.2.3 Cross-border cohesion**

The regional map of Europe is characterised by substantial territorial dissimilarities, not least with regard to economic prosperity. Hitherto we have concentrated more on Europe-wide regional disparities our focus will now however turn to adjoining areas and cross-border economic disparities. The magnitude of this wealth gap is, as a rule, determined by the level at which the phenomenon is examined: richer countries are bordered by poorer ones; within countries wealthy cities and regions are bordered by impoverished ones; within regions and cities prosperous neighbourhoods stand side by side with destitute ones, and so on. And as usual, the smaller the scale, the larger the differences tend to be. In what follows we present a short account of certain aspects of relative cross-border economic inequalities observed at NUTS 2 level. The word relative is here of some significance, as absolute differences would entail a different picture. However, as the primary interest is connected with Structural Fund and Cohesion Fund spending we have selected the former point of view.

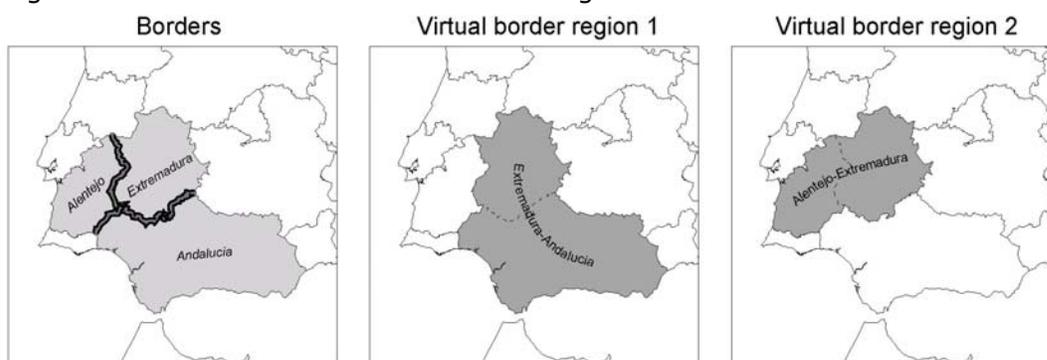
We have in general excluded sea "borders" unless there exists both a fixed rail and a fixed road link, thus e.g. Øresund is included as a "border" but not the English Channel or the Straits of Messina. With regard to both data availability and the objective of this project we have also chosen to study only internal EU15 borders. All in all, this delimitation results in some 417 separate land borders within the EU15.

Typically a (EU15) NUTS 2 region shares a land border with between three and five neighbouring regions. The most extreme region within the area of study – the Spanish Castilla y León – has as many as 11 bordering neighbours. On the other hand, apart from all islands

not land linked, there are 13 EU15 regions with only one neighbouring region within the study area.

When trying to link cross-border inequalities to regional policy spending there, at least theoretically, exists the possibility that funding spent in one region effects the situation in the neighbouring one, and vice versa. As a result of this, an analysis focusing on regional entities on both sides of the border becomes imperative. For analytical purposes we have therefore created “Virtual border regions”. These are constructed such that each pair of regions, lying on both sides of a land border, was merged into a new region (Figure ). This method necessitates that data from most regions be calculated twice, thrice, or more (directly depending on the number of neighbouring regions) if the EU15 in its entirety is to be summed up.

Figure 4: Construction of “virtual border regions”

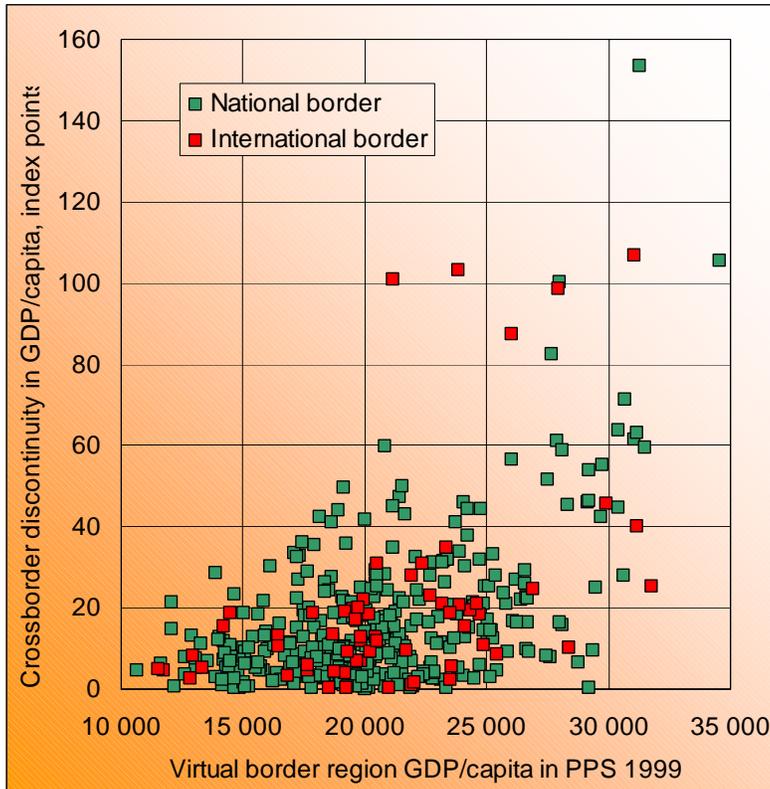


From the perspective of the Structural Funds, this mode of procedure (theoretically) also presupposes that all Structural funding is utilised for cross-border actions. This brings about a problem with the approach, as funding spent in a region with several borders is likely to effect cross-border cohesion in all directions, not only across just that specific border currently under scrutiny. We are therefore once more constrained to merely observing coincidences and correlations rather than causalities. However, from the point of view of multi-territorial cohesion, this aspect could be characterised as being as imperative as any other.

#### **5.2.4 Economic divides within the EU15**

The sharpest economic cleavages of the entire EU15 are along its eastern boundary, i.e. on the borders with the post-planning economies. Although no exact data exists, probably the largest land divides are to be found along the Finnish border with Russia (i.e. Murmansk Oblast, the Republic of Karelia and Leningrad Oblast), where disparities in for instance GDP *per capita* (measured in purchasing power) can extend to a ratio of 1:4. Along the Mediterranean shoreline we can generally assume that such gaps are likely to exist.

Figure 5: Size of border region economy and disparity across border



Source: ESPON database version 2\_3

Within the EU15 however the largest cleavages in 1999 are between the capitals and other financial centres and their surrounding regions. London (Inner), Luxembourg (Grand Duchy), Brussels, Hamburg and Paris (Île de France) top the list, with most other capital regions (where they constitute separate NUTS regions) not lying far behind. This is hardly a surprise as these cities not only act as the main financial centres of Europe but also contain much of the politico-administrative apparatuses of the countries concerned. Thus “the second wave” of disparities is in a way more interesting. Also when excluding the capital regions, among the remaining 50 largest divides, not a single one includes “equal” partners on both sides of the border, i.e. it is almost exclusively a clear-cut matter of a divide between a large city region and its more rural neighbour. Therefore Cross-border “anti-cohesion” within the EU15 could be said to stem more from the urban structure and the level of polycentricity than from real territorial imbalances. These “islands of wealth and prosperity” are the source of the largest discontinuity with regard to GDP *per capita*, bringing about the fact that, in general, the larger the joint economy of the border region is, the higher is the inequality across the border. Furthermore, since most capital or large city regions within the EU15 do not border another state, taken as a group, disparities across international borders are substantially lower than equivalents across national ones (Figure 5).

Adding a spatial dimension to the situation at the end of the programming period, Map presents the relative difference in GDP *per capita* in 1999 adjusted for purchasing power and

measured as deviation from the EU15 average. Thick lines represent international borders and thin lines correspondingly national ones.

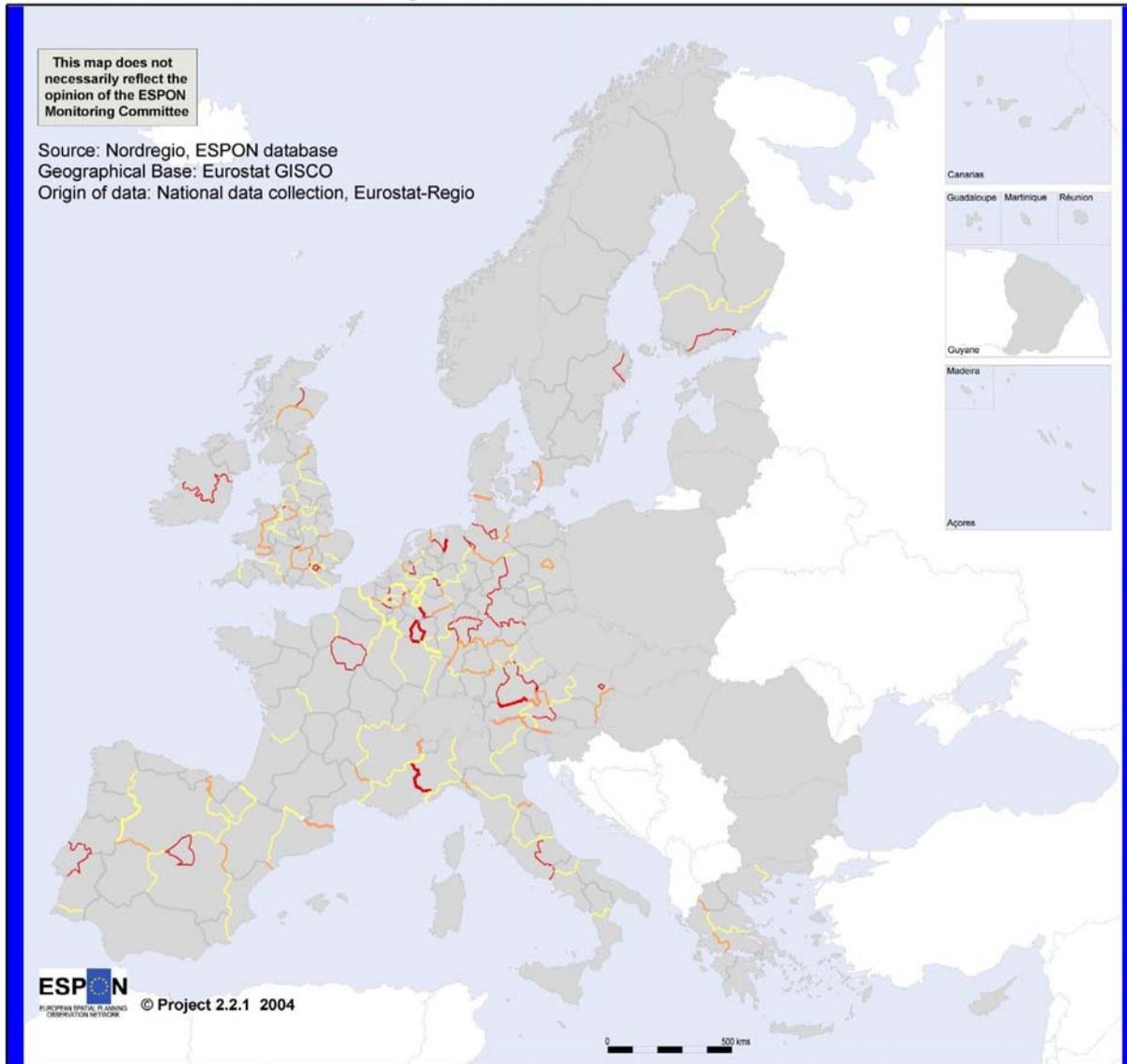
The red colour denotes such borders where the wealth gap is substantial (more than 30 index points). All in all these borders number 63, of which 53 are national ones and the remaining ten international (the Grand Duchy of Luxembourg accounting for four of these). As these are based on NUTS 2 units, and Germany alone accounts for a fifth of all EU15 NUTS 2 units, the largest number (27) of borders with a very high discrepancy is to be found there, the contours of former East Germany still for the most part clearly visible. Much of the remaining large economic gaps constitute borders separating capital regions from their surroundings. These can be found in all countries apart from Germany.

Such borders where the discrepancy is not huge but still significant (orange for between 20 and 30 index points, yellow for 10-20) number 175 in all. In this category the UK with 39 such borders is clearly overrepresented. Also Germany, Spain, Italy and France have in this respect a relatively fragmented economic landscape, albeit the number of regions (and hence the number of borders) in these countries also being quite substantial.

On the other hand economic disparities across nearly half (43 percent) of all European internal borders could be characterised as negligible, or at least not noteworthy. Sweden has the most balanced pattern (Stockholm being the only exception) and Portugal as well has in this respect small internal variations. Also for roughly half of all French and Greek borders this is the case.

Map 8: Cross-border economic disparities in 1999

### Crossborder economic disparities, 1999



**Territorial discontinuity on GDP per capita between contiguous regions.  
GDP in PPS in 1999 indexed to the EU15 average**

**Between countries**

- Negligible difference (deviation <10 index points)
- Small difference (deviation 10-20 index points)
- Medium difference (deviation 20-30 index points)
- Large difference (deviation >30 points)

**Inside country**

- Negligible difference (deviation <10 index points)
- Small difference (deviation 10-20 index points)
- Medium difference (deviation 20-30 index points)
- Large difference (deviation >30 points)

Linking these cross-border discontinuities to Structural and Cohesion Fund spending necessitates moving from the true regional level to the “virtual border region” introduced above. Measuring the theoretical regional economic impact of spending (annual average spending as a share of the virtual border region’s GDP in 1999) implies a weak but not insignificant correlation between the two, where high levels of spending coincide with lower gaps across the border and vice versa. Whereas such border regions where spending as a share of GDP exceeded EU15 average spending had a median divergence of 11 index points across the border, this divergence was 25 corresponding points for those regions where Structural Funds spending was below the Union average. One obvious inference here is that spending in terms of relative volume is (especially within the framework of Objective 1) directed towards such regions that display a weak economic performance and hence normally also have smaller cross-border variations.

### ***5.2.5 Changes in the European contiguous economic space***

Moving on to the issue of cohesion dynamics the picture is further complicated. Viewed from the point of diminishing or increasing differences across borders the reasons for the changes stem from a multitude of simultaneous incidents. In order to group these in a meaningful way, we have here applied a simplified modification of the time-honoured Webb classification (which is normally used in regional demographics) on cross-border economic changes. As before, the data utilised here (GDP *per capita* in PPS 1995 and 1999) refers to economic changes relative to the EU15 average. Although often being the case, a “decrease” does not here necessarily involve an absolute decrease of GDP per inhabitant, merely a slower growth rate than for the Union on average. And vice versa, “growth” indicates a GDP *per capita* growth faster than the EU15 average. Looking at the legend of Map 11 below, the left side of the circle includes all such possible incidents that lead to decreasing cross-border disparities. The right side of the circle correspondingly depicts all those occurrences leading to an increased economic gap across the border.

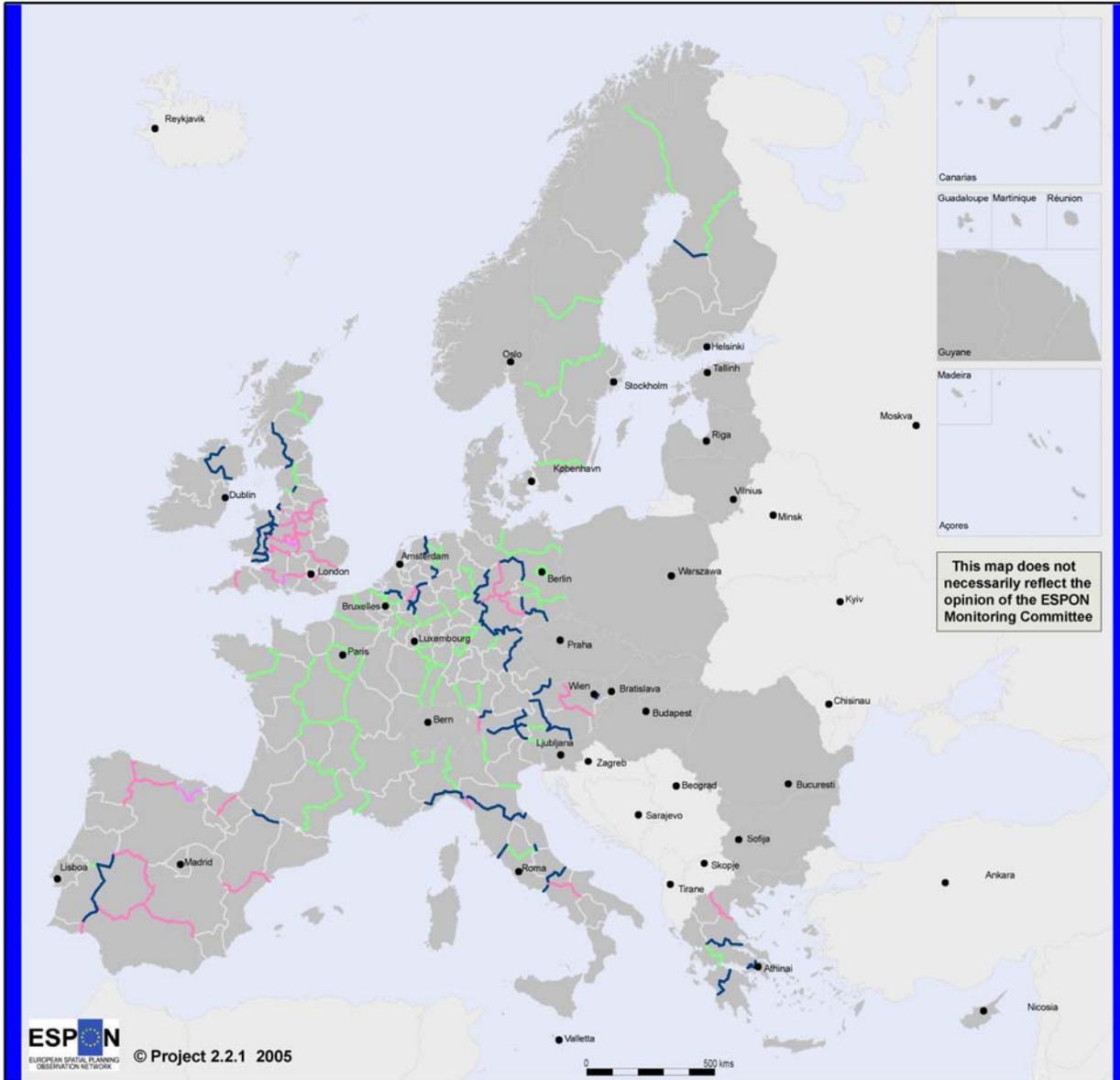
The first set of scenarios is then subdivided into three parts, each depicted with a different colour. The first scenario (pink/purple) could be characterised as a ‘win-win’ scenario. The economic growth of both regions across the border was positive (i.e. higher than the Union average) but this growth was stronger for the weaker region, thus narrowing the gap between the two. Roughly 14 percent of all border regions belong to this group, and also some 14 percent of all EU population live across such borders. Most of these can be found in the UK (England exclusively) and Spain and in the new German Länder. This group has the lowest average GDP *per capita*.

In the second scenario, indicated by blue colour, the poorer region’s economic growth was positive whereas the richer region’s growth was negative, also resulting in increasing cross-border cohesion. Both in terms of numbers of borders and in terms of their population coverage this group is similar to the case described above. Regions in Germany (East), Italy and the UK

account for most of this cohesive development, with Austria and Greece also well represented. Proportionally this group also contains many international borders.

Map 9: Cohesive cross-border developments between 1994 and 1999

### Cohesive cross-border developments between 1994-1999



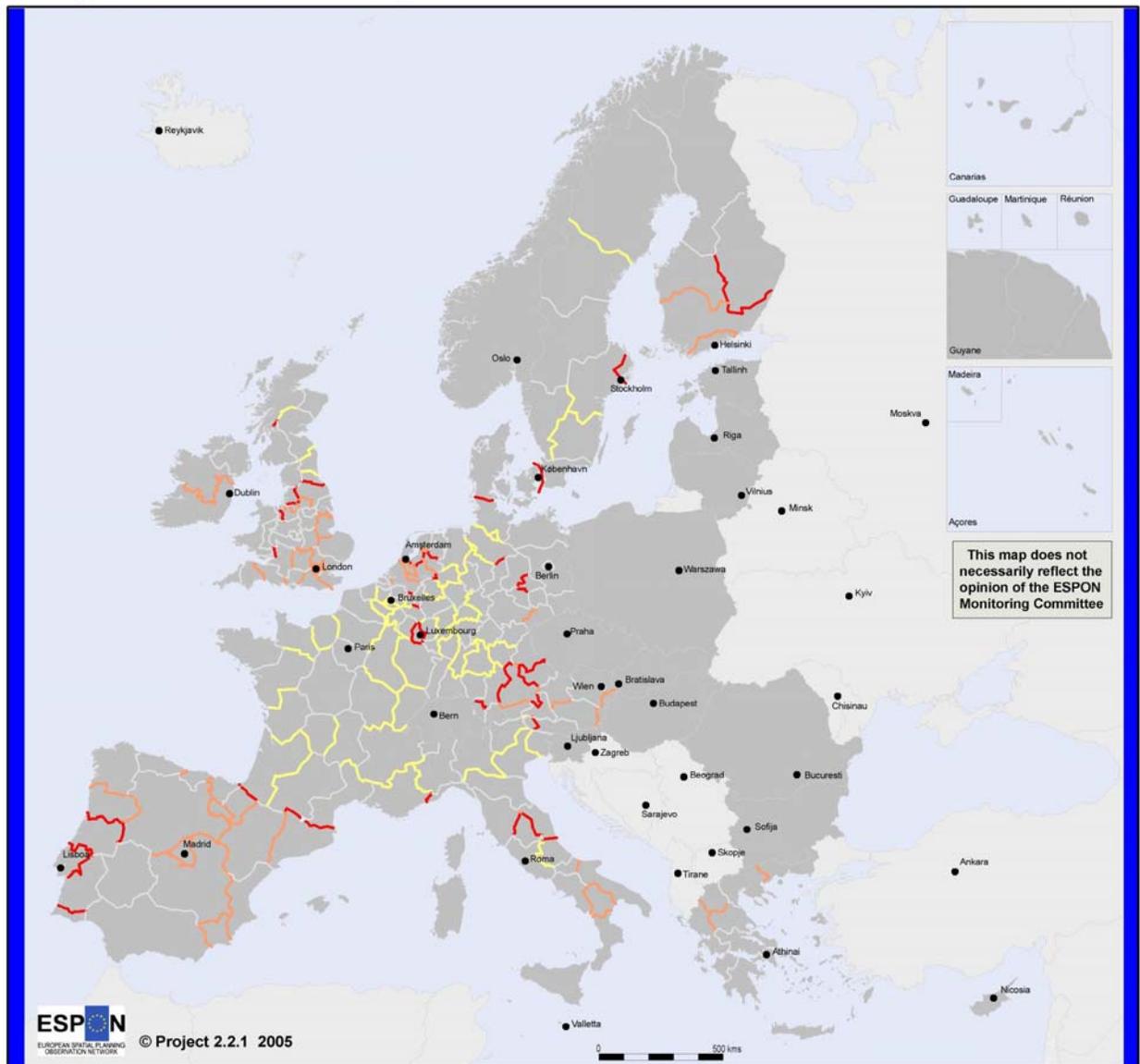
#### Decreasing disparity across border 1995-99

- Change in GDP/capita was positive for both regions. Change for the poorer region was higher.
- Change in GDP/capita for the poorer region was positive. Change in GDP/capita for the richer region was negative.
- Change in GDP/capita was negative for both regions. Change for the poorer region was lower

Source: Nordregio, ESPON database  
 Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio

Map 10: Divergent cross-border developments between 1994 and 1999

**Divergent cross-border developments between 1994 and 1999**



**Increasing disparity across border 1995-99**

- Change in GDP/capita was positive for both regions.  
Change for the poorer region was lower.
- Change in GDP/capita for the poorer region was negative.  
Change in GDP/capita for the richer region was positive.
- Change in GDP/capita was negative for both regions.  
Change for the poorer region was higher

Source: Nordregio, ESPON database  
Geographical Base: Eurostat GISCO  
Origin of data: National data collection, Eurostat-Regio

The last of the three scenarios (green) leading to increased cross-border cohesion is the least desirable one, at least from the point of view of the regions themselves. Here economic growth in both regions has lagged behind the corresponding average of the Union, though the poorer side of the border has seen a less dramatic decrease than the richer one, leading to a narrowed gap between the two. This group covers nearly a fourth of all EU15 borders and also more than a fifth of its population and has the highest average Gross Domestic Product of all groups. With 23 of these regions being in France, that country is clearly dominant in this category. In Belgium and Germany also there are many such borders, although proportionally Sweden has the highest share.

The second batch of scenarios describes the opposite development, i.e. increasing cross-border disparities. Starting at the top, cross-border cohesion has decreased in the group depicted with an orange colour due to both regions displaying healthy economic growth rates, though with the richer one having experienced faster growth than its cross-border adversary. Spain, the UK and the Netherlands dominate this group. Apart from in the latter two, most of these borders are located outside the main economic core of the EU15.

The red colour again portrays what in many ways could be characterised as the worst-case scenario. The economic gap across the border has widened further still due to negative development in the poorer one, combined with positive development in the richer one. Fortunately, this is the smallest group of regions (11.5 percent) with a correspondingly small share of the total EU population (9.5 percent). These borders are not concentrated clearly to any specific country, although proportionally such increasing disparities are most frequent in Portugal.

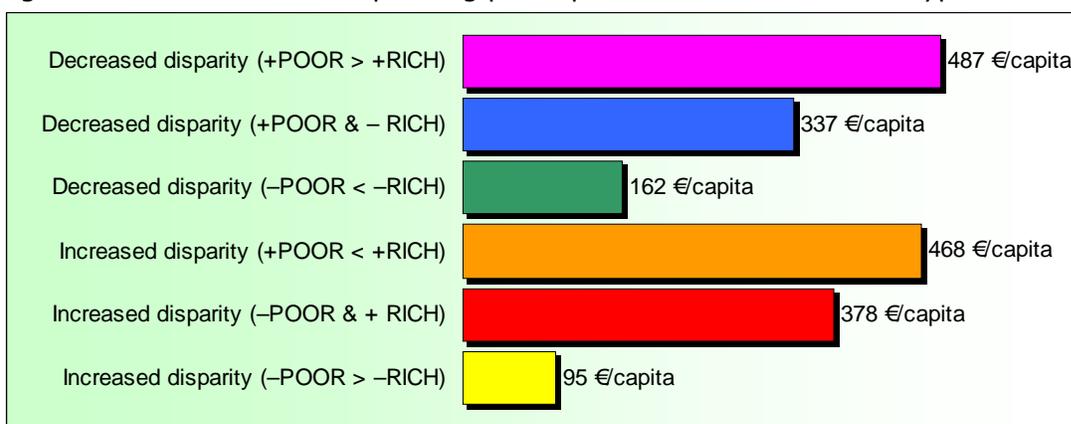
Finally, in the largest group of border regions (yellow), development for both regions has been negative, and furthermore, the production drop *per capita* for the poorer region has been more substantial than for its richer counterpart, thus resulting in decreased cross-border cohesion. Borders within Germany and France dominate this class, though in Belgium we also find several. Taking into account the small number of regions in Sweden, this anti-cohesive development is very prominent there.

All in all, cross-border cohesion on the regional level thus seems to have increased during the programming period, in stark contrast to the simultaneous decrease in "general" interregional cohesion. The average cross-border discrepancy at those borders displaying decreasing disparities is 14 index points at the end of the period, whereas the corresponding figure for borders where disparities have increased is as much as 21. As such then, regions along such borders where the difference has been fairly small have (on average) come closer to each other whereas the opposite holds true for borders where the economic gap was already large. To make matters worse, the single group of border regions displaying the worst possible scenario (increasing disparity due to the richer becoming richer still and the poorer becoming poorer still) are also those where the disparity was largest at the outset (21 index points in 1995,

increasing to 28 in 1999). However, there exists no clear-cut pattern between the wealth of the border region and in which direction its cross-border cohesion is developing.

Linking once more this dynamic data to the level of Structural Funds spending reveals that the correlation between spending on the one hand and increasing cross-border economic cohesion on the other seems to be fairly strong. In the figure below this is summed up per border type (the colour coding corresponds to that in Maps 7 and 8 above).

Figure 6: Structural Funds spending per capita and border cohesion type



Source: Nordregio, ESPON database version 2\_3

The largest *per capita* spending occurred along such borders where relative economic growth was positive on both sides of the border. This concerns both the classes with increasing as well as decreasing disparities, but spending was slightly higher along those borders with increasing cohesion (487 vs. 468 €/capita). Compared to the border category where both regions saw a negative development with the poorer partner losing more, the *per capita* spending was less than a fifth of the maximum value. For such borders displaying – from the point of view of cross-border cohesion – the worst case scenario (where the rich got richer, and the poor got poorer) the *per capita* spending was also nearly a fourth lower. All in all, a probable conclusion here then is that while structural actions perhaps do not necessarily enhance cohesion on this micro scale, we can at least say that they do coincide with it. .

As such, the exercises above provide contradictory results when comparing socioeconomic development and Structural Funds spending across the European territory. In most cases the regional socioeconomic “behaviour” does not coincide markedly with amounts or levels of spending. However, when regions are grouped along certain parameters some correlation can be observed. Economic performance, both in terms of the regional macro economy and employment, demographic development and other issues display, as a group, some correlation with levels of spending, albeit more often than not, not at the level of the individual region. A most interesting aspect here is the dichotomy between, on the one hand, decreasing overall territorial cohesion, and on the other increasing territorial cohesion when measured on a cross-border micro or local scale.

### 5.2.6 The rural-urban dimension of spending

The discontinuities discussed are partly the result of settlement patterns, i.e. varying population densities and the rural-urban division. An attempt to ascertain 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.

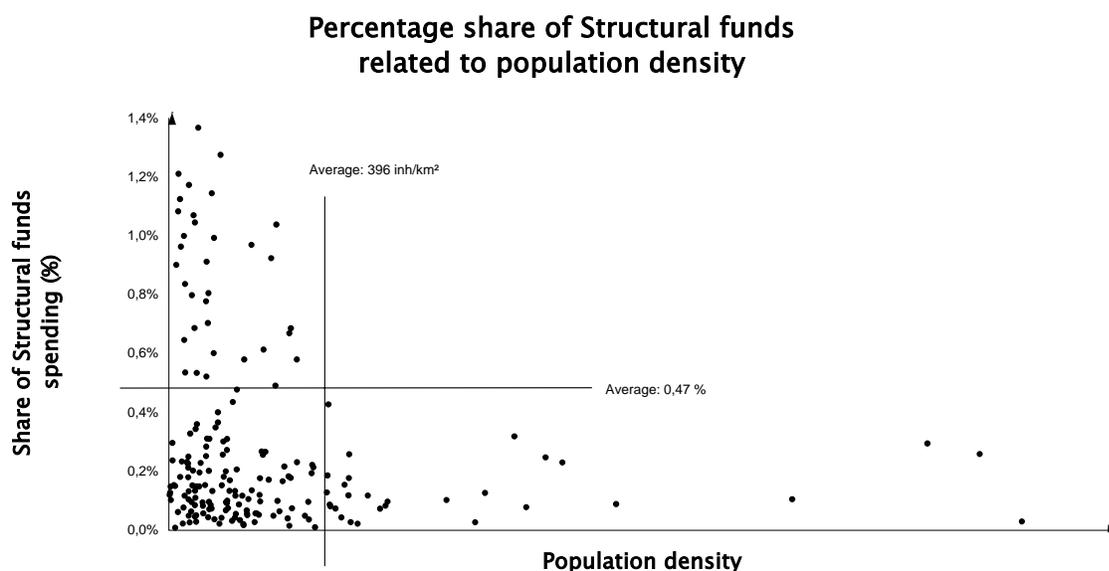


Figure 7: Structural Fund assistance and population density

Source: ESPON 2.2.1 and ESPON database

Looking at total spending, the table below illustrates that approximately 70 percent of the assistance went to urban areas. In terms of spending *per capita*, rural areas score better than urban areas, within the exception of areas of medium human intervention, where the urban areas show an absolute peak with 726 € *per capita*. Concentrating on the distinction between areas with high human intervention versus areas with low human intervention, it becomes clear however that approximately 50 percent of the Structural Fund assistance went to areas with high human intervention, whereas less than 40 percent went to areas with low human intervention.

The discussion on assistance for rural and urban 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 to a discussion of polycentric development at the *meso* level. This discussion focuses mainly on economic competitiveness' and the national benchmarking of urban areas.

Table 12: Structural Fund (SF) assistance in rural and urban areas

	Urban regions with high human intervention	Rural regions with high human intervention	Urban regions with medium human intervention	Rural regions with medium human intervention	Urban regions with low human intervention	Rural regions with low human intervention
SF spending / <i>capita</i> in €	221	581	726	267	555	633
SF spending on regional development and productive infrastructure in % of total	23,8%	4,3%	4,9%	1,6%	10,1%	12,0%
SF spending on social integration and human resources in % of total	14,1%	1,6%	1,9%	0,5%	4,4%	3,8%
SF spending on agriculture, fisheries and rural development in % of total	3,1%	0,9%	1,0%	0,4%	3,1%	2,5%
Cohesion Fund spending in % of total	2,3%	0,5%	0,4%	0,0%	1,7%	1,1%
SUM	43,3%	7,3%	8,2%	2,5%	19,3%	19,4%

Source: ESPON 2.2.1 using the urban-rural population typology of ESPON 1.1.2.

When we consider the issue of polycentric development at the *meso* level, economic specialisation turns out to be of greater importance than accessibility, while at the *macro* level, transportation infrastructure is a significant measure in achieving polycentric development through regional enlargement. At the *meso* and *micro* levels however, 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. The Greek Objective 1 programmes that highlight the issue of national transport infrastructure neatly illustrate this.

At the same time, endogenous development and competitive territories are important elements of the Structural Funds strategies. Strategies relating 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 areas as regional growth poles etc. Another example here is that of the Eastern Finland Objective 1 programme, addressing territorial balance intended as polycentricity and the differentiated roles of urban and rural areas, both of which are needed to bolster the role of urban areas as 'engines of growth'.

These examples illustrate the fact that the programme-based priorities of the Structural Funds can be seen as contributing to spatial policy aims. The main aspects here with relevance to polycentric development (endogenous development and increased regional competitiveness) are, however, not sufficiently specified in order to guarantee a polycentric 'twist' in programming documents. Indeed, the examples presented in this report should basically be considered as co-incidental in this regard, and, as such, seen as 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 the Structural Funds pointing towards polycentric development, there are also a considerable number of indirect effects. By their very nature, Structural Fund programmes promote cross-sectoral approaches to economic development and can thus be used as a flywheel for other policies.

EU programming has promoted a strategic dimension in regional policy-making, while regional development has become more integrated and coherent, through the multi-sectoral and geographically focused approach of programmes. The Structural Funds have also contributed over time to the building of policies on *evidence*: strategies are based on the 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.

### 5.3 Macro level

Turning to the macro level, an initial glimpse of the impacts at this level is provided by distinguishing the funding that went to regions within the Pentagon with that which went to regions outside the Pentagon. Focusing on functional urban areas that are of importance at the *macro* level – i.e. those of international importance – it becomes obvious that those outside the Pentagon received substantially more assistance than those inside. Indeed these regions received six times as much funding *per capita*, i.e. 78 Euro versus 484 Euro.

Table 13: Structural Fund (SF) spending in international FUAs in, and outside, the Pentagon (core-periphery)

	No of international FUAs receiving SF assistance	SF spending <i>per capita</i> in international FUAs	Total spending in international FUAs
Within the Pentagon	17	78 €	1,800 M€
Outside the Pentagon (EU15 only)	28	484 €	22,000 M€

A more elaborate picture is available by using the ESPON 1.1.1 typology on regional endowment with FUA areas of influence. Following this typology the table below illustrates that about 17 percent (columns 1 and 2) of the funding went to areas that can be viewed as already strong nodes in a European polycentric system, whereas about 30 percent (columns 3-5) went to areas strengthening the European polycentric pattern, while only 12 percent (column 6) was spent on areas that in the long run may contribute to polycentric development at the European level. The lion's share however (41 percent -- column 7) went to regions that are unlikely to show up in any European polycentric pattern at the *macro* level.

Table 14: Structural Fund (SF) spending supporting polycentric development at the European level

ESPO 2.2.1 interpretation of 1.1.1 classification	SF assistance to areas that are already strong in the European polycentric system		SF assistance to areas that may develop into nodes in the European polycentric system			SF assistance to areas that may develop in the long- run	SF assistance to areas that are unlikely to show up in the EU system
ESPO 1.1.1 classification	Regions with global nodes overrepresented	Regions with European engines overrepresented	Regions with strong MEGAs overrepresented	Regions with European engines and potential MEGAs overrepresented	Regions with potential MEGAs overrepresented	Regions with weak MEGAs overrepresented	Regions with other FUAs overrepresented
SF spending							
SF spending / <i>capita</i> in €	78	329	529	103	458	920	491
SF spending on regional development and productive infrastructure in % of total	0,5%	8,1%	5,9%	3,0%	6,9%	7,1%	25,5%
SF spending on social integration and human resources in % of total	1,8%	3,6%	3,1%	3,0%	3,0%	2,9%	8,8%
SF spending on agriculture, fisheries and rural development in % of total	0,3%	1,5%	0,2%	0,7%	1,4%	1,3%	5,3%
Cohesion Fund spending in % of total	0,0%	1,3%	1,4%	0,2%	0,7%	0,9%	1,6%
SUM	2,6%	14,5%	10,6%	6,9%	12,0%	12,2% <sup>x</sup>	41,2%

Source: ESPON 2.2.1 using the FUA areas of influence typology of ESPON 1.1.1.

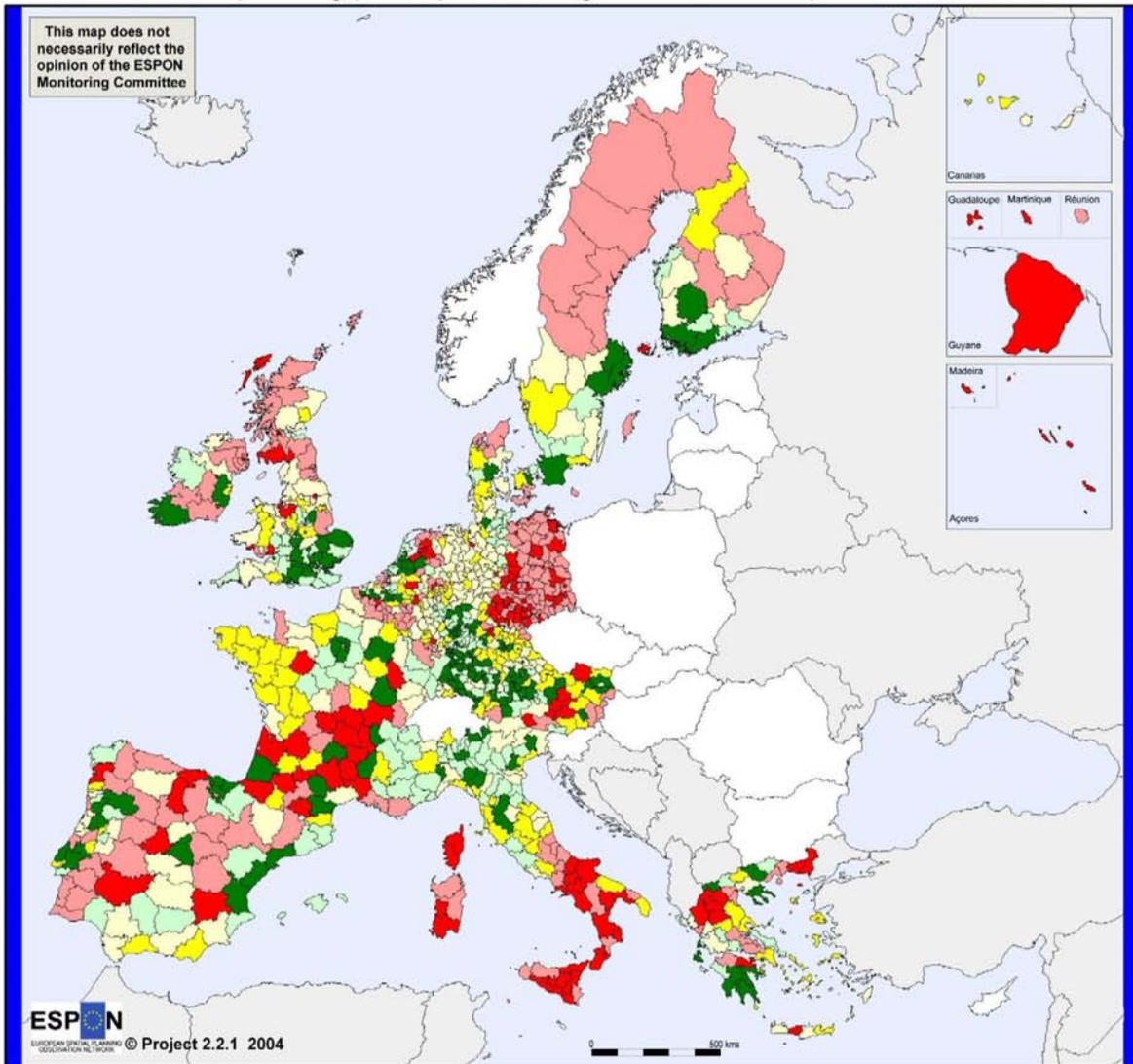
The macro picture is not however solely formed by the dominant FUAs. We have already outlined a fairly strong connection between the amount of money utilised *per inhabitant*, the region, and the corresponding level of GDP. In general, poorer regions received more, and richer ones less, with the largest exceptions being Ireland and northern Fennoscandia, Pais Vasco and Umbria along with some large city regions (e.g. Madrid, Merseyside). This hardly comes as a surprise as a low GDP score is one of the main criteria for high assistance. Similarly it was further established that changes in the relative position of a region do *not* substantially correlate with Structural Fund spending. One explanation of this weak correlation is that changes in regional economic performance tend first and foremost to go hand in hand with national changes. In other words, most regions located in countries with high economic growth do also themselves display high growth rates and *vice versa*. Naturally, as the sum of all regional growth equals the national sum for growth, substantial exceptions to this rule would imply large interregional disparities and concentration tendencies within a given country. Data on the NUTS II level for the period 1996-2000 indicates that most regions in the EU15 adhere fairly strictly to this rule. As a result, a comparison between the relative change in each region and the amount of funding it receives does not display any meaningful patterns across the entire EU territory.

In order to overcome this constraint, the map below therefore depicts regional GDP *per capita* growth during the four-year period 1996-2000 in relation to the similar growth in the respective country. Dark colours indicate a higher growth rate for the region than in the country as a whole, while light colours correspond to a lower one. The second axis depicts the amount of Structural Funding allocated *per capita* during the entire programming period 1994(95)-1999. This data is then also related to the amount of funding for the whole country, so we can see that red-coloured regions have received proportionately more funding *per inhabitant* than the regions of the country on average and green-coloured regions correspondingly less. This provides us with a way to circumvent the problem of large national differences.

The regions receiving most funding (in the national context) and similarly displaying higher economic growth rates than regions in their respective countries on average (dark red) could be characterised as adhering to the general goals of cohesion policy. This is the smallest category both in terms of the number of regions (13 percent of all EU15 NUTS III regions) and in terms of population coverage (11 percent). These regions are mostly in the southern European cohesion countries as well as in southern Italy and eastern Germany, including Berlin. Furthermore a batch of some 20 regions in France (mostly in the south), more than ten in the UK, six each in Austria and the Netherlands, and two in Belgium belong to this group. Of the Nordic countries only Åland is included.

Map 11: Structural Fund spending and relative economic growth

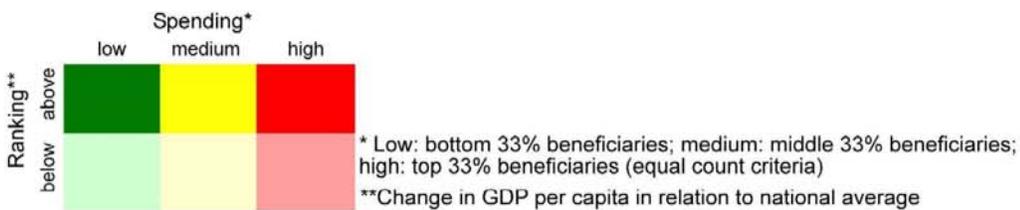
**Structural Fund spending per capita and regional economic performance**



Geographical Base: Eurostat GISCO

Structural Fund spending per capita in Europe (objective 1, 2,3, 5b, 6 and Cohesion Funds) (1994 - 1999) and change in GDP per capita in relation to national average (1996-2000)

Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database



At the opposite end of the scale are the regions where economic growth has not been equally fast, and where spending has been lower (light green). These regions could also be characterised as adhering to the general objectives of cohesion policy. These regions are however rather more difficult to position geographically. In terms of sheer numbers, most of them are in south-eastern France, northern Italy and southern Germany. These regions cover around one fifth of the EU15 population.

At the other extreme are regions that, despite substantial funding (again, in the national context), demonstrate poorer growth rates than most regions in their respective countries (light red). With more than a fifth of all regions this is the largest group in number, though it covers only 16 percent of the EU15 population. These regions are mostly located in eastern Germany, northern parts of the UK (most of all Scotland), as well as southern Italy. In addition, many fairly populous regions both in southern and North-Eastern France, 13 regions in Spain and eight in Portugal as well as most of the regions of northern parts of Fennoscandia adhere to this pattern.

In terms of population coverage the dark green group is the largest (20.7 percent). In a sense, this group is the most problematic from the point of view of European territorial cohesion as these regions continuously dominate the uppermost positions with regard to regional economic growth rates and are as such 'responsible' for most of the polarisation tendencies. This is so despite the predominantly low shares of structural aid within each country. Most of these regions are inside the Pentagon, with more than half of all European capital regions being in this group, the most notable exceptions here being Rome and Vienna.

On the more general level there are no countries that demonstrate a clear-cut positive relationship between (relative) regional economic growth and the level of spending. This relationship is discernible (albeit only vaguely) in France and Italy. For example in Sweden the reverse holds true, while countries such as Greece and Portugal display a near random pattern. Thus one possible conclusion here could be that if there indeed is a discernible positive impact of the Structural Funds, it is not to be found in relation to the economic growth indicator. This is largely consistent with our previous hypotheses on Structural Fund impacts, i.e. that the indirect and qualitative impact is likely to be proven more interesting than the impact on changes in the economic performance. Furthermore, it illustrates that the importance of the national context for regional development. However, there is no counterfactual information that allows us conclusions on what the situation would be like without the Structural Funds.

## **5.4 The macroeconomic impact of Structural policies**

The preceding discussion has been based on mere levels of Structural and Cohesion Fund spending. This however actually does not reveal very much (theoretically) about the real economic impact this funding has on the regional level. At this *macro* scale we do not have the ability to estimate the true impact of this funding, though Map does present an attempt to at

least highlight its macroeconomic potential. We have made two hypothetical assumptions here, namely: (a) that all allocated funding is *de facto* on the temporal scale paid equally across the entire programming period (six years for EU12 and five years for Austria, Finland and Sweden); and that (b) the GDP of each region in 1999 represents something of an average of the GDP during the period when funding was actually disbursed. We are of course well aware that both of these assumptions are more or less hypothetical across the entire EU15, nonetheless this exercise does allow for a rough assessment of how significant a role the Structural Funds (could or do) play in a region's economy.

Structural assistance as a share of GDP constituted, on average, some 0.28 percent of the total EU15 GDP in 1999.<sup>3</sup> Only the Cohesion countries were above this average, with the highest rates being for Portugal and Greece with 1.89 and 1.86 percent respectively. These figures are rather high, corresponding to around four percent of these countries' total general government outlays (i.e. public expenditure). Although they are still quite high, the ratio of Structural and Cohesion Fund spending to GDP was substantially lower for Ireland (1.06 percent) and Spain (0.78 percent). While at the other end of the scale we find Luxembourg, Denmark and the Netherlands, where the share of GDP taken up by such forms of structural assistance was less than one per thousand.

On the regional level the scope becomes even wider. In the lower left corner of the map is a box plot diagram<sup>4</sup> showing the spread of this ratio between all regions within a country. The span is largest in Greece and Portugal. The extreme case being Grevena in Greek Macedonia, where the share of assistance rises to 13 percent of GDP.<sup>5</sup> Among the 50 European regions with the highest share, 26 are in Greece, 20 in Portugal and 4 in Spain. All in all, in around a third (352) of all NUTS III regions the share of Structural and Cohesion Fund spending was above the EU15 average. These regions cover around 31 percent of the total EU15 population. 113 of these regions were in Germany, 52 in Spain and 51 in Greece, while in Italy and Portugal such regions numbered more than 30.

On the whole, a large majority of the regions with the highest shares were Objective 1 or 6 regions. Dividing Europe into two groups – on the one hand those regions where the macroeconomic impact is larger than in the EU15 on average, and on the other hand those regions where it is smaller – provides an average macroeconomic impact of nearly one percent for the first group but only as little as 0.07 percent for the second.

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<sup>3</sup> This figure varies considerably (i.e. is lower) from the ones reported e.g. in the Second Report on Economic and Social Cohesion, as those used the HERMIN model for calculating effects. Furthermore, those figures were based on committed funding as opposed to funding actually disbursed, and the data reported here does not include community initiatives or smaller funds.

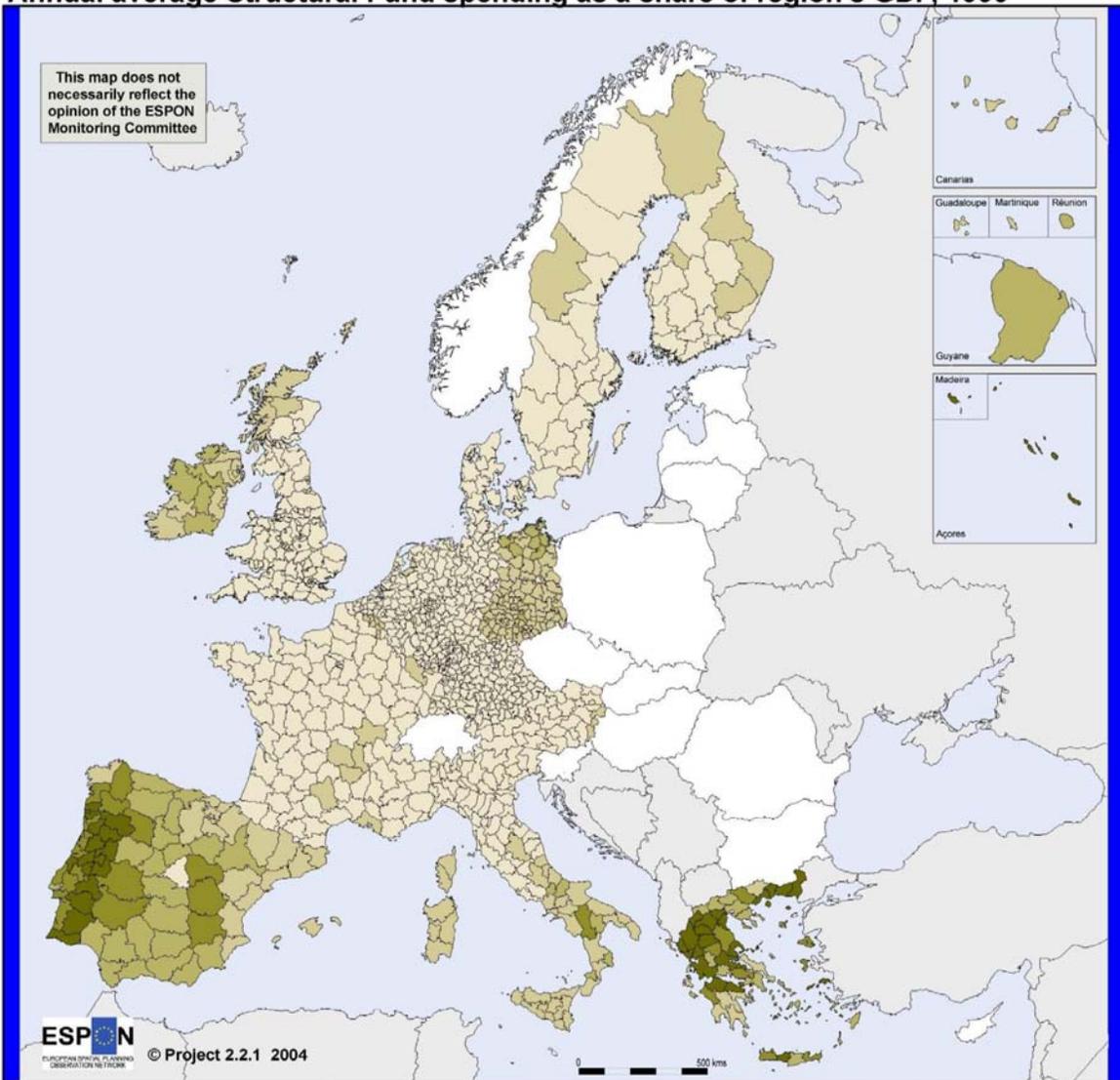
<sup>4</sup> The centre vertical line (inside the box) marks the median of the sample. The length of each box shows the range where the central 50% of the regions fall, with the box edges at the first and third quartiles, the entire box therefore contains all observations within the 25th and 75th percentiles. The absolute value of the 75th minus the 25th percentile is called Hspread, and the "whiskers" (the vertical lines) mark the distance from the box edges to  $Hspread \times 1.5$  below the first and above the third quartile. Single outlying regions within  $\pm Hspread \times 3$  in the extreme quartiles (circles) and extremely outlying regions located outside this range (stars) are not plotted above the 7.0%-limit. Box plots originate from the work of: Tukey, J.W. (1977): Exploratory data analysis, Addison-Wesley, Reading, Massachusetts.

<sup>5</sup> The region has only some 40 000 inhabitants.

It is most likely then that such vast amounts of funding – particularly as much of it is directed towards investments – cannot but help to contribute to local economic development. In many cases Structural and Cohesion funding constitutes the lion's share of total public investment in a poor region. How well this financing is utilised, and for what kind of investments, has however to be investigated on a programme-by-programme basis. Some indicative analysis of this issue is provided in the case study section.

Map 12: Annual average Structural Fund spending as a share of GDP in 1999

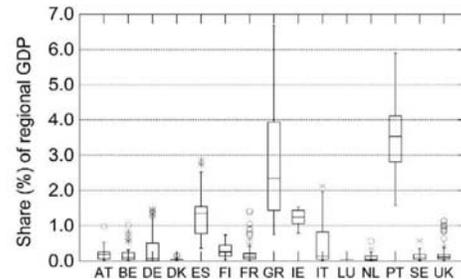
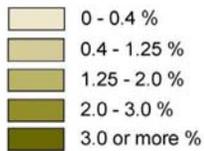
**Annual average Structural Fund spending as a share of region's GDP, 1999**



Source: Nordregio, ESPON database  
Geographical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Annual average Structural Fund spending as a share (%) of regional GDP in Euro, 1999



## **5.5 Demographic development in the light of structural policy**

Unsustainable demographic development is an issue of pressing socio-economic concern that has recently received much public attention and debate. Although not explicitly a concrete goal in European structural policy, the issue of more balanced demographic development is nonetheless an integrated aspect in the subject of balanced territorial development. True enough, most areas that are primary targets of structural policy are hampered or severely affected by unfavourable demographic trends. The wider issue has however several dimensions to it. In some areas (e.g. much of Greece, central Italy) low fertility is the main concern, in others it is high out-migration (e.g. northern Finland, north-eastern France), while in the worst cases it is both of these (northern Sweden and northern and western Scotland, eastern Germany). In a regional policy context however we very rarely hear about the other side of the coin, namely the challenges posed by having too sizeable a population growth, thus bringing about overheated housing markets, congestion, urban sprawl, and other such related issues. Notwithstanding this however our main focus lies on the first type of challenge, as it is these types of challenges that are more in line with the current focus of structural policy.

The total population change for the entire EU saw a slight increase of some 4 million persons, corresponding to 1.1 percent of the population (or 0.27 percent per year) during the four-year period 1995-99. In 1999 the population of all those ca. 400 regions losing inhabitants (taken as a group) was some 1.6 million persons less or 1.5 percent smaller than in 1995, whereas the corresponding increase for all regions with a population gain (again, taken as a group) was some 5.6 million persons or 2.1 percent of the population. On the whole then we have a situation where we have a large group of regions faring reasonably well in terms of demographic development and a smaller group where development is extremely unfavourable, with population in the former group growing faster than it is declining in the latter.

Figure 8: Annual average population change 1995-1999 (%) and total Structural Fund spending *per capita* (Euro), NUTS 3

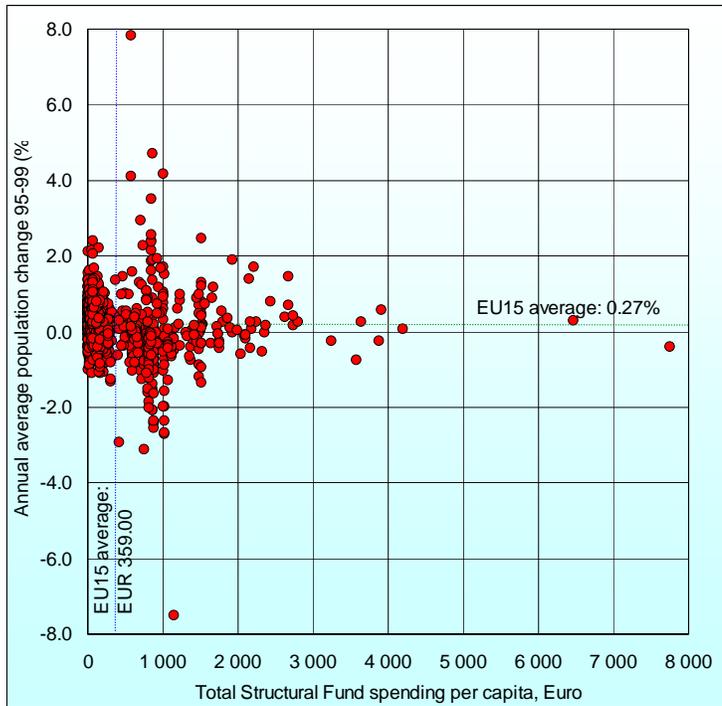


Figure 6 shows the Y-axis annual average change of the population during the period 1995-99, whilst the X-axis depicts the total Structural and Cohesion Fund spending *per capita* in Euros. The data includes all 1093 Nuts III regions within the EU15. On the regional level the direction and intensity of population change does not appear initially to coincide with that of Structural Fund spending *per capita*. Moreover, there seems to be little difference between regions undergoing either positive or negative demographic development as to whether they are likely to be high and low structural aid receivers. One hypothesis here could be that structural actions in some regions have probably contributed to changing previously negative trends into positive ones, or at least having reduced the negative trends. How the counterfactual situation would look without financial assistance is not possible to assert.

A closer look at the population development in relation to Structural Fund expenditure during the period in question however reveals small but not insignificant differences. Spending in regions with a negative population development on the whole was, on average, more than 60 percent higher than in regions with an increasing population, or 493 Euro *per inhabitant* in the former group as against 304 in the latter. Similarly, among the 100 regions with the lowest assistance levels *per capita*, the population increased more than twice as fast as in those 100 regions with the highest assistance. On the whole, in all regions receiving funding over the EU15 average of 359 Euro *per inhabitant*, population increased by 0.7 percent over the period, whereas it increased 1.3 percent in those regions receiving less than the European average.

These averages, however, reveal nothing of the territorial dimension of the events. The map below depicts these changes on the physical space of the Union. Once more, all EU NUTS III regions are divided into groups on two axes, namely whether they have received more (dark

colours) or less (light colours) Structural and Cohesion funding *per capita* during the programming period and whether the region's population change has been over (green) or under (red) the EU15 average of 0.27 percent per year.

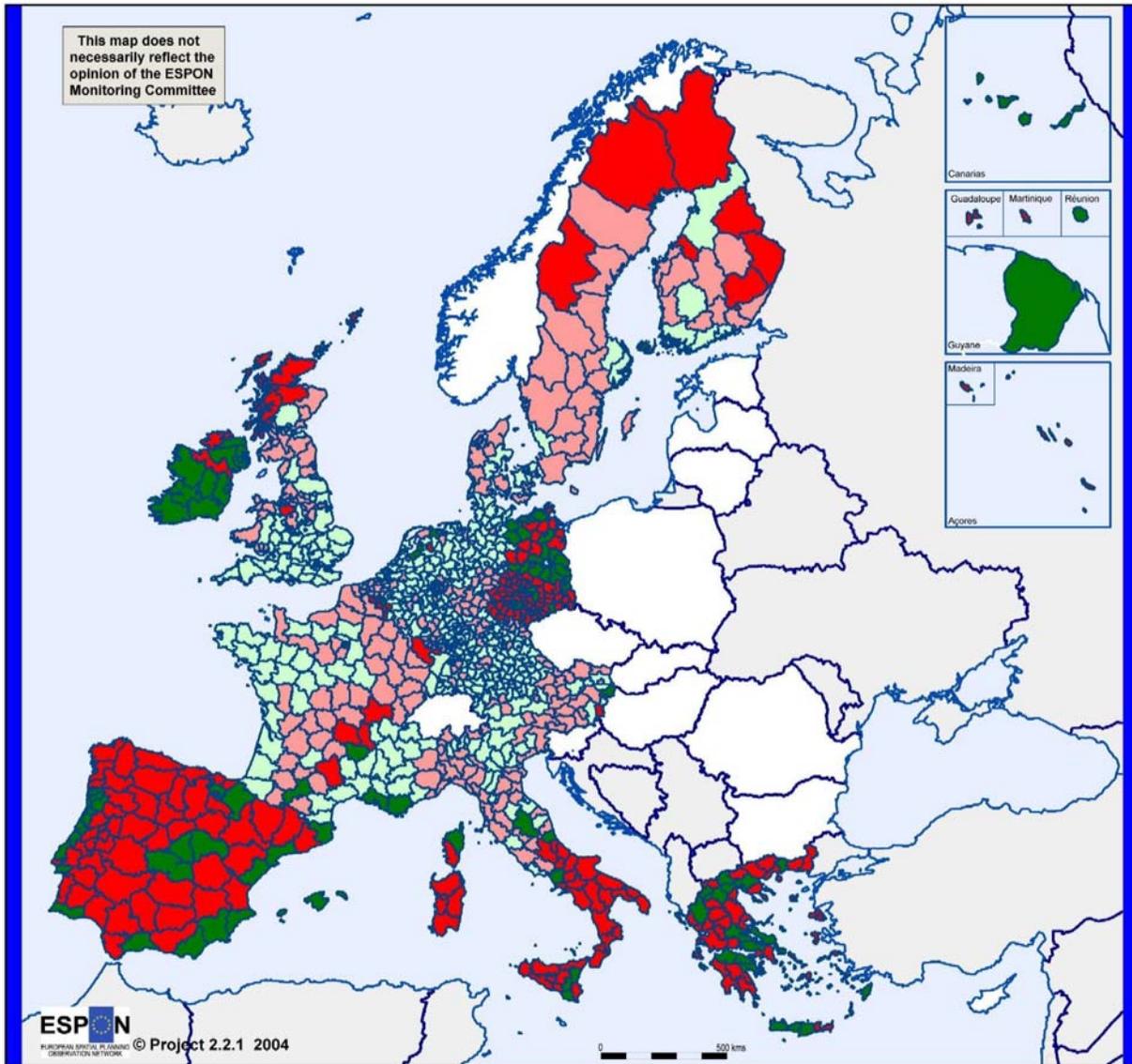
The dark green areas represent those regions where relatively high spending and relatively positive demographic development coincide. One fourth of these are in Eastern Germany and one fifth in Greece. This result can also be found across Ireland (apart from the region of Border), in 17 regions in Spain and in most of coastal Portugal (11 regions). This is the smallest group numbering only 100 regions and covering only 11 percent of the EU15 population.

The dark red areas on the other hand are regions where demographic developments have – despite high spending – been worse than in the EU as a whole. This group covers roughly a fifth of the entire EU population. In general it is mostly peripheral regions that are to be found here, predominantly from the southerly Cohesion countries, southern Italy, northern Fennoscandia and Scotland, as well as 88 regions in the former East Germany, with most of the remaining regions coming from France and Belgium.

The largest group of regions (both in terms of the actual number of regions and in terms of their 36 percent population coverage) is that where demographic developments have been positive, but the amount of spending *per capita* lies below the EU average. These are mostly to be found within the Pentagon/ Blue Banana, but also in the south-eastern parts of France, as well as its Atlantic coast.

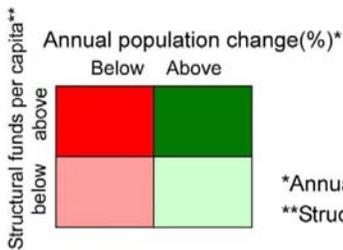
Map 13: Structural Fund spending *per capita* and annual average population change

**Structural fund spending per capita and annual population change 1995-1999**



Structural fund spending per capita and annual population change 1995-1999 (%), NUTS3

Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database



\*Annual population change average for EU15: 0.269  
 \*\*Structural fund spending per capita at NUTS3 for EU15, average: 358.92

The general level of demographic development within these groups however differs substantially from the overall averages depicted earlier. In the group of regions receiving most funding and having a positive demographic trend (dark green), population increased on average 3.7 percent during the period, which was substantially higher than the 2.8 percent for the group undergoing positive development but receiving less funds than the EU average (light green). On the other hand, those regions exhibiting a negative demographic trend and receiving less funding than the EU average (light red) had a population loss of 0.3 percent. The remaining category (dark red) with a population decline of 1.0 percent, clearly suffered the worst in terms of demographic development. Thus it appears that Structural and Cohesion Fund spending correlates such that for the – in demographic terms – ‘well-to-do’ regions, funding appears to go hand in hand with average performance.

## **5.6 Structural aid and employment**

As indicated in chapter 7.4, employment was more of an indirect than a direct goal in Structural Funds terms in the 1994-1999 period (with the exception of Objective 3), though within the EU as a whole it certainly has become one of the most dominant policy objectives. At the Lisbon European Council of March 2000, an employment rate target of 70 percent by the year 2010 was set for the whole EU. This ratio refers to the share of persons aged 15-64 years that are employed. At the same time that this goal was set the corresponding average rate was 63.1 percent, a figure which had risen to 64.2 percent only two years later. If this trend were to continue however it would still not be sufficient to meet the target set.

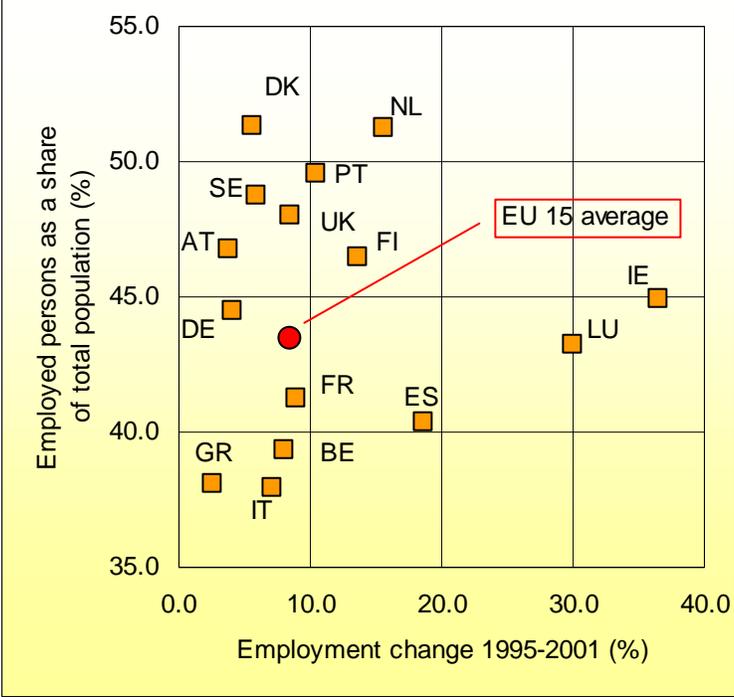
Changes in the number of employed persons remain one of the primary indicators of regional economic dynamics. Apart from directly reflecting economic cycles in a given region, other aspects such as the demographic structure, migration or the current level of employment also affect this indicator. On the whole too great a focus in popular labour market discourse is placed on the number or share of unemployed persons. However problematic unemployment is for the individual, the real issue remains not this relatively small group of the population (as little as 3.6 percent of the EU population in 2002), but rather, the much wider question of the relative proportion of persons employed as a whole. Or more precisely, the ratio of persons working to the ratio of all those not working. In the final analysis it is this quotient that entails how large the expected tax levy to support the entire population can be, and thus the overall economic welfare of the country, region or locality.

As is the case with most economic issues, regional economic development is often mirrored more in the national than in pure regional dynamics. As such, with regard to employment it is important to keep these national differences in mind when moving onto the regional level. European countries display a wide variety of employment rates. This is in part indicative of the demographic situation and of prevailing labour market conditions, but is also to a large extent a reflection of cultural differences and of the differing role of family. The total share of persons employed in 2002 in the EU was 43.5 percent of the total population. On average this

translates to 1.3 persons to be supported for every one person working in the EU. In Denmark – which has the highest employment rate in Europe – as well as in the Netherlands, more than half of the population was employed. In Portugal, Sweden, the U.K., Austria, Finland, Ireland and Germany employment rates where also higher than the average for EU15. The figure below sets the basic outlines for the regional analysis. On the Y-axis we see the employment ratio of the country measured as the number of persons employed in relation to the total population in 2002, while on the X-axis we have the employment change during the period 1995-2001.

European countries display a wide range of employment rates. This is in part indicative of the demographic situation and of the prevailing labour market conditions, but also to a large extent a reflection of cultural differences and of the differing role of family. The total share of persons employed in 2002 in the EU was 43.5 percent of the total population. On average this translates to 1.3 persons to be supported for every one person working in the EU. In Denmark – which has the highest employment rate in Europe – as well as in the Netherlands, more than half of the population was employed. In Portugal, Sweden, the U.K., Austria, Finland, Ireland and Germany employment rates where also higher than the average for EU15.

Figure 9: Employment change 1995-2001 and employment rates for the EU15 countries



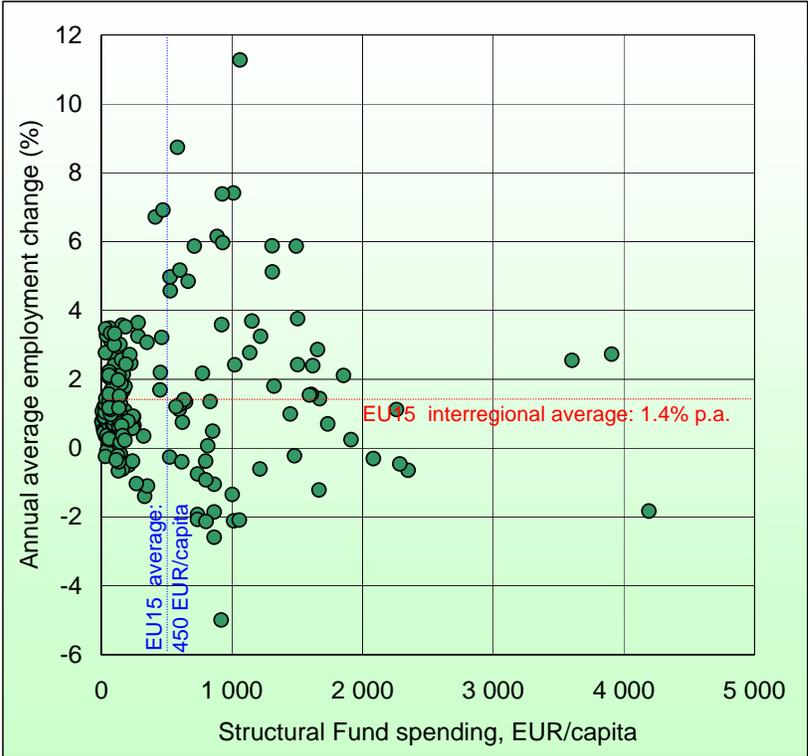
Data source: Eurostat

On the other hand, changes in the relative number of persons employed reflect wide varieties among member states. In Ireland and Luxembourg, employment has increased by 36 percent and 30 percent respectively. While in Spain, the Netherlands, Finland and Portugal the rate of change has been above 10 percent. For the EU as a whole, this rate was 8 percent. At the other end of the scale we find Greece, Austria and Germany, where this change has been less

than 5 percent. It could be argued that those countries displaying a low employment rate would be the ones in need of the highest increases in order to sustain economic growth, but the issue is probably not as straightforward as that. Productivity *per employee*, or the amount of unpaid or voluntary labour, or other issues reflecting cultural values and the organization of society, also play a role here. Nonetheless, these national peculiarities are important to bear in mind when moving onto the regional level.

Bearing in mind the large national differences illustrated above, it is hardly surprising that on the regional level there is scarcely any apparent pattern discernible. Figure presents on the Y-axis the annual average change in employment during the period 1995-2001<sup>6</sup> while on the X-axis we see the total Structural and Cohesion Fund spending *per capita* in Euro. The data here is for all 211 Nuts II regions within the EU15 (and as such should show smaller variations than the data from the NUTS III level).

Figure 10: Annual average employment change 1995-2001 (%) and total Structural Fund spending *per capita* (Euro), NUTS III



No clear-cut correlation is however visible between the variables. Regions receiving more Structural and Cohesion Fund assistance demonstrate both better and worse employment dynamics than for the EU as a whole. Apart from substantial national differences, one aspect that probably reflects this random pattern is the fact that not all funds have increasing employment as their primary goal. Therefore, when separating the Objective 3 programme, which has job creation as a primary objective, the correlation is stronger (albeit still weak).

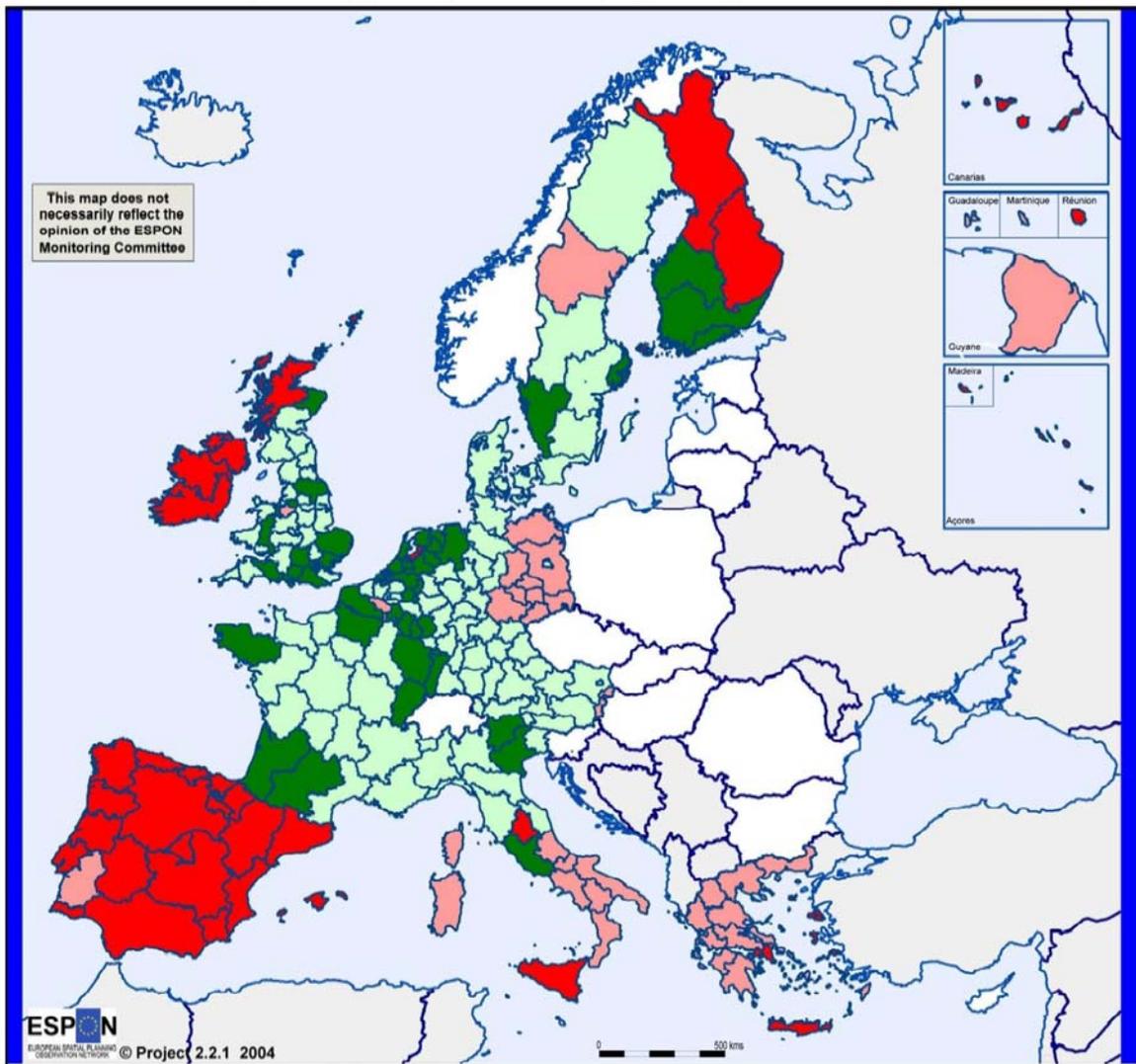
<sup>6</sup> There are variations as to regional data availability. The exceptions to the period 1995-2001 are listed in Appendix 1. In order to overcome these, we here refer to annual averages instead of to total changes during the period, which also implies that we are reduced to describing the data using median values or interregional averages.

Scrutinizing the variables further a connection to levels of spending and employment change emerges. For all those 73 NUTS II regions where Structural and Cohesion Fund spending *per capita* was higher than that of the EU15 average, the median employment increase was 1.4 percent per year, while for those regions receiving less funding than the EU average, the corresponding increase was only 1.0 percent *per annum*.

Map 12 depicts these variables in a territorial picture. A division is made along the dotted lines in Figure 8 above, i.e. as to whether a region has received more (red) or less (green) Structural and Cohesion funding *per capita* during the programming period and to whether the region's annual average employment change has been over (dark colours) or under (light colours) the EU15 average of 1.4 percent *per annum*.

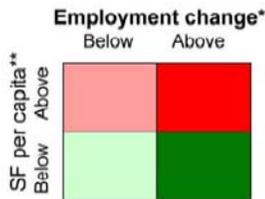
Map 14: Structural Fund spending *per capita* and annual average change in employment

**Structural Fund spending per capita and employment performance**



Structural Fund Spending per capita in Europe (1994 - 1999) and Regional employment change between 1995-2000

Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database



\* Employment change between 1995-2000, EU15 interregional average: 1.398  
 Period of change depends on national data availability  
 \*\*Regional structural funds spending per capita in relation to EU15, average: 350.31

Regions coloured dark red are those where the employment change has been more favourable than in most EU regions and which have received more funding than the average EU region. These regions represent some 18 percent of the EU population. The median change in employment for this group amounts to 3.4 percent more jobs each year during the period 1995-2001. Nearly half (18 out of 38) of these regions are located in Spain, with six in Portugal and three respectively in Greece and Finland. Most of these regions have Objective 1 or 6 status.

On the other hand, regions coloured light red are those that have also received more funding than the average EU region but where the employment change has been worse than the interregional EU average. For these regions the median employment change was a reduction in the number of employed persons by half a percentage unit per year on average. This is also the smallest category in terms of population (11 percent of the EU15 total). Nearly a third, or ten out of 35, of these regions are in Greece and nine in Germany, exclusively in former East Germany. Southern Italy is also well represented with seven regions.

Regions where the employment change has been worse than that for most EU regions and where Structural and Cohesion Fund spending was below the average *per capita* level in the EU (light green) nonetheless had a (median) employment increase of 0.7 percent per year on average. This is by far the largest of the four groups covering half of the total EU population and nearly as much, percentage-wise, of the regions (93 regions in total). More than two thirds of these regions are located in Germany, the UK and France. Furthermore, large tracts of Sweden, Denmark and eight regions in Austria and Italy respectively are included.

Finally, the regions coloured dark green have benefited from less support than the average European region, while their job creation level has been above that of the typical EU region. The median employment increase in this group was some 2.1 percent per year during the period.

Thus, summing up the four categories, those regions that received more funding *per capita* than in the EU as a whole seem to have performed slightly better in employment terms than those receiving less. The imbalance within the groups however is larger in those regions that have received most funding, as opposed to those receiving least, i.e. in the latter group employment changes range between -1.4 percent and +3.6 percent while in the former they range between -5.0 percent and +11.3 percent.

## 6 Case studies on the territorial effects of Structural Funds

The assessment of the aims of the Structural Funds has shown that there is something of a 'coincidence' between the aims formulated in the Structural Fund programmes and the aims of European spatial development policy. Furthermore, the assessment of the relationship between European regional policies and national regional policies illustrates that the Structural Funds have considerable leverage effects in the countries receiving the highest *per capita* assistance in particular.

The analysis of Structural Funds spending shows moreover that spending is mainly targeted on urbanised areas. As regards the correlation of spending geography to the aim of polycentric development, it can therefore be argued that polycentric development at the macro level is more likely to be supported than polycentric development at the *meso* level.

### The hypothesis related to territorial cohesion

The working hypothesis of the case study analysis reported here was that whilst, based on the analysis conducted thus far, the Structural Funds have during the period investigated (1994-1999) not been successful in their primary objective, namely re-balancing the economic and social disparities between regions in Europe and overcoming imbalances in socio-economic development, the indirect and qualitative impact may be proven more important than the impact on changes in the economic performance. Also the question of territorial cohesion and how it is addressed in different European countries and regions has been an important focus area for this study.

The selection of case studies was based on the identification of relevant "cold" and "hot" spots, with "cold" regions being those with high Structural Funds spending and negative development in terms of GDP, while "hot" regions were those with low or high Structural Funds spending and positive development. Case study regions representing clear "hot" spots in this sense included Madeira (Portugal), Toscana (Italy), Cantabria (Spain), Lakonia and Grevena (Greece), Lappi (Finland) and Southern and Eastern (Ireland). Extremadura was also included in the group of "hot regions" in the national context, i.e. it represented high Structural Fund-spending and positive GDP-change during the 1994-1999 programming period. Case study regions identified as "cold" spots were to be found in Calabria (Italy), Catalunya (Spain), Highlands and Islands (United Kingdom), Sachsen (Germany) and Norrland (Sweden).

As mentioned in the Second Interim Report (p. 105), polycentrism has become a clearly prioritized policy ideal to be followed within the European spatial policy discourse. Therefore the aim was to select case studies on the basis of variable scale, in other words, at the same time addressing the position of regions within transnational or cross border regional constellations, as well as in a *micro* or *meso* regional context. The case studies undertaken here also attempt to capture the discernable policy trends relevant to polycentrism, such as supporting urban networks (e.g. in the case of Sachsen), reducing disparities (e.g. Grevena) and strengthening

regions with specific geographical features such as peripheral regions (e.g. Madeira, Lappi, Norrland, Highlands and Islands).

All of these observations, laid out in much more detail elsewhere in this report and the annex reports, provide further arguments for better assessing the territorial effects of the Structural Funds. The causal relation, however, cannot be addressed based on these assessments alone. Rather, in order to come a step closer to seeing causal relations and viewing the funding in relation to mechanisms of spatial development, a series of case studies were perceived as necessary, focussing on Structural Fund 'cold spots' and 'hot spots' in greater detail. The criteria used in the selection of these case studies, as well as the methodology used are described in more detail in the scientific summary section.

In terms of the causalities involved we must proceed with caution. It is customary in any evaluation exercise to consider the issue of counter-factuality, i.e. the question of what would have been the case if ... (the measures/projects/programmes had NOT been implemented where/when they were). As the methodology selected for the case studies provided the project team with qualitative data to be analysed further, there was no model within the confines of which one could have addressed the counter-factuality issue in a uniform fashion. In the case studies the national experts in charge of the initial case study reporting addressed this to differing extents. In many cases it was clearly argued however that whilst national evaluation exercises have shown modest results in terms of the quantitative (and quantifiable) effects and impacts of the Structural Funds programmes, there are other more qualitative effects and impacts of interest. It was argued for instance in a recent Swedish evaluation that there was no perceived effect of the Structural Funds in Sweden and this was seen as "a serious warning signal that at least the work done in the initial years with the structural fund programmes in Sweden has not had any definite effects on the structural conditions the policy was intended to influence" (ITPS 2004, 4). Yet elsewhere it has been stated that there are effects on learning and methodology, which may in fact only show impacts in the longer term. It has been argued that there seems to be a clear and even quite a steep learning curve in the early stages of EU membership, when the 'added value' is at its greatest, at least in terms of the qualitative learning aspects of the programme implementation (e.g. Aalbu 1998, 11). However for those countries that have already been members for a long time and have extensive national regional policies, the 'added value' seems to diminish. Thus one of the general conclusions seems to be that, particularly in cases where the total financing is not extensive, the learning effects should be promoted and the integration of national and European efforts targeted towards similar objectives and, where possible, using similar methodologies. This steep learning curve offers a unique opportunity for breaking with previous (inefficient) policy practices, whilst if the new resources are added to previous resources without taking advantage of the learning curve effects, one might in fact be accentuating inefficient policy interventions. In cases where national regional policy has longer traditions and sector integration has a long history of implementation even before the introduction of Structural Funds, the effects (or the counterfactual situations) may be less dramatically different.

There is a clear focus on learning effects throughout the case study analysis and this can, in our view, be seen as one of the main opportunities for the lessons learnt to be identified for future Structural Funds rounds. Another common theme of the case studies is that of 'awareness of the concept of polycentricity', which is a theme consistently carried through in this project. It is argued that the concept of polycentricity is included in a clearer fashion in the 2000-2006 programming period documents, as well as being better understood and among the stakeholders interviewed than in the 1994-1999 period. This confirms the findings presented in the analysis of the Structural Fund programmes and evaluations. Two examples where increased awareness of polycentric development can be seen are with regard to the Highlands and Islands (UK) and the Southern and Eastern region (Ireland). The case studies present strategic maps showing nodes and linkages, gateways and flows. Even though this is not necessarily portrayed as investigating or evaluating the polycentric patterns of the region or country, it can definitely be interpreted as such. The picture becomes rather more blurred however when the actual impacts of polycentricity are sought.

Another recurring point in many of the case studies is the question of whether funding to the urban regions/territorial nodes in Europe supports the peripheral areas or further disadvantages them. This is a central part of the wider debate on polycentricity, and it has special relevance in the examples where the case study region consists of both densely urbanised and sparsely populated rural (peripheral) parts.

The issues that we have particularly concentrated upon in the analysis relate to 'spatial positioning', as well as to the themes of the Lisbon agenda and the main aspects in the current governance debate. After a brief introduction to the case studies we will present our findings on these issues commencing thereafter to translate them into an assessment of Structural Fund influences on polycentric development. Last but not least, we will highlight the main findings of the case study work in the concluding section.

In the 'annex report B' we provide information on how the various case studies have been profiled. More information on the actual case study selection and working methodology can be found in the chapter on the working methodology of this project.

## **6.1 Structural Fund influences on spatial positioning**

Both spatial development policies in general, and the Structural Funds in particular seek to further their aims within the context of considerations of 'comparative position', that is to say, on the advantages and disadvantages different places have in relation to each other, or in relation to the EU average. This can best be expressed in terms of polycentric development – i.e. which type of FUA a place is – or in terms of regional polices – i.e. how much regional GDP a place has. In both cases the spatial position of one place in relation to other places is at stake.

As such, when attempting to address the issue of the spatial influences or impacts of the Structural Funds on territorial development the direct influences on spatial positioning can be taken as point of departure. William (1996:97) wrote about the idea of spatial positioning:

*Most local planners have a clear sense of the location within national space of the place for which they are responsible, often without thinking very consciously about it. The capacity to conceptualise or think about one's location or situation within the spatial structure of Europe as a whole is a skill which often needs to be developed. Spatial positioning is the term proposed for this skill. Through such a process, it is sometimes possible to identify opportunities, comparative advantage and possibilities on the basis of which new links and relationships could be developed and strategic policies formulated.*

Translating this into a language more appropriate to the Structural Funds, this would imply the image of a place (i.e. a region) as being highly profiled in a given field of socio-economic specialisation and advantageously linked to other places. Therefore, in the following we will mainly address the issue of specialisation, thereafter only briefly touching upon related issues such as rural-urban relations and connectivity.

The degree of the specialisation of businesses and services is one factor determining the degree of spatial positioning influenced by the Structural Funds. Specialisation is however a rather broad concept, and in the programmes there are usually several measures and interventions that could be interpreted as affecting, or attempting to affect, the degree of specialisation in a region.

It has however always to be borne in mind that the aspects of structural change under which functional specialisation is addressed in the Structural Funds can also result in diversification rather than specialisation. This is most apparent in relation to the question of whether a region's economic development strategy focuses on developing key competences (being aware of the fact that this may lead to boosting development as well as vulnerability), or whether it opts for diversification instead (in order to have a broad, and thus perhaps more sustainable, or less risky portfolio of potential growth areas).

This analysis of the case studies illustrates the fact that the Structural Funds can positively influence the spatial positioning of the region in question. This influence is, however, limited to a few key aspects and relies on the existence of certain development trends that can be reinforced. It is thus argued here that the Structural Funds *can* have an impact, but only provided they are used consistently and together with other appropriate policy instruments and funding sources, as in most cases their volume is rather limited.

The Structural Funds can best influence the spatial positioning of a region with regard to transportation links and functional specialisation in the fields of knowledge and education as well as tourism. In the other fields reviewed in terms of functional specialisation – i.e. industry, the economic base, administrative status and decision-making centres – the influence of the Structural Funds is negligible for the most part, with the findings of the case study analyses

needing to be seen in conjunction with the findings on the influence of the Structural Funds across the various dimensions of polycentric development, presented later in this report.

## 6.2 The Lisbon themes in the case studies

Though included in the case study analysis, the relevance and indeed political centrality of the Lisbon strategy and the themes it encompasses does not fit particularly well with the time perspective of the study reported here. The Lisbon strategy for employment, economic reform and social cohesion was after all introduced in 2000, with the subsequent Gothenburg strategy (where the European governments committed themselves to a strategy for sustainable development and added an environmental dimension to the Lisbon process), being introduced in 2001, whilst the main focus of our study here is the previous programming period of 1994-1999. At the same time one also needs to acknowledge that the objectives set in Lisbon and Gothenburg are part of a longer path-dependent process of policy co-ordination and priority setting, and as such, the seeds of Lisbon and Gothenburg were already sown at previous EU decision-making points where EU competitiveness was gradually strengthened, while themes such as the Information Society, innovation policy and employment have been on the policy agenda in different forms for a considerably longer time (as is also reflected in the analysis of the Structural Funds programmes during 1994-1999 in our case study regions).

The themes selected for the case study analysis as regards the Lisbon strategy were outlined as follows:

- ***An Information Society for all** through improving access to communications infrastructure, especially among excluded groups and using information technologies to renew urban and regional development and promote sustainable development*
- ***Establishing a European area of research and innovation** through improving the efficiency and innovation of research activities and improving the environment for research*
- ***Creating a business friendly environment for SMEs** through encouraging 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** through the development of local learning centres, and the promotion of new basic skills*
- ***More and better jobs** through the improvement of employability and reducing skills gaps, encouragement of lifelong learning, reduction of deficits in the service economy and the extension of equal opportunities*

- *Promoting social inclusion through the improvement of skills and the promotion of wide access to knowledge and opportunity.*

These themes and their main dimensions and milestones were analysed more closely in the third interim report, as well as being included in the case studies reported in the country reports as Annex A. In the following we thus only present the conclusions of how Lisbon-relevant themes were addressed in the case studies. In most cases the Lisbon themes were explicitly addressed in the 2000-2006 programmes, thus reflecting a process of policy diffusion and learning within the EU context as the Lisbon policy agenda was ultimately reflected at the national and regional levels. For instance in the case of Catalunya, when analysing the move from the 1994-1999 period to the 2000-2006 period, the inclusion of Lisbon related themes is particularly clear, as the strategic objectives include:

1. Favouring real convergence by stimulating business and territorial competitiveness, technological development and implementation of the Information Society, better infrastructures to articulate the territory, diversification of the productive fabric, better qualification of human capital and local and urban development and support to the tourism sector.
2. Favouring the creation of employment, employability and equal opportunities.
3. Favouring sustainable development, social welfare and quality of life through environmental protection and conservation policies, better infrastructure, an improved network of social services, the development of the welfare state and territorial balance.

The discussion of how the Lisbon themes have been influenced by the Structural Funds has shown that four aspects are of particular interest:

- *The relatively low degree of explicit inclusion:*  
On average, the Lisbon themes are most often included in a indirect or implicit fashion, which is hardly surprising when considered against the timeframe of the two processes under analysis: as when the programmes were drafted and implemented, the Lisbon themes were not yet on the policy agenda. At the same time it is obvious that some of the themes were already central to Structural Funds priorities and measures. Issues such as the promotion of research and development and innovation capacity, SMEs and the Information Society were already being addressed during the 1994-1999 period, though this has been intensified during the 1999-2006 period. Better jobs and social inclusion were however rarely addressed as specific priorities during the 1994-1999 period.

- *Social inclusion lowest priority, R&D the highest:*  
Competitiveness seems to have been interpreted in quite traditional terms during the 1994-1999 period, as R&D and SME services rate highly, while social inclusion rates much lower. Better jobs rate surprisingly lowly here.
- *The case studies provide for a varied picture, while few conclusions can be drawn on the differences in impact based on particular types of regions:*  
  
Though we cannot draw conclusions on the types of regions and the policy themes they addressed in the 1994-1999 period, it seems that some cases rate consistently higher in addressing Lisbon relevant themes and in promoting competitiveness, while others rate consistently poorly. This may however be more dependent on national policy priorities than the regions themselves. The Nordic regions (Lappi and Norra Norrland), as well as Madeira, the Highlands and Islands and the Greek regions seem to rate highly on most themes, while Catalunya, Centre, Southern and Eastern Ireland, Région Wallonne and Sachsen rate much lower on the Lisbon relevant themes.
- *Consistency between national and European policy priorities remains unclear:*  
  
The fact that some case studies rate consistently lower, while others rate much higher on Lisbon relevant themes is likely to be connected to the realities of national regional policy priorities and in particular to the degree of integration. Moreover, as was seen in connection to the analysis of the governance effects, the consistency of national and European policy goals outlined in the programme documents was rated as the most central policy theme, which would seem to imply that in most cases those themes that are addressed in national policy terms are also central in European ones.

### **6.3 Governance aspects**

In the EU context the debates connected to governance have been closely tied to concerns over the democratic nature of EU decision-making and the alternative models for its further development, as was most clearly expressed in the recent constitutional debates. This issue was however also fuelled by the 2001 Commission White Paper on Governance, and by the subsequent academic and political responses to this that had a regional dimension (e.g. the Sapir Report from 2003). While democracy and other core governance concerns have increasingly emerged as issues at the forefront of territorial policy, (in part due to increasing interest in the notion of territorial cohesion, which has itself become ever more central to policy

discussions within EU spatial and territorial policy discourse), this has however also occurred within the wider context of the overall Europeanization of policy concepts.

Thus it can be argued that the need to focus on governance (or 'good governance') is widely accepted within the EU and beyond, and the need to build and promote effective institutional structures is increasingly seen as one of the main sources of regional competitiveness, as such structures facilitate cooperation between the various parties involved in both the public and private sectors, and in so doing can improve collective processes of learning and the creation, and the transfer and diffusion of knowledge, which are critical for innovation, as well as cementing networks and public-private partnerships, thus stimulating successful regional clusters as well as regional innovation strategies and policies. (CEC 2004, 58; on the principles of European governance see also CEC 2001). It is further argued that 'good governance' requires a shift from a traditional 'top-down' approach towards a more open form involving all the relevant parties in a particular region. Such partnerships should extend to all the policy areas relevant for economic, scientific and social development (an integrated approach) and should ideally establish a long-term policy horizon (a strategic approach) (ibid.). As these partnerships and related methods and principle relating to governance are central to the whole Structural Funds working methodology, the variety of *regionally and nationally specific* working methods and policy innovations relating to decentralization and the partnership-based mobilization of local actors are issues of particular interest for our analysis here.

### **New working practices and methods: the main impact**

The main effects and examples of governance impacts were reported in more detail in the third interim report of this project. Based on this more extensive analysis, it can be argued that the main governance aspects reported were connected to the new working practices and methods associated with the programming cycle, evaluation and partnerships, while there were also indications that the influence of the Structural Funds themes and policy emphasis may have contributed to a more broadly based understanding of regional policy and the governance model required to promote the objectives it encompasses. The policy learning impact is thus of particular relevance, especially in the new Member States (in this case from the previous wave of enlargement in the 1990s in respect of Austria, Sweden and Finland), though also across the European Union as a whole. In most cases these impacts were felt across the Member States, and not particularly acutely at any particular territorial level.

### **The problem of scale**

When compared to a similar analysis on urban areas (within the ESPON 2.2.3 project), both similarities and differences in the context of this issue. Whereas in the urban areas the main aspects of policy impact and governance learning were identified as networking and organizational innovations (partnerships leading to new co-operation networks and more broadly based management structures); increased citizen participation and identity-building for the inhabitants, as well as the visibility and awareness of EU policies, here the picture is more

general, emphasising the partnership constellations and working practices. This is not however surprising when we consider that the regional level within which the analysis was undertaken in this project was broader, and thus some of the grass-roots impacts and influences were perhaps more difficult to identify.

## 6.4 Summing-up Structural Fund influences on polycentric development

As already documented in the review of the spatial dimension of the Structural Funds, explicit targeting of polycentric development is not very common. However, in most of the other case studies it was felt that the aim of polycentric development had been *implicitly* addressed.

As noted above, the case studies focused on aspects such as the distribution of population, functional specialisation, accessibility, international co-operation and the diminishing of regional divergences in order to operationalise polycentric development. Furthermore, attempts were made to rank both direct and indirect effects.

Table 15: Structural Funds influence on polycentric development

Geographical level of influence/effect		MICRO	MESO	MACRO	SUM
<b>Type of influence/ effect</b>					
<b>Aspects explicitly targeting polycentric development</b>	Direct	↔	↔	↔	↔
	Indirect	↑	↑	↔	↑
<b>Distribution of population</b>	Direct	↑	↔	↔	↔
	Indirect	↑	↔	↔	↔
<b>Functional/economic specialisation</b>	Direct	↑	↑	↑	↑
	Indirect	↑	↑	↑	↑
<b>Connectivity/accessibility /transport</b>	Direct	↑	↑	↑	↑
	Indirect	↔	↑	↔	↔
<b>Strengthening of international operation</b>	Direct	↑	↑	↑	↑
	Indirect	↑	↑	↔	↑
<b>Diminishing regional divergence</b>	Direct	↑	↔	↔	↔
	Indirect	↑	↔	↔	↔
<b>SUM</b>		↑	↑	↔	↔

↑ = aspect influenced by Structural Funds

↑ = some Structural Funds influence

↔ = hardly any influence of Structural Funds or not seen as relevant

Source: ESPON 2.2.1

The distinction between the direct and indirect effects of the Structural Funds shows that overall, the indirect effects are considered to be as important as the direct ones – a fact that is often forgotten in the debate. A more detailed look at the various fields of effects however shows that the direct and indirect effects tend to occur in different areas.

As illustrated in the table, most effects are found in the fields of (a) connectivity and accessibility, and (b) socio-economic functional specialisation.

Summing up the results of the case studies on the territorial effects of the Structural Funds, four areas of discussion can be emphasised; (1) the areas of intervention in which funding has had territorial effects; (2) the distinction between direct and indirect influences on territorial development; (3) the geographical level at which the Structural Funds effect territorial development and last but not least; (4) the question of the geographical specificities of such influences.

#### ***6.4.1 Areas of intervention in which the Structural Funds have had an influence***

The case study work identified a series of areas of intervention through which the Structural Funds influence territorial development in the fields of spatial positioning, the Lisbon agenda, governance and polycentric development. Three main areas of influence can be highlighted:

- *Accessibility*

Improvements in infrastructure relating to better accessibility have been identified as the main aspect of polycentric development to which the Structural Funds can make a contribution. However, it has to be borne in mind that although the amount of Structural Fund assistance targeting transportation issues is large, it is comparatively small considering other European and national funding sources in the field. Moreover, the Structural Fund influences on accessibility seen in the case studies focus mainly on road transportation within a regional or partly national sphere of influence, and on measures related to air services. Air service related measures have been of particular importance in the more peripheral parts of Europe, as here improvements in road networks only result in minor gains in terms of accessibility. With regard to the mainstreaming issue of sustainable development however, surprisingly few measures concerning rail and sea traffic were recorded in the case studies.

- *Functional specialisation*

Socio-economic profiling is the second strongest aspect of polycentric development in term of the possible influences of the Structural Funds. The areas in which the Structural Funds can best contribute to existing profiling activities are in the fields of R&D and tourism. In both cases the geographical scope is mostly on profiling within a regional or, on occasion, a national context. A few cases have been unearthed where funding could assist profiling

activities of an international character. These were mainly linked to specific existing endogenous potentials and key actors in the region that already had international key competences. Such is the case in Norra Norrland with regard to car testing, in the Southern and Eastern region of Ireland with regard to pharmaceuticals, or in Sachsen with regard to automobile production.

- *Governance*

Governance themes rate highly in almost all case study regions, and it was argued on a number of occasions that the governance impact (either direct or indirect) is in fact one of the most important impacts of the Structural Funds, while in many cases quantitative goals remain unattained. The consistency of national and European policy goals outlined in programme documents is the highest rated theme here. Examples of promoting learning are equally high on the agenda, across the case studies. Financial practices enabling the enlargement of partnerships rated very low in assessing the impacts of the Structural Funds working methods, as did the theme of trying to avoid 'technocratic elite pluralism'. This seems to suggest that the partnerships are not necessarily particularly inclusive, or at least no special effort was made to widen them. As such, the case study analysis seems to suggest that the partnership approach is a novelty, but that it mainly encompasses the policy elites while not doing enough to embrace voluntary organisations or other similar bodies.

#### ***6.4.2 Direct and indirect influences***

The territorial effects of the Structural Funds are rarely of a direct nature, while it is also rarely possible to follow the influence that they impart in terms of strict chains of causal relations. Indeed, in most cases, their effects can be considered to be rather more indirect or implicit in nature, while the cause and effect mechanism (Structural Funds and spatial development) is not always visible, or straightforward. In addition, the time span between cause and effect inevitably varies, making it even more difficult to measure such potential effects. These realities have undoubtedly affected the case studies in their assessments of the influence of the Structural Funds on development, and on whether a measure or project has had direct or indirect effects. As illustrated elsewhere in this report, the Structural Funds have indeed had considerable leverage effects e.g. in national policies, and also on regional development strategies. Indeed, the agenda setting power of the Structural Funds was already highlighted in the Second Interim Report and can only be underlined once again by the case study work undertaken here.

In the case studies it becomes clear that the effects on polycentric development are at best indirect. Undoubtedly the Structural Funds contribute more to the contact link/relation function and the specialisation function than to physical planning for polycentricity. The reason for this may be that the direct and indirect effects of education and employment measures complement

each other, and that the physical accessibility measures have indirect/secondary effects in line with this (increased contacts and access to education creates employment etc.)

### **6.4.3 The geographical level of influence**

Territorial effects need to be distinguished according to the geographical level of their influence. Throughout this work we have made an attempt to follow the *micro*, *meso* and *macro* division proposed for all ESPON analysis.

The case study work illustrates clearly that the territorial effects of the Structural Funds are mainly of a local/regional nature, i.e. influencing the *micro* level. At the *micro* level, the Structural Funds can, on occasion, exercise a significant level of influence on accessibility, functional specialisation or on the diminishing of regional divergences.

At the *meso* level however the level of influence held by the Structural Funds undoubtedly diminishes, however certain influences have been identified mainly with regard to accessibility, functional specialisation and international networking.

As regards the *macro* level, the case studies only rarely identified areas where the Structural Funds contributed to the spatial positioning of a region in a European context. Accordingly, *macro* level influences are thus predominantly exercised through the actual amount of spending in various parts of Europe rather than through any individual activities.

### **6.4.4 Geographical specificities of influences**

When selecting the case study areas, attention was paid to developing a set of studies that would reflect a broad variety of regions, different types of MEGAs, differences in the accessibility of regions, border regions, low population density areas, areas with different socio-economic specialisation profiles, areas with different geographical handicaps, environmental aspects and regions with different governance characteristics. This has been done in order to ensure a broad span of regions allowing for generalisation, but also because we have been curious as to whether certain issues would score higher in certain types of regions, though this is an aspect that is limited by the actual number of case studies we were able to carry out.

We can therefore conclude that in respect of most issues, the influence of the Structural Funds seem not to be particularly related to geographical specificities. The only exception here is the emergence of a core-periphery pattern with regard to relational spatial positioning. This concerns the higher featuring of air service related measures in peripheral areas, as compared to road and rail services in central areas. Furthermore, it seems that peripheral areas value transnational co-operation more than do central areas.

## **7 The relationship between national regional policies and the Structural Funds policies**

In chapter 2, as well as in the Annex report B, we address the interrelationship between the Structural Funds and the spatial concepts of territorial cohesion and polycentricity. In doing so, the report and annex B together provide a comprehensive analysis of the strategies of the programmes, the governance underlying programme implementation and the delivery mechanisms in each country. It concluded that Structural Fund programmes are consistent overall with the spatial objectives of territorial cohesion and, to a lesser extent, polycentricity, a picture which only partly corresponds to the findings stemming from the analysis of Structural Fund spending. However, the increasing targeting of resources and the subsequent need for concentration; the emergence of new policy paradigms, aiming at the full mobilisation of resources, designed to foster the competitiveness of regions (in line with the Lisbon agenda); the practical translation of this new policy paradigm into new strategies, where cross-sectoral, programme-based and systemic approaches would overcome traditional policy thinking; and, the subsequent consideration of the territorial context of reference as the starting point for policy generation, were all discussed as possible causal factors for such an inferred and yet noteworthy coherence between Structural Fund policies and territorial cohesion and balance.

European regional policy is not however the only instrument for the support of less developed regions. It is supplemented and complemented by a range of other instruments, including spatially discriminating policies (such as urban policy or rural policy), sectoral policies (for example, policies for R&D or innovation) and the regionalised allocation of public expenditure (for example, expenditure for the health sector, education and so on). Moreover, national policies entail a number of implications for the achievement of increased cohesion within the Union, including territorial cohesion, as has been outlined in the Third Cohesion Report.

Additionally, in many countries European regional policy is basically a component of explicit regional policy: national regional policy is often implemented alongside the interventions co-sponsored by the European budget through the Structural and Cohesion Funds, not least in the form of aid to firms in areas that are eligible for regional support under Article 87(3)(a) and (c) of the EC Treaty.

To address the potential of the Structural Funds to deliver increased cohesion, our analysis could not ignore the potential impact of national regional policies. To this end, the analysis of European regional policy undertaken here has been supplemented by an examination of the national regional policies implemented in each Member State. Many of the factors discussed elsewhere in this report – and briefly synthesised above – as influential to the evolution of the Structural Funds and their potential to deliver increased territorial cohesion apply to some extent to both national and European regional policies. Does this however imply that national regional Policy (NRP) and European regional Policy (ERP) can be seen to increasingly overlap?

And, is this a positive or negative development as regards the ability of regional policy to deliver increased territorial cohesion?

This chapter presents the conclusions of the analysis of the interrelationship between ERP and NRP (a more detailed analysis is provided in the Annex report B). Such an analysis has entailed an examination of the interrelationship between national regional policies in the EU 15 Member States and European regional policy as operated in each Member State. Following this, the interrelationship between the national regional policies implemented in each Member State and the spatial concepts of territorial cohesion and polycentricity will be explored.

While in chapter 2 the analysis of ERP covered both past and current policies, the analysis here is focussed on current national regional policies in the Member States. Its main aim is thus to inform the development of both hypotheses and policy recommendations on the future shape of regional policy in an enlarged European Union beyond 2007.

The chapter is structured as follows; first, an overview of national regional policies in the Member States and their interrelations with European regional policy is presented, describing the salient aspects of national regional policy scope, strategies, instruments, governance, implementation and delivery. Thereafter, a brief assessment is made of the interrelationship between national and European regional policy in the Member States and the spatial themes of territorial cohesion and polycentricity. For both aspects a country-by-country synthesis can be found in the annex report A.

## **7.1 From traditional regional policy to economic development in the regions**

Structural Fund policies have undergone a significant evolution in their strategic approach over the last decade, reflecting the emergence of new policy thinking, in particular on the factors that influence economic development, and on how these can be affected through policy. It is not only the Structural Fund policies however that have undergone a period of change in recent years: national regional policies have also undergone a process of evolution as a response to external and endogenous pressures on the policy environment. Indeed Bachtler (2000) was quick to identify a tentative new regional policy paradigm by isolating the innovative features of a 'modern' regional policy (as opposed to traditional regional policy): features that span the conceptual basis of policy, to its characteristics, structure and organisation. This is illustrated in the table below. According to Bachtler, 'new' or 'modern' regional policy increasingly targets both equity and efficiency, shifting the policy-focus from redistribution to competitiveness. It also favours supply-side instruments and 'bottom-up' local economic development initiatives. It embodies a stronger spatial but also a thematic/sectoral targeting of resources, whilst at the same time acting on reduced regional aid eligible areas. It is implemented and delivered by different (broader) actors and mechanisms, allocating a greater role to local public and private actors.

Table 16: Bachtler's conceptualisation of classical and modern regional policy

<b>Criteria</b>	<b>Classical</b>	<b>Modern</b>
<b>CONCEPTUAL BASIS</b>		
	Industrial location theories Key factors are regional attributes e.g. production costs, availability of workers	Learning region theories Key factors are regional capabilities e.g. innovative milieu, clusters, networks
<b>POLICY CHARACTERISTICS</b>		
Aim(s)	Equity or efficiency	Equity or efficiency
Objectives	Employment creation Increased investment	Increased competitiveness (e.g. entrepreneurship, innovation, skills)
Sphere of Action	Narrow (economic/industrial)	Broad (multi-sectoral)
Mode of operation	Reactive, project based	Proactive, planned, strategic
<b>POLICY STRUCTURE</b>		
Spatial focus	Problem areas	All regions
Analytical base	Designation indicators Regional exporting	Regional SWOT analysis
Key instrument	Incentive scheme	Development programme
Assistance	Business aid Hard infrastructure	Business environment Soft infrastructure
<b>ORGANISATION</b>		
Policy development	Top-down/centralised	Collective/negotiated
Lead organisation	Central government	Regional authorities
Partners	None	Local government, voluntary sector, Social partners
Administration	Simple/rational	Complex, bureaucratic
Project selection	Internalised	Participative
Timescale	Annual budget	Multi-annual planning period
<b>EVALUATION</b>		
Stages	Ex post	Ex ante, interim, ex post
Outcomes	Measurable	Difficult to measure

Source: Bachtler 2000

## **7.2 Overall strategic approach and policy content**

### ***7.2.1 Strategic approach***

An initial indication of the degree of separation or coherence between European and national regional policies is given by the extent to which national regional policies are, as with the Structural Funds, based on cross-sectoral, multi-annual programmes, with strategies emerging from the 'bottom-up', partnership-based elaboration of policy needs and priorities.

In those cases where NRP has adopted the same principles as the Structural Funds, the two policies have been considered as coherent. Where NRP is in addition aligned with Structural Fund programming, such as for example in the cohesion countries, the two sets of policies have

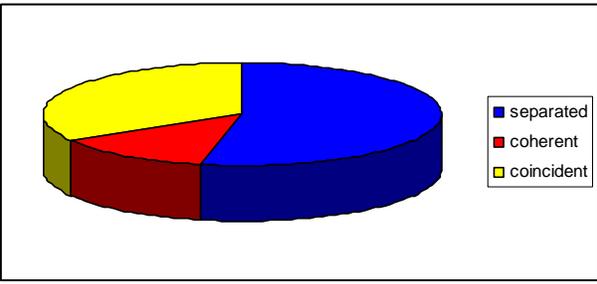
been considered coincident. In some cases, however, national regional policy is not programme based, or is programme based only to a minor degree. In these cases, the two policies have been considered as being separated. This is particularly the case with countries where NRP is still mainly incentive based, or where regional programmes or strategies are part of a broader package of economic development programming for the regions (i.e. for both areas in need and areas within regions not eligible for regional state aid support).

Table below illustrates the results of the classification process described above. From the table, three clear clusters emerge. For the majority of the countries, NRP and ERP are considered as being separate. This applies to all those countries that are largely excluded from Objective 1 eligibility. The two more developed parts of the countries representing a highly dualistic regional development picture (Germany and Italy), i.e. Western Germany and Northern Italy have also been included in this category.

Table 17: The overall strategic approach of NRP and its interrelationship with ERP

	<i>Separated</i>	<i>Coherent</i>	<i>Coincident</i>
	Economic development programmes in the regions	Programme-based (Structural Fund model)	Aligned to Structural Funds
Austria	√		
Belgium	√ (incentive based)		
Denmark	√		
Finland		√	
France	√		
Germany	√ (West)		√ (East)
Greece			√
Ireland			√
Italy	√ (Centre-North)		√ (Mezzogiorno)
Luxembourg	√ (incentive based)		
The Netherlands	No NRP		
Portugal			√
Spain			√
Sweden		√	
UK	√		

EU Overview



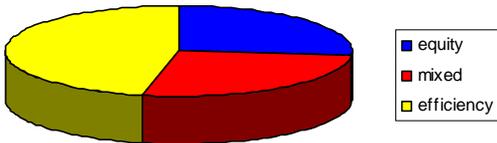
Source: ESPON 2.2.1

## 7.2.2 Policy content

One further strategic aspect that can be considered in assessing the degree of separation or consistency of national regional policies with European regional policy is the emphasis placed on the objectives of equity or efficiency. Elsewhere in this report we have discussed how Structural Fund strategies increasingly target endogenous growth and competitiveness support, through complex, cross-sectoral strategies that aim to mobilise and valorise local assets. In essence however ERP remains a policy targeting equity rather than efficiency, and this is implicit in the selection of areas for support as *areas most in need*. Nevertheless, over the current programming period, the Structural Funds should continue to be considered as essentially equity-based, in that they focus on the worst-off areas towards which most resources are to be directed.

Looking at the domestic regional policies implemented in some Member States, however, including many of those that have been moving towards more programme-based approaches, it is the efficiency basis of policy that is being stressed. This is reflected in an 'all-region' approach to regional policy rather than the spatially targeted approach of the Structural Funds. An assessment of the degree of coherence between NRP and ERP in each EU15 Member State as regards their 'equity versus Efficiency' focus is provided in the table below.

Table 18: The strategic content of NRP and its interrelationship with ERP

	<b>Equity (like ERP)</b> (Support to problem regions, e.g. job and income creation)	<b>Mixed</b> (Compromise between two aims)	<b>Efficiency</b> (Competitiveness and endogenous growth)
Austria			√
Belgium		√ (Wallonia equity, Flanders efficiency)	
Denmark			√
Finland			√
France			√
Germany	√		
Greece	√		
Ireland		√	
Italy		√	
Luxembourg			√
The Netherlands		√	
Portugal	√		
Spain	√		
Sweden			√
UK			√
EU Overview	 <p>Legend:</p> <ul style="list-style-type: none"> <li>equity</li> <li>mixed</li> <li>efficiency</li> </ul>		

Source: ESPON 2.2.1

As can be seen from the table, half of the countries implement regional policies that are largely efficiency oriented. These include: Austria, Denmark, Finland, France, Luxembourg, the Netherlands, Sweden and the UK. A more detailed analysis of these typologies and their implications is provided in the annex report B.

### 7.2.3 Spatial targeting

The interrelationship between domestic and European regional policy can be assessed in relation to two aspects: the overall philosophy underpinning the territorial scope of domestic regional policy and the actual overlapping of national regional aid maps with the maps for Structural Fund support.

#### General philosophy

As already noted, while in some regions domestic regional policies are targeted predominantly on the areas that are most in need, in a number of countries there is now an increasing emphasis on an 'all region' approach. Figure (below) provides a visual representation of this. Clearly the all region approach marks a shift from the approach followed by European regional policy whereby support is strictly targeted to the less developed areas of each country (as was illustrated in the Second Interim Report).

Figure 11: Spatial targeting and strategic focus of NRP in the Member States

All regions			Austria Be/Flanders France Sweden
Mixed	Be/Wallonia	Ireland (⇔) Netherlands	Denmark (↓) Finland (↑) UK (↑)
Spatial targeting	Germany Greece Portugal Spain	Italy	Luxembourg
	Equity	Mixed	Efficiency

Source: ESPON 2.2.1

In respect of spatial targeting, Greece and Portugal have been classified as countries where regional policy is spatially targeted, however, as in each case the entire country is eligible, one may argue that they have an all region approach. The classification here was based on the logic of regional support, i.e. the eligibility because of spatial criteria (whether these were met across the entire country is a secondary issue).

### The area designation process and outcomes

Another important distinction between national and European regional policy can be made in relation to the methods and criteria used for area designation purposes and to the effective degree of overlap between the two maps. In some cases, in fact, the area designation exercises were quite separate (with different policy objectives, methodologies and data used), though delivering rather similar outcomes, while in others, on the contrary, countries that tried to achieve coherence did not quite succeed in doing so. Table below illustrates the comparative outcomes of the area designation process (for domestic and EU support). As can be seen, only in France, the Netherlands and the UK can the two maps be considered to be different to a substantial degree. For all other countries the maps are either coincident (given the identical definition of Art. (87)(3)(a) and Objective 1 support) or coherent, i.e. closely aligned.

Table 19: Interrelationship between national regional aid and Structural Fund maps

	<b>Separated</b>	<b>Coherent</b>	<b>Coincident</b>
Austria		√	
Belgium		√	
Denmark		√	
Finland		√	
France	√		
Germany		√ (West)	√ (East)
Greece			√
Ireland			√
Italy		√ (Centre-North)	√ (Mezzogiorno)
Luxembourg			√
The Netherlands	√		
Portugal			√
Spain			√
Sweden		√	
UK	√		
EU Overview			

Source: ESPON 2.2.1

As can be seen from the table, the countries can be subdivided into three main groups:

- *Countries/macro-regions with a one hundred percent overlap between ERP and NRP designation: the cohesion countries, the Italian Mezzogiorno, Eastern Germany, Spain and Luxembourg.*
- *Countries where the two maps are coherent: these include Austria, Belgium, Denmark, Finland, West Germany, the Italian Centre-North and Sweden.*
- *A final cluster of countries – France, the Netherlands and the UK – where the spatial scope of NRP and ERP is practically different. This reflects the different philosophies underpinning national and European regional policies and the subsequent application of different methodologies and criteria for area designation.*

Half of the Member States explicitly aimed for complete coherence: (i) Greece: where the entire county was eligible under both maps; (ii) Ireland, Portugal and Denmark: where Structural Fund areas (excluding phase-out areas) fit wholly within the designated aid area boundaries; (iii) Finland and Sweden: where designated aid areas fit wholly within Structural Fund boundaries. Luxembourg and Belgium also aimed for coherence: while this was relatively close in Luxembourg, the much reduced aid area coverage meant that there was only limited cohesion in Belgium. The other countries placed less initial stress on coherence: still, coherence issues were taken into account in the designation process in Austria, Germany, Italy and Spain. In the cases of France, the Netherlands and the UK: map coherence was not initially on the agenda (different objectives, different timing), but map practicalities brought the two maps together (Structural Fund derogation in France; coincidence in the north of the Netherlands; Structural Fund derogation used in London).

The two maps reproduced below thus provide a pan-European overview of the spatial coverage of the two maps (national regional aid and the Structural Fund map).



## 7.2.4 Policy instruments

Table 20: Yuill's classification of national instruments for regional development (EU15)

Member State	Regional Incentives	Business Environment	Infrastructure Provision	Regional Strategies
Austria	None. Withdrawal of Regional Innovation Premium in late 2000.	Increasing focus on regional innovation potential (RIF 2000 and similar measures).	None Withdrawal of Regional Infrastructure Support in 2000.	<i>Land</i> strategies central to regional economic development
Belgium	New Flemish Decree: call for tenders for small and discretion for large projects.			
Denmark	Support for long-distance commuting from poorest areas.	New government favours business environment support.	Coordinated via RBDIs and the new RGAs in poorest areas.	New regional growth alliances (RGAs) in poorest areas + RBDIs
Finland	None. Aid to Business Act 2000. Pilot SSC in far north.	Centres of Expertise Programme: May 2002 call for tenders.	2002 RDA (Regional Development Act): Policy regionalisation.	2002 RDA: Stress on regional programming.
France	None. Re-operation-alisation of the PAT in 2001. More sub-national business aid.	Stress on national competitiveness and on need for favourable business conditions	Adoption in 2002 of <i>schémas de services collectifs</i> .	<i>Schémas de services collectifs</i> establish framework for <i>contrats de plan</i> 2003
Germany	Investment allowance in new <i>Länder</i> under review (needs new legislative basis 2004).		GA aid for economic infrastructure likely to be cut for State aid reasons	None. GA grant to help develop strategies in weakest regions (August 2000).
Greece	New Development Law proposed (focus on inward investment).	None since CSF III introduced	None since CSF III introduced	None since CSF III introduced
Ireland	New Enterprise Ireland funding approach plus IDA-Ireland support for job quality and embeddedness	Both EI and IDA-Ireland addressing deficits in the regional business environment.	National Spatial Strategy 2002 follows NDP stress on infra-structure deficiencies	None. NDP: stress on tackling regional imbalances. Regional components of NDP
Italy	2003 Finance Law limited grant aid and cut Law 488 budget. Localisation contracts.	Stress on negotiated programmes; related to support for the business environment	None. Objective 1 CSF stressed need for infrastructure.	None. Objective 1 CSF strategic framework. Regional strategies in regional OPs.

Member State	Regional Incentives	Business Environment	Infrastructure Provision	Regional Strategies
Luxembourg	None. Interest subsidy ended Dec. 2000.			
The Netherlands	None.	TIPP: first call for proposals in 2001, two in 2002 and last call in 2003. Being evaluated	1999-2003 regional covenant (now under review).	None. Programming in the north is via the <i>Kompas voor het Noorden</i> (to 2006)
Portugal	Changes to the SIME in July 2002. More repayable aid plus completion premium.	New PPCE contains broader measures to improve the business environment	New PPCE has revised infrastructure component of CSF 2000-06	Regional elements of revised CSF 2000-06
Spain	None			
Sweden	No significant change. IT aid in north (2002-04). <i>De minimis</i> SSC	2001 Bill aims to enhance capabilities of every region.	2001 Bill aims for acceptable service provision in every region. Regionalised sectoral policy	RGAs and RGP. Also Delegations in inland north & Bergslagen. Municipal cooperation
United Kingdom	RSA under review. More scope to tailor support possibilities regionally.	Movement towards regionally-based business-environment focused initiatives	On-going devolution of economic development powers	Policy regionalisation RDAs in England; Development strategy for Scotland/Wales/NI

Source: Yuill (2003)

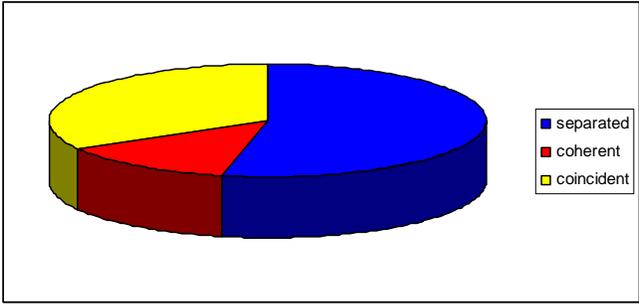
Adopting the typology developed by Yuill in the framework of the research for the EorPA Consortium (Yuill, 2001, 2002 and 2003), current regional policy instruments can be categorised as follows:

- *Regional incentives;*
- *Interventions for the business environment;*
- *Infrastructure provision;*
- *Regional strategies*

The table above provides a synthetic overview of the main national regional policy instruments in use in each Member State. As can be seen, each country presents a distinctive mix of instruments, some of which are the same instruments utilised under the Structural Funds.

The degree of coincidence or separation between national and European regional policies implemented by each Member State can be assessed, from the perspective of the instruments in use, looking at the extent to which the Structural Funds co-finance national regional policy. Table 19 provides an assessment of this.

Table 21: Interrelation between national and European regional policy instruments (co-funding)

	<b>Separated</b> (mainly non co-funded)	<b>Coherent</b> (national instruments mainly co-funded)	<b>Coincident</b> (same instruments)
Austria	√		
Belgium	√ (mainly, regional aids are mainly co-funded)		
Denmark	√ No regional aids		
Finland		√	
France		√ mainly (exception of PAT scheme)	
Germany	√		
Greece			√
Ireland			√
Italy			√
Luxembourg	√		
The Netherlands	√		
Portugal			√
Spain			√
Sweden	√		
UK	√		
EU Overview			

Source: ESPON 2.2.1

As illustrated by the table, the majority of countries, around 53 percent, operate national and European regional policy through separate instruments. This is the case in Austria, Belgium, Denmark, Germany, Luxembourg, the Netherlands, Sweden and the UK.

Another group of countries – the cohesion countries and Italy – do operate the two policies through the same instruments, in some cases, particularly in respect of regional aids, these are national instruments that are co-funded by the Structural Funds (e.g. Italy). Finally, Finland and France have been assessed as being in an intermediate position.

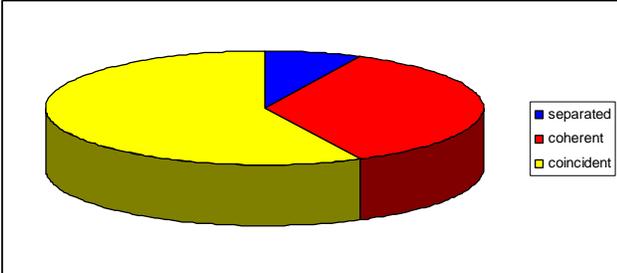
## Governance

This section deals with the governance system associated with national and European regional policies in the Member States. As in the previous sections, the Member States are classified into three groupings, namely, separated, coherent or coincident, and the criteria used for this classification is in this case the overall responsibility framework associated with regional policy. This has entailed looking at two aspects:

- *First, the territorial level of responsibility, in other words where the key decisions are taken: in some cases while national regional policy is nationally monitored, European regional policy tends to be regionalised (e.g. in Austria);*
- *Second, the thematic competence of the Ministries/Departments in charge of regional policy, in other words, who takes the key decisions: the decision-making competence for the two policies does not always coincide, in the UK, for example, the two policies are monitored by two different Departments, the DTI (national) and the ODPM (European) respectively.*

As the table below illustrates, in about half of the 15 EU Member States the overall framework of responsibility for regional policy is coincident, thus encompassing both National and European regional policy. This is obviously the case with countries where there is no spatial or strategic differentiation between the two policies, though once again, it is also the case in Finland, where the Structural Fund model has permeated domestic policy making, as well as in France, where overall responsibility for both policies lies within one single agency, the DATAR. In other countries, however, there are differences in the governance approaches of national and European regional policy, as can be seen below.

Table 22: The relationship between national and European regional policy governance

	<b>Separated</b> (Neither the same territorial level, nor the same competent agent)	<b>Coherent</b> (Same territorial level or same competent agent)	<b>Coincident</b> (Same territorial level and same competent agent)
Austria		√	
Belgium		√	
Denmark			√
Finland			√
France			√
Germany		√	
Greece			√
Ireland		√	
Italy			√
Luxembourg		√	
The Netherlands			√
Portugal			√
Spain			√
Sweden			√
UK	√		
EU Overview			

Source: ESPON 2.2.1

A more detailed analysis is provided in the annex report B. However, some conclusions can be drawn as to the implications of the interrelationship between various aspects of national and European regional policy in the EU15 (overall approach, spatial targeting, policy instruments and governance). This qualitative overall assessment groups the countries under analysis as follows:

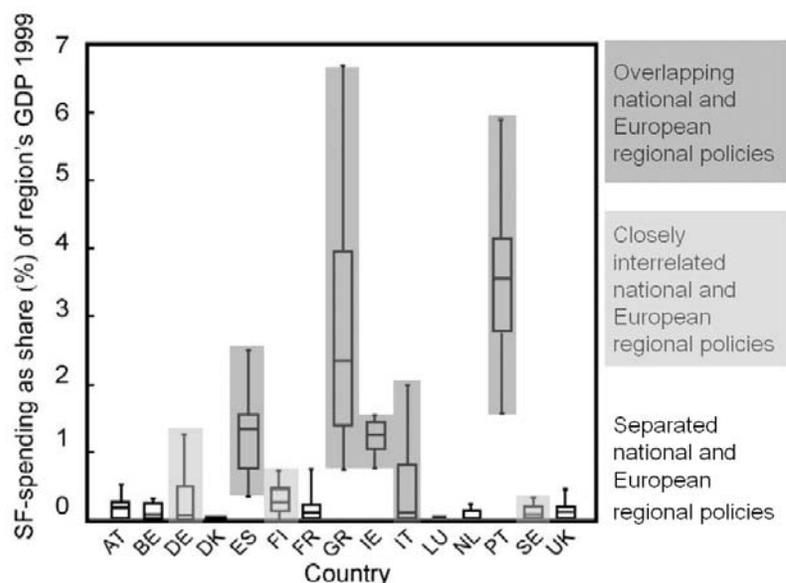
- *In a majority of countries, the two policies can be considered as 'separated': Austria, Belgium, Denmark, France, Western Germany, Luxembourg, the Netherlands and the UK;*
- *At the other extreme, in Easter Germany, Greece, Ireland, the Italian Mezzogiorno, Portugal and Spain, the two policies are to be considered coincident (overlapping);*

- Finally a further cluster of countries groups those countries where NRP and ERP do not coincide, but are certainly closely interrelated (either due to the geographical scope, or due to the overall approach and strategies implemented). These countries include the Italian Centre-North and the two Nordic Countries, Finland and Sweden.

This typology on the interrelationship between national and European regional policies shows a clear core- periphery picture, with separated policies in the core of Europe and more related policies in the peripheral parts of the EU15. The only exception here is Germany, which can be explained by the relative weight given to Eastern Germany. As illustrated previously, national regional policies differ markedly in the Old and New German *Länder*.

In addition to the core-periphery divide, there is also a clear relationship between the national and European regional policies and the Structural Fund share of a region's GDP. As illustrated in the figure below, those countries that are categorised as 'coincident' are also the countries where the share of Structural Funds on the region's GDP is highest. In countries categorised as 'separated' the share is low, while the countries seen as 'closely interrelated' are grouped in an intermediate position.

Figure 12: The coincidence of European and national regional policies in relation to Structural Fund spending



Source: ESPON 2.2.1

Thus it can be argued that the amount of Structural Fund money allocated to a country matters as regards the leverage effects the Structural Funds have on national regional policies.

Furthermore, we can conclude that the leverage effects of the Structural Funds on national regional policies imply that they have a wider range of indirect effects in Greece, Ireland, Italy and Spain (i.e. those countries seen as overall overlapping) than in the rest of Europe. Thus far this study has not distinguished between the various degrees of impact the indirect effects of the Structural Funds have had in different countries. It can however be argued that the influence that the Structural Funds have on shaping national regional policies in the countries mentioned above means that the effects of national regional policies can, to a large extent, be considered together with the effects of Structural Funds – i.e. the effects of national regional policies may be considered as indirect/leverage effects of the Structural Funds.

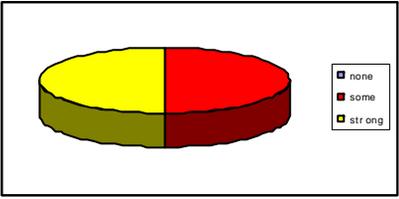
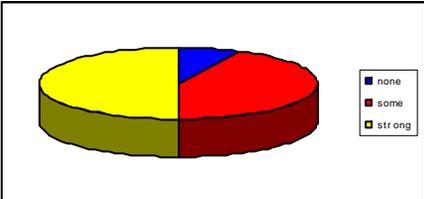
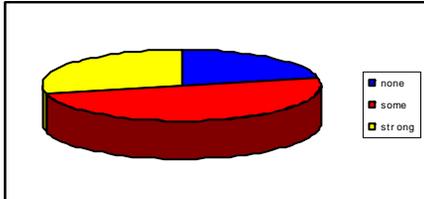
### **7.3 National regional policies, territorial cohesion and polycentricity**

While one could argue that regional policy is a spatial policy by definition, not all national regional policies have a strong implicit spatial focus. In addition, even when national regional policy implies a strong spatial focus this is not always linked to the concepts of territorial cohesion and polycentric development.

Table 21 below – which is based on the assessment provided by the country experts - provides a visual overview of the extent to which national regional policy in each EU15 country is spatially oriented, and the degree of integration of the objectives of territorial cohesion and polycentric development.

Following the table, the integration of spatial themes (particularly territorial cohesion and polycentricity) in domestic regional policy is reviewed on a country-by-country basis.

Table 23: Integration of spatial objectives in the national regional policies of the EU15

Country	Overall spatial approach			Territorial cohesion			Polycentric development		
	none	Some	strong	none	some	strong	none	some	strong
Austria		√				√		√	
Belgium			√		√				√ (Flanders)
Denmark			√			√			√
Finland			√			√		√	
France			√			√			√
Germany			√		√			√	
Greece			√			√			√
Ireland			√			√			√
Italy		√			√			√	
Luxembourg			√			√			√
The Netherlands		√			√		√		
Portugal		√				√		√	
Spain		√			√		√		
Sweden		√			√			√	
UK		√			√		√		
									

Source: ESPON 2.2.1

On cross-referencing the analysis on the relationship between national and European regional policies with that of the spatial dimension of national regional policies, we see that the picture that emerges is a heterogeneous one. As such, it is not possible to link causally the level of inclusion of spatial themes in national regional policies with the degree of separation or coincidence between NRP and ERP.

Table 24: Integration of spatial themes in domestic regional policy

	<b>Strong Spatial approach</b>	<b>Some Spatial approach</b>	<b>Strong TC</b>	<b>Some TC</b>	<b>Strong Polycentricity</b>	<b>Some Polycentricity</b>
<i>Separated</i> (Austria, Belgium, Denmark, France, Luxembourg, The Netherlands, UK)	Belgium, France, Luxembourg, Denmark	Austria, The Netherlands, UK	Austria, France, Luxembourg, Denmark	The Netherlands, UK	France, Luxembourg, Denmark	Austria, Belgium (Flanders),
<i>Coherent</i> (Finland, Germany, Sweden)	Germany, Finland	Sweden	Finland	Germany, Sweden	-	Finland, Germany, Sweden
<i>Coincident</i> (Greece, Ireland, Italy, Portugal, Spain)	Greece, Ireland	Italy, Portugal, Spain	Greece, Ireland, Portugal	Italy, Spain	Greece, Ireland	Italy, Portugal

Source: ESPON 2.2.1

## 8 The contribution of Interreg to polycentric development

The approach adopted in this section was thus to describe in concrete terms the fall-outs of Interreg co-operation. As such, the analysis was divided into two main parts, the first containing a description of the theoretical issues related to Interreg co-operation and the second an analysis of the results received from our questionnaire-based survey of the Interreg projects in Europe. It is worth noting here that direct and concrete contributions to polycentricity are hardly to be expected from the Interreg programmes, though they have managed to address some of the issues to a certain extent.

Previous studies on Interreg have shown that such co-operation is widely influenced by geography and scale (Böhme *et al.* 2003). It is therefore possible to distinguish between different types of co-operation depending on the geographical configuration of the partnership. Böhme *et al.* (2003) have identified 5 main categories: **unbalanced co-operation**, with the great majority of the partners belonging to the same country, **axial co-operation**, following a transport axis or waterway, **trans-national regional co-operation**, developing inside an existing or emerging functional region, **virtual networking**, aiming at the sharing of experience and finally **'add-on' projects** following the already existing national co-operation structures. With regard to polycentricity it is believed that the trans-national regional and the axial co-operation areas are the most suitable to express polycentricity at the trans-national level, while the "add-on" and "unbalanced" types are more likely to relate to polycentricity at a regional scale.

Another interesting issue here is that of implementation in different forms of learning. According to Böhme *et al.* (2003), it is necessary to make a distinction between individual learning and collective/organisational learning. Furthermore, Böhme *et al.* identified three moments of learning: **trans-national learning** enables the partners to better get to know each other and to familiarise themselves with the nature of co-operation in general; **regional (and national) learning** focuses on the creation of knowledge through regional sub-projects; and finally **organisational learning** puts the emphasis on the dissemination of the knowledge acquired by each partner to their home-organisations.

The definition of the theoretical issues related to Interreg co-operation is an important prerequisite to analysing the responses received from our questionnaire-based survey. The aim of this survey was to collect relevant information for statistical use. Our analysis was then based on the answers received from 8 different Interreg areas. The questionnaire approached the notion of polycentricity on four different geographical scales (regional, national, trans-national and European) and three thematic dimensions (morphology, accessibility and functional specialisation).

As regards geographical scale, an increased level of awareness seems to have developed at the trans-national and national levels. When drawing a comparison between the different thematic aspects of polycentricity, collaborative links are often considered as the main potential outcome. Following the collaborative links, it is the physical links that are considered the most important aspect, followed by size and specialisation. If the high

ranking of the collaborative links is hardly surprising in the Interreg context, the poor score for the specialisation aspect is perhaps more surprising. To conclude on polycentricity, it seems that participation in the Interreg programmes has contributed to learning on various aspects of polycentricity, particularly as regards accessibility at the trans-national level, followed by accessibility at the regional level, and morphology at the trans-national and regional levels.

In the Interreg context, the main motivation for co-operation can be found in the exchange of experience and information (76% of the respondents). To desire to establish networks of collaboration and to find new solutions to similar problems are also of significant importance as their score (70% each) illustrates. In addition to analysing the motivations for co-operation, it is also interesting to study its perceived benefits.

The compilation of the responses dedicated to the perceived benefits of the Interreg programmes illustrates the level of importance attributed to the 'transfer of knowledge'. The project-partners seem also to have broadened their knowledge on the nature of co-operation itself, as the high score of 'improved information' attests. On average, the project partners considered that 'innovative ideas' were a significant output of the projects. But when looking more closely at the differences on that matter between the Interreg areas, it seems that 'innovative ideas' were less relevant in the context of fragmented or heterogeneous areas, such as CADSES.

The selection of the partners is the first important step in building a coherent partnership. The results gathered via the questionnaire revealed the importance of the institutional and geographical criteria when choosing project partners. An important criterion mentioned here by the respondents themselves was the search for relevant professional expertise from the partners.

By studying some of the preliminary results of the ESPON 2.4.2 project, it became clear that one of the most important steps in creating an Interreg area was the coherence of its geographical delimitation, including, as mentioned earlier, partners faced with the same challenges.

In conclusion then, it is worth noting that most of the results that came out of this survey confirmed most of the findings of the other chapters of this study.

## **9 Conclusions and their policy implications**

### **9.1 The aim of the study**

The aim of the project was to assess the spatial effects of the Structural Funds. For this purpose a two-fold approach was applied. Firstly, the project worked with the European wide picture of the Structural Funds, including both the mapping of the geography of Structural Funds (1994-1999) and an analysis of their spatial implications. Secondly, the work focused 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, both in terms of the policy content and in respect of nationally and regionally specific implementation practices. The analysis aims then to address the question of the spatial effects of the Structural Funds with a particular focus on polycentricity and territorial cohesion in Europe.

### **9.2 Polycentric development as an operationalisation of territorial cohesion**

The way in which the key concepts have been operationalised is central to the analytical context here. *Territorial Cohesion* is seen as addressing the potential, the position and the relative situation of a geographical entity. It can be discussed at various geographical levels or scales, i.e. at the *micro*, *meso* and *macro* levels. *Polycentricity/polycentric development* addresses the aspects of morphology, accessibility, functional specialisation and co-operation links of an area, each of which can be discussed at various geographical levels, i.e. the *micro*, *meso* and *macro* levels. *Polycentric development* is seen then as an operationalisation of territorial cohesion, as it is used as a bridging concept merging two not always congruent policy aims, namely those of economic growth and balanced development. The *Structural Funds* focus mainly on overcoming imbalances in socio-economic development measures mostly in terms of GDP and unemployment. In the context of this project both the Structural Funds and the Cohesion Fund were analysed, though in the report reference is usually made to 'Structural Funds' as a shorthand expression of this. *Cohesion Policy* centres on the aspects of competitiveness as outlined in the Lisbon Strategy. The Third Cohesion Report illustrates a shift towards more territorial considerations within cohesion policy and the project has sought to provide a further elaboration of this approach.

### **9.3 Structural Fund programmes and territorial cohesion & polycentricity**

The study has shown that the Structural Fund programmes remain in their essence predominantly regional development programmes. The main objectives of the programmes in the 1994-99 period were those of reducing disparities in GDP and unemployment between the regions of Europe. Whilst in 1994, the Objective 1 programmes were seen as lacking a clearly articulated underlying 'model' of how regions could best develop, (which

was one of the issues working against the achievement of a truly integrated approach), during the current programming period strategies have become 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. Within Objective 2, stronger links to wider national/regional economic development strategies have emerged when the 1994-1999 and 2000-2006 periods are compared. More explicit strategic thinking has also been introduced, which has led to a number of changes, including an increasing focus on 'soft' aid, new technologies and innovative methods of financing.

#### **9.4 The limited level of funding calls for better integrated policies**

The total expenditure of European Structural funds is very limited. In 1999 Structural aid, as a share of the GDP, constituted on average some 0.28 percent of the total EU15 GDP. Only the Cohesion countries were above this average, with the highest rates being for Portugal and Greece with 1.89 and 1.86 percent respectively. These figures are lower than those reported e.g. in the Second Report on Economic and Social Cohesion. This is largely explainable by the difference in methodology, as well as by the fact that those figures were based on committed funding as opposed to funding actually disbursed. Despite the long-term nature of the Funds, and the fact that they have important additional leverage effects (i.e. they mobilise an important amount of additional national, both private and public, resources), this necessarily means that the capacity for reducing disparities through this financial source is limited.

*The limitedness of the funding does not necessarily undermine its impact, rather it makes it all the more essential to use the available funds effectively.* It is most likely that vast amounts of funding (such as those of the Cohesion countries) cannot but help to contribute to local economic development, especially as much of this funding is directed towards investments. In many cases Structural and Cohesion funding constitutes the lion's share of total public investment in a poor region. How well this financing is utilised, and for what kind of investments, was investigated in the case studies undertaken as part of the project.

The assessment of the aims of the Structural Funds undertaken in this project show that there is something of a 'coincidence' between the aims formulated in the Structural Fund programmes and the aims of European spatial development policy more generally. Moreover, the assessment of the relationship between European regional policies and national regional policies illustrates that the Structural Funds have considerable leverage effects in the countries receiving the highest *per capita* assistance in particular.

Due to their leverage effects, a more holistic approach to Structural Funds interventions is required, considering them as a part of the overall regional development interventions and policies. Thus a key focus here has been the consideration of the inter-relationships between national regional policies, EU regional policy and EU competition policy.

In order to achieve effective structural policies, national and European policies thus need to be better co-ordinated so as to make them compatible. Here the governance systems also play a role. In a majority of countries, the two policies can be considered as 'separated': Austria, Belgium, Denmark, France, Western Germany, Luxembourg, the Netherlands and the UK. In Eastern Germany, Greece, Ireland, the Italian *Mezzogiorno*, Portugal and Spain, the two policies are to be considered coincident, while a third cluster of countries includes those where NRP and ERP do not coincide, but are certainly closely interrelated (either due to the geographical scope, or due to the overall approach and strategies implemented). These countries include the Italian Centre-North and the two Nordic Countries of Finland and Sweden.

This typology on the interrelationship between national and European regional policies shows a clear core- periphery picture, with separated policies in the core of Europe and more related policies in the peripheral parts of the EU15. The only exception here is Germany, which can be explained by the relative weight given to Eastern Germany.

The leverage effects of the Structural Funds on national regional policies imply that the Structural Funds have a wider range of indirect effects in Greece, Ireland, Italy and Spain (i.e. those countries seen as overall overlapping) than in the rest of Europe. The effects of national regional policies can, to a large extent, be considered together with the effects of the Structural Funds – i.e. the effects of national regional policies may be considered as the indirect/leverage effects of the Structural Funds.

## **9.5 Polycentricity & Structural Funds intervention: an implicit connection?**

There are *two main ways in which the Structural Funds can influence spatial development*. **Firstly**, there is potential inherent in the spatial nature of the funds themselves and there is the potential 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 channel of influence within spatial development is defined. 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 that sees Member States and national and regional programme stakeholders influencing *micro* level priorities is probably more realistic. Area designation specifically targeted at polycentric development is not possible. Area designation paying attention to functional urban areas, e.g. not splitting them up, may however increase the possibility of contributing to polycentric development. **Secondly**, the form of intervention also influences spatial development. Some policy forms may have more explicit spatial impacts than others. In general however, policy interventions may take two main forms: (1) Cushioning the adverse effects of investment or disinvestment decisions, and (2) Speeding up investment decisions.

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 to 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 have been considered. It is further argued that the Structural Funds may also be able to contribute more explicitly to polycentric development by integrating this policy concept into the Structural Funds instruments and governance systems.

Whilst not taking a normative stance on the question of whether polycentricity should in fact be strived for (and if so, in what relation to other prioritized normative goals and policy priorities), we do argue that territorial cohesion is a necessary but not sufficient condition for polycentric development. ***For structural policies to be polycentric they need to address the issue of polycentricity – monocentricity in an 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 can thus be of direct influence to the urban and regional structures.*** On the other hand, interventions focusing on human resources and the business infrastructure have more indirect effects.

The *meso* and *micro* levels (i.e. the individual programme level) are in our view the most efficient levels through which the concept of polycentricity could be introduced into the Structural Fund system and its 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'.

When analysing the relationship between polycentricity and Structural Funds interventions, some interesting findings emerge. Not only was polycentricity a non-issue during the 1994-1999 programming period, it also seems that in funding terms polycentric regions seem to have been the losers here, with over half of the total assistance going to non-polycentric regions<sup>7</sup>. Only 17,8 percent went to polycentric regions<sup>8</sup>. The potential for polycentric development was however not overlooked completely, as 31,6 percent of the assistance went to potentially polycentric regions<sup>9</sup>.

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<sup>7</sup> Regions with less than two FUA 'areas of influence', or regions with a strong relative weight for the first FUA, and a weak relative weight for the second FUA.

<sup>8</sup> Regions with a low relative weight for the first FUA and a strong relative weight for the second FUA.

<sup>9</sup> Regions with an average relative weight for both the first and second FUAs.

During the period investigated, about 17 percent of funding went to areas that can be viewed as already strong nodes in a European polycentric system, while about 30 percent went to areas strengthening the European polycentric pattern, while only 12 percent was spent on areas that in the long run may contribute to polycentric development at the European level.

The lion's share (41 percent) went to regions that are unlikely to show up in any European polycentric pattern at the *macro* level. Thus on the *macro* level one should not expect a major contribution to polycentricity if the funding flows follow a *status quo* pattern (or similar logic to the current programming period despite a geographical shift in funding towards the new Member States). The (for the time being unanswered) question here naturally is whether polycentricity should in fact be among the main policy priorities in European territorial policy, and if so, *how should it be defined and operationalised* (on all levels).

The study establishes a fairly strong connection between the amount of money utilised per inhabitant, the region, and the corresponding level of GDP. In general, poorer regions received more, and richer ones less, with the largest exceptions being Ireland and northern Fenno-scandia, Pais Vasco and Umbria along with some large city regions (e.g. Madrid, Merseyside).

Regions receiving most funding (in the national context) and displaying higher economic growth rates than those in their respective countries, on average, can be said to adhere to the general goals of cohesion policy. This is the smallest category, both in terms of the number of regions (13 percent of all EU15 NUTS III regions) and in terms of population coverage (11 percent). These regions are mostly in the southern European cohesion countries as well as in southern Italy and eastern Germany, (including Berlin). Furthermore a batch of some 20 regions in France (mostly in the south), more than ten in the UK, six each in Austria and the Netherlands, and two in Belgium belong to this group. Of the Nordic countries only the region of Åland is included.

At the other extreme are regions that, despite substantial funding (again, in the national context), demonstrate poorer growth rates than most regions in their respective countries. With more than a fifth of all regions this is the largest group in number, though it covers only 16 percent of the EU15 population. These regions are mostly located in eastern Germany, northern parts of the UK (mostly Scotland), as well as southern Italy. In addition, many fairly populous regions both in southern and North-Eastern France, and some regions in Spain and Portugal, as well as most of the regions of northern parts of Fenno-scandia adhere to this pattern.

In terms of population the largest group of regions here is the one with persistently high growth figures, despite the low levels of structural aid. This group representing 20.7 percent of the European regions consists mainly of regions that are inside the Pentagon, with more than half of all European capital regions being in this group (the most notable exceptions here being Rome and Vienna).

There are no countries that demonstrate a clear-cut positive relationship between (relative) regional economic growth and the level of spending. This relationship is discernible (albeit only vaguely) in France and Italy. For example in Sweden the opposite holds true, while countries such as Greece and Portugal display a near random pattern. Thus one possible conclusion here could be that if there is indeed a discernible positive impact of the Structural Funds, it is not to be found in relation to the economic growth indicator. This is largely consistent with our previous hypotheses on Structural Fund impacts, i.e. that the indirect and qualitative impact is likely to be proven more interesting than the impact on changes in the economic performance.

Referring to the Dissimilarity Index, the actual development trends differ regarding the level in question, e.g. there are trends towards increasing territorial cohesion at the *macro* level (NUTS 0), while at the *micro* and *meso* levels the trends predominately point towards decreasing territorial cohesion (NUTS 2 & 3)

Table 25: Dissimilarity indices of GDP in PPS in 1995 and 2000 at NUTS 0, 2 & 3

EU15 at:	Dissimilarity index		Units change 1995-2000	indicating:
	1995	2000		
NUTS 0	0.465	0.460	- 0.005	increasing cohesion
NUTS 2	0.339	0.341	+ 0.002	decreasing cohesion
NUTS 3	0.531	0.620	+ 0.089	decreasing cohesion

Source: New Cronos

In addition to the different development trends at various geographical levels, the implications of pursuing the same policy aim at various levels may also be contradictory or even counterproductive between various levels. ***Developments towards greater polycentricity at the macro level may imply certain concentration tendencies potentially leading to more monocentric developments at the lower (meso) level.*** 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, such 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, or 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 as 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.

Because of the ambiguity between levels, the project has made an effort to *distinguish between spatial effects at the micro, meso and macro levels*.

## **9.6 Spending mostly targeted at urbanized areas in total terms**

The study has shown that there is no significant correlation between the type of region and the impact of the Structural Fund intervention. Some of the findings as to the relationship between interventions and polycentricity were reported above. In terms of the funding there are discernible differences however, as the analysis of Structural Fund spending has shown, that *spending is mainly targeted on urbanised areas*. As regards the correlation between the spending geography and the aim of polycentric development, polycentric development at the *macro* level is more likely to be supported than polycentric development at the *meso* level.

In relation to potential accessibility and transport-related Structural Funds spending a picture emerges of *poor accessibility and high spending going hand in hand*. Some 40 percent of the EU15 population have a potential accessibility by rail equal or below the EU15 average and at the same time receive funding related to transport investments; a similar percentage (38 percent) is found in relation to the question of potential accessibility by road. Taken together these regions obtain more than the 80 percent of the EU15 budget of the Structural Funds.

When comparing the territorial distribution of funding allocated in 1994-1999, national FUAs received slightly more funding than international ones, though the lion's share, both in terms of total spending and spending *per capita*, went to functional urban areas with regional profiles.

*With regard to assistance per inhabitant, densely populated areas received (in 1994-1999) less funding than sparsely populated areas. While sparsely populated rural areas received, on average, about three times as much assistance, per inhabitant, as did densely populated urban areas.*

*Looking at total spending, approximately 70 percent of the assistance went to urban areas.* In terms of spending *per capita*, rural areas scored better than urban areas, with the exception of areas of medium human intervention, where the urban areas showed an absolute peak of 726 € *per capita*. Concentrating on the distinction between areas with high human intervention versus areas with low human intervention, approximately 50 percent of the Structural Fund assistance went to areas with human intervention, whereas less than 40 percent went to areas with low human intervention.

## 9.7 Limited territorial impacts: connectivity, accessibility and spatial positioning stand out

Structural Fund programmes have had a tangible net economic impact in the Cohesion countries and other large Objective 1 regions. Outside these areas, the economic impacts are difficult to quantify. The Funds have however 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 across the Member States (regardless of the funding intensity in the country in question).

*The analysis of the case studies illustrates that the Structural Funds can positively influence the spatial positioning of the region in question.* This influence is, however, limited to a few key aspects and relies on the existence of certain development trends that can be reinforced. The Structural Funds can have an impact, but only provided they are used consistently and together with other appropriate policy instruments and funding sources, as in most cases their volume is rather limited.

The Structural Funds can best influence the spatial positioning of a region with regard to transportation links and functional specialisation in the fields of knowledge and education as well as tourism. In the other fields reviewed in terms of functional specialisation – i.e. industry, economic base, administrative status and decision-making centres – the influence of the Structural Funds is negligible for the most part.

## 9.8 Micro level impacts: mostly qualitative

Despite the limited quantitative effects, *important qualitative effects have been identified relating to a number of areas at the micro level*, such as:

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.*

It was however also argued that this 'added value' has been undermined by administrative complexities, fragmented maps (area designation), the  $n+2$  rule, as well as by the risk-aversion implicit in the available funding mechanisms.

*In the area of governance, Structural Funds programming has had an important impact on governance innovation and renewal.* By favouring 'bottom-up' approaches to policy-making and delivery, it has contributed to increasing the potential for policy

innovation at the local level, as well as being considered responsible for the strengthening and empowering of the regional and local levels.

***On the regional level there is scarcely any apparent pattern discernible.*** No clear-cut correlation is visible between the variables. Regions receiving more Structural and Cohesion Fund assistance demonstrate both better and worse employment dynamics than that for the EU as a whole.

The regions that received more funding *per capita* than in the EU as a whole seem to have performed slightly better in employment terms than those receiving less. The imbalance within the groups is however larger in those regions that received most funding, as opposed to those receiving least.

***The 'Lisbon themes' were most often included in an indirect or implicit fashion,*** due to the timeframe of the two processes under analysis: when the programmes were drafted and implemented, the Lisbon themes were not yet on the policy agenda. At the same time it is obvious that some of the themes were already central to the Structural Funds' priorities and measures. Issues such as the promotion of research and development and innovation capacity, SMEs and the Information Society were already being addressed during the 1994-1999 period, though this has been intensified during the 1999-2006 period. Better jobs and social inclusion were however rarely addressed as specific priorities during the 1994-1999 period. Competitiveness seems to have been interpreted in rather traditional terms during the 1994-1999 period, as R&D and SME services rate highly, while social inclusion rates much lower. Few conclusions can be drawn here on the types of regions more prone to address Lisbon related themes in their programmes.

***In terms of the impact of the Structural Funds on governance, the case studies reported most impacts on new working practices and methods associated with the programming cycle, evaluation and partnerships,*** while there were also indications that the influence of the themes and policy emphasis may have contributed to a more broadly based understanding of regional policy and the governance model required to promote the objectives it encompasses.

When compared to a similar analysis of urban areas (within the ESPON 2.2.3 project), there are both similarities and differences. Whereas in the urban areas the main aspects of policy impact and governance learning were identified as networking and organizational innovations (partnerships leading to new co-operation networks and more broadly based management structures); increased citizen participation and 'identity-building' for the inhabitants, as well as the visibility and 'awareness' of EU policies, here the impacts were identified in the emphasis on partnership constellations and working practices. This is not however surprising when we consider that the regional level within which the analysis was undertaken in this project was broader, and thus some of the grass-roots impacts and influences were perhaps more difficult to identify.

On the micro level, the stabilisation of settlement patterns in a region (particularly in rural areas) was identified in some predominately rural regions (e.g. Lakonia, Grevena and Madeira). A similar level of influence is also deemed identifiable in Calabria and Toscana.

Additionally, at the micro level, a concentration on the major cities of a region, i.e. a more balanced national picture emerged in Southern and Eastern Ireland and in Sachsen.

## 9.9 The *meso* level: economic specialization the main impact

When considering the issue of polycentric development at the *meso* level, ***economic specialisation turns out to be of greater importance than accessibility***, while at the *macro* level, transportation infrastructure is a significant measure in achieving polycentric development through regional enlargement. At the *meso* and *micro* levels however, proximity is of less importance with the focus of increased polycentric development here being on strengthening national or international specialisation and competitiveness.

In demographic terms, ***the direction and intensity of population change does not appear to coincide with that of Structural Fund spending per capita when analysed on the regional level***. There seems to be little difference between regions undergoing either positive or negative demographic development as to whether they are likely to be high or low structural aid receivers. One hypothesis here could be that structural actions in some regions have probably contributed to changing previously negative trends into positive ones, or at least having reduced the negative trends. How, counterfactually speaking, the situation would be without financial assistance it is however not possible to assert.

In the analysis of the spatial discontinuities, capital regions provide a case apart. When excluding the capital regions, among the remaining 50 largest pairs, not one includes "equal" partners on both sides of the border, i.e. it is almost exclusively a clear-cut matter of a divide between a large city region and its more rural neighbour. Therefore the non-cohesive patterns within the EU15 could be said to stem more from the urban structure and the level of polycentricity than from real territorial imbalances as such.

The largest number (27) of borders with a very high discrepancy is to be found in Germany, with the contours of former East Germany still, for the most part, clearly visible.

Economic disparities across nearly half (43 percent) of all European internal borders could be characterised as not noteworthy. Sweden has the most balanced pattern (Stockholm being the only exception) while in addition Portugal also has small internal variations in this respect. In addition, for roughly half of all French and Greek borders this is also the case.

Regions along such borders where the difference has been fairly small have (on average) come closer to each other, whereas the opposite holds true for borders where the economic gap was already large. To make matters worse, the single group of border regions displaying the worst possible scenario (increasing disparity due to the richer becoming richer still, and the poorer becoming poorer ) are also those where the disparity was largest at the onset (21 index points in 1995, increasing to 28 in 1999). However, there exists no clear-cut pattern between the wealth of the border region and in which direction its cross-border cohesion is developing.

## 9.10 Macro level

As argued above, the impacts at the *macro* level are limited, though some are discernible as the connection between polycentricity and Structural Fund spending is analysed.

When one looks at the demographic developments, ***only minor changes have occurred on the macro level.*** The picture is confirmed by the case studies where no influence was found on this level. The total population change for the entire EU saw a slight increase of some 4 million persons, corresponding to 1.1 percent of the population (or 0.27 percent per year) during the four-year period 1995-99. The picture here is increasingly varied however, as regional differences have become increasingly important.

In the analysis of employment trends across Europe, changes in the number of employed persons remain one of the primary indicators of regional economic dynamics. Differences between both Member States and their regions are considerable.

Changes in the relative number of persons employed reflect wide varieties among member states. In Ireland and Luxembourg, employment has increased by 36 percent and 30 percent respectively. While in Spain, the Netherlands, Finland and Portugal the rate of change has been above 10 percent. For the EU as a whole this rate was 8 percent. At the other end of the scale we find Greece, Austria and Germany, where this change has been less than 5 percent. It could be argued that those countries displaying a low employment rate would be the ones in need of the highest increases in order to sustain economic growth, but the issue is probably not as straightforward as that. Productivity per employee, or the amount of unpaid or voluntary labour, or other issues reflecting cultural values and the organization of society, also play a role here.

In charting inter-regional disparities across regional borders, we have entertained the possibility that when trying to link cross-border inequalities to regional policy spending, at least theoretically, there exists the possibility that funding spent in one region effects the situation in the neighbouring one. As a result of this an analysis focusing on regional entities on both sides of the border becomes imperative. For analytical purposes the study has therefore included the creation of "Virtual border regions". The data utilised here (GDP/head in PPS 1995 and 1999) refers to economic changes relative to the EU15 average. Here it is worth noting that due to the methodology the study was constrained to merely observing coincidences and correlations rather than causalities.

Not surprisingly, the sharpest economic cleavages of the EU15 are along its eastern boundary, i.e. on the borders with the post-planning economies. Although no exact data exists, probably the largest land divides are to be found along the Finnish border with Russia (i.e. Murmansk *Oblast*, the Republic of Karelia and Leningrad *Oblast*), where disparities in for instance GDP per head (measured in purchasing power) can extend to a ratio of 1:4.

Within the Union (EU15) the largest cleavages in 1999 are between the capitals and other financial centres and their surrounding regions.

While it can be concluded that pre-existing demographic trends have hardly been influenced by the Structural Funds, in some cases at least an indirect influence has been detected in terms of (a) focussing on rural areas, or (b) of focusing on strengthening the regional centres. This relates to the conclusions on possible ways of addressing polycentricity within the context of Structural Funds interventions elaborated above.

## **9.11 Policy implications and recommendations**

### **9.11.1 *Explicit inclusion and operationalisation of polycentricity***

As was argued above, if one wishes to better integrate polycentricity into Structural Funds programming, the *meso* and *micro* levels (i.e. the individual programme levels) are in our view the most efficient level through which the concept of polycentricity could be introduced. This relates both to the Structural Fund management system and the programme 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. For this to be effective, a set of guidelines for the understanding of polycentricity is also necessary. The guidelines for the programmes should include an analysis of how the funds could best contribute to the 'development of a balanced functional region' or 'a balanced urban and regional system'.

### **9.11.2 *Area designation the key to polycentricity***

We have seen that thus far, the majority of funding has been targeted at monocentric rather than polycentric regions. Area designation thus seems to be one of the most feasible ways of addressing polycentricity. In area designation the issue of territorial cohesion at both the *macro* and *meso* levels, together with polycentric potentials should be addressed. Area designation paying attention to functional urban areas, e.g. by not splitting them, can contribute to polycentric development.

### **9.11.3 *Policy sectors with relevance for polycentricity: infrastructure and functional specialization***

There are clear sectoral differences in respect of generating effects and impacts on polycentricity. The regions with high support intensity have been those most disadvantaged in accessibility terms, which seems to suggest that transport infrastructure is one of the sectors where impacts could potentially be found. In addition infrastructure (through influence on spatial positioning and accessibility), tourism and R&D have potential in addressing the spatial positioning and strengthening regional specialization. Here the existing policy toolkit of Structural Fund interventions seems to be sufficient and no direct

polycentricity measure or priority is needed. An increased focus on infrastructure spending could be a viable option to promote polycentricity through Structural Funds. At the meso and *macro* levels in particular measures designed to support specialisation, the use of development potentials and national and international competitiveness, can also favour polycentric development.

#### **9.11.4      *More focus on the effective utilization of resources through increased focus on governance effects***

In an environment of reduced funding in a number of areas, the need for effective management structures and procedures is particularly important in order to ensure that financing is used both effectively and efficiently.

The indirect effects and discursive power also 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 strategy for promoting such indirect effects is required. Policy recommendations in this field include:

-            *Intensified policy discourse and supporting new thinking*

For polycentric development to become a more explicit policy objective within the Structural Funds, there is a significant need for increased clarity over its meaning. There also needs to be a more distinct interpretation of polycentricity as regards different spatial scales. The *micro* and *meso* levels seemed particularly suited to promoting such new thinking and policy innovation, and it is here also that the *micro* level can see mobilization and empowerment effects among the citizens. Furthermore the merits of polycentric development need to be investigated in further empirical research.

-            *Supporting new thinking*

For all three strands of future programmes, the Structural Funds could 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. Indeed the *micro* and *meso* levels seemed particularly suited to promoting such new thinking and policy innovation, and it is here also that the *micro* level can see mobilization and empowerment effects among the citizens.

-            *Leverage of national practice*

Thus far no effective mechanism for linking the objectives of the Lisbon Agenda with EU regional policy has yet been found. One solution to this problem may be that of using the EU Structural and the Cohesion Funds as levers for national policies. In a similar way, as Objective 3 support has been linked to the adoption of national employment strategies, future Structural Fund support could also be linked to the adoption of explicit spatial development policies in each country. Through the national co-funding obligation, moreover, the Funds should 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 polycentricity comprise morphological aspects as well as the flows between various centres. The current Structural Funds programmes 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 however mainly limited to activities under Interreg. Currently, Interreg is the only EU instrument promoting co-operation. Fostering cooperation between centres with similar development profiles across Europe in the context of the Structural Funds may support polycentric development.



# **PART C**

## **Annexes**

## **Annex 1- List of indicators developed and datasheets provided 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, which amounts to approx 93,5 percent of the Structural Funds spending during the previous period. The project lead has decided not to collect any further data for the 1994-99 period, as based on discussions with the national experts and other information sources this would be unlikely to significantly raise the data coverage.

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 and III levels.

Structural Fund spending during the 1994-99 period at the NUTS III level divided into

*regional development, productive infrastructure,*

*agriculture, fisheries, rural development,*

*social integration, human resources and*

*basic infrastructure, European cohesion.*

Following the tender, it was not planned to extend the data collection to the current programming period 2000-2006 and there were no resources for so doing. Please note that the collection of spending data for the previous period required most of the time and resources spent during the first year of the project. Furthermore, data for the current period would be of little use as there is no spatial development data to compare it to, neither can spatial impacts be assessed at such an early point in programme implementation.

<b>Indicator</b>	<b>Source</b>	<b>Regional level</b>
Structural Funds in % Regional GDP	EU Institutions, administration and Institutes, Estimations	NUTS 3
Structural Funds in Euro by funds involved	EU Institutions, administration and Institutes, Estimations	NUTS 3

## Annex 2- List of missing data

Even if ample information could be found in respect of each kind of EU expenditure, per fund involved and per Programme, this information was 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. On occasion, a whole region was eligible for funding, while at other times only parts of a region were so eligible. This affects the funding *per capita* figures on the NUTS III level. 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 was the lack of final expenditure data, as in some countries the programmes were still to be closed or to be revised, with official data therefore being unavailable aft the time of drafting the report. 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 Euros. This problem was solved by using a common timeline for converting national currencies into ECU and Euros.

## **Annex 3 - List of abbreviations**

BMLFUW	Ministry for agriculture, forestry, environment and water management
BMWA	Ministry for economy and labour (Austria)
BMVTT	Ministry for transport innovation and technology (Austria)
BIC	European Business and Innovation Centres
CAP	Common Agricultural Policy
CSF	Community Support Framework
DATAR	Délégation à l'Aménagement du Territoire et à l'Action Régionale (Delegation for Spatial Planning and Regional Policy, France)
DATI	Danish Agency for Trade and Industry
DG	Directorate General
DTI	Department of Trade and Industry (UK)
EAGGF	The European Agricultural Guidance and Guarantee Fund
EDA	European Development Axis
EoRPA	European Regional Policy Research Forum
ERP	European regional policy
ERDF	The European Regional Development Funds
ESF	The European Social Fund
ESDP	The European Spatial Development Perspective
ESPON	The European Spatial Planning Observation Network
EU	European Union
FEK	Legislative Act (Greece)
FES	Fonds Economische Structuurversterking (Netherlands)
FIFG	Financial Instrument for Fisheries Guidance
FUA	Functional Urban Areas

GIT	Bureau for Cross-Border Cooperation (Spain)
GDP	Gross Domestic Product
GNP	Gross National Product
GVA	Gross Value Added
ICT	Information and Communication technology
IDA	Invest in Ireland
IZARTU	Urban Regeneration/ Local Development Programme (Spain)
LEC	Local Enterprise Company (UK)
NAEH	National Agency for Enterprise and Housing (DK)
NDA	Northern Development Area (Netherlands)
NRP	National Regional Policy
NUTS	The Nomenclature of Territorial Units for Statistics
ODPM	Office of the Deputy Prime Minister (UK)
OP	Operational Programme
POP	Programma Operativo Plurifondo (Multi-fund operational programme, Italy)
PPCE	Programme for Productivity and Economic Growth (Portugal)
R&D	Research and Development
RDA	Regional development agency
RGA	Regional Growth Agreement (Sweden and Denmark)
RGP	Regional Growth Programme (Sweden)
ROP	Regional Operational Programmes
RIS	Regional Innovation Strategy
RISI	Regional Information Society Initiatives
RSA	Regional Selective Assistance (RSA)
RTT	Regional technology Transfer (Community Initiative)

SE	Scottish Executive
SF	Structural Funds
SME	Small and Medium sized enterprise
SNN	Samenwerkingsverband Noord Nederland (Northern Netherlands Alliance)
SPD	Single Programming Document
TEN	Trans-European Network
TEP	Territorial Employment Pact
ÖROK	Die Österreichische Raumordnungskonferenz (Austrian conference of Regional Planning)

## Annex 4 - Glossary

### Concepts: Territorial cohesion (TC)

The notion of territorial cohesion is used here as an umbrella concept covering the territorial aspects of cohesion (previously referred to in a more limited sense as 'economic and social cohesion') expressed in polycentric development, including also the objectives of balanced and sustainable development. The structure of the European territory is currently unbalanced, as is illustrated in particular by the core-periphery ('Pentagon') concept, and also by the trans-national diversities, regional imbalances, large intra-regional disparities and the diversity of development potential throughout Europe. In addition, market forces are driving further geographical concentration, as investment patterns in the more important global services favour the pentagon and the larger metropolitan urban areas, with capital cities being the most dynamic areas in many countries. Similarly, in the new Member States, the regional centres are in many cases the dominant forces, with local parameters favouring access and the supply of relevant services, while amenities in and around the urban centres supporting 'quality of life' issues are gaining in importance.

Table 26: The European Pentagon

	<b>EU 15</b>	<b>Of which, pentagon</b>	<b>EU 27</b>	<b>Of which, pentagon</b>
Km <sup>2</sup>	3,2 million	18%	4,3 million	14%
Population	382 million	41%	490	32%
GDP in PPS		49%		46,5%

The issue of territorial potentials is close to the concept of 'endowment'; expressing the fact that territorial cohesion can only be achieved by entities that have sufficient resources to develop their own identity and to act as partners in a co-operation process that will deliver 'added value'. Thus such 'potential' includes the resources available in an area as well as the constraints it is submitted to. We should note however that the notion of 'endowment' has now largely been replaced by that of 'territorial capital', which has become the main focus of policy discussion. 'Territorial capital' is inherent in the 'endowment' of territories. As outlined in the OECD Outlook from 2001, 'territorial capital' consists of those factors that make a region distinct from other regions. It is determined by many factors such as geographical location, size, factor of production endowment, climate, tradition, natural resources, quality of life, and also of 'un-traded interdependencies' such as understandings, customs and informal rules that enable economic actors to work together under conditions of uncertainty, or the solidarity, mutual assistance and co-opting of ideas. These are said to develop in small and medium-size enterprises working in the same sector (social capital) and being formed by those intangible factors ('the environment'), which is the outcome of a combination of institutions, rules, practices, producers, researchers and policy-makers, that make a certain creativity and innovation possible. Thus this concept encompasses both the (physical) endowment factors and the (less tangible) social capital factors, which are often expressed in the governance methods and practices found in a given region. This 'territorial capital' generates a higher return for certain kinds of investments than for others, as they

are better suited to the area and use its assets and potential more effectively, which is also where the connection to structural funds policies can be made. (OECD Territorial Outlook, 2001 as cited in Discussion paper for the EU informal ministerial meeting on territorial cohesion Rotterdam, November 29, 2004). The concept of 'territorial capital' has perhaps emerged only at later stages of this project, but the connections to the specialisation, regionally specific solutions for spatial policy and regional development, as well as the increasing interest in governance are factors that bring the analysis here close to the notions and potential operationalisations of 'territorial capital'.

The need to take the context into account is of course also central to cohesion concerns. Cohesion does not only rely upon the individual situation of entities but also on 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 the material and the 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, and 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 the possibility of 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 thus 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.

### **Concepts: European Structural Funds 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 Community constitutional legislation and in the series of reforms to the operation of the Structural Funds from 1975 onwards.

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 (J Bachtler & R Michie 1993). 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 1: 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 million ECU for the four countries with a *per capita* GDP lower than 90 percent 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 27: Breakdown of Structural Funds by Objective (1994-99) <sup>(1)</sup>

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

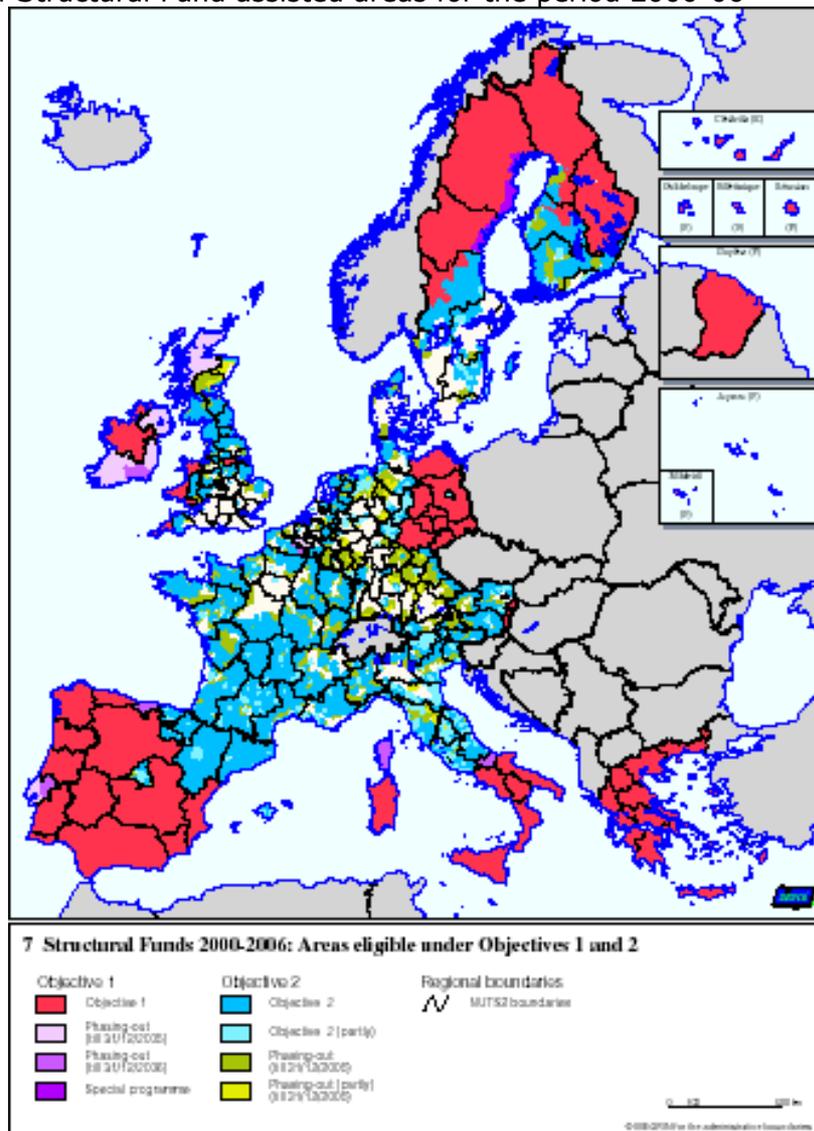
Notes: (1) In million ECU at 1994 prices (2) Community Initiatives, including 200 million ECU (at 1995 prices) resulting from a revision to the financial forecasts decided by the Council in order to fund the PEACE Initiative, but excluding around 64 million ECU for networks.

Source: European Commission (1996) *First Report on Economic and Social Cohesion*, OOEPC, p. 145.

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.*

Map 17: 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 during the 2000-06 programming 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 unbalanced EU territory in terms of the widening disparities between Member States and especially between regions, as well as in the capacity of Member States to address regional problems. Thus far, progress has been slow in the 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 thus be needed in learning, commitment and practice if the ambitious and integrated response required by the Gothenburg objectives are 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 States). 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 percent higher rate of intervention), while handicapped areas - mountains, islands and sparsely populated areas will also receive a 10 percent higher co-financing rate. Thus the Policy will increasingly be based on soft, indirect and intangible measures.

The Commission has identified six potential priorities, presented in the Third Cohesion Report:

- *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).

- *Accessibility and services of general economic interest:*

Helping areas with particular geographical handicaps (e.g. mountains, islands and sparsely populated areas), typically on issues such as broadband communications and the mobile telephone infrastructure in order to achieve a universal level of service provision; secondary transport networks (i.e. securing for isolated areas secondary access to the EU's main framework of transport routes), services of general interest, transport, and telephone services, and social infrastructure.

- *Environment and risk prevention:*

Renewable energies: biomass/hydro/solar energies; as well as environmental transport modes, urban transport and multi-modality, sewage treatment and water treatment, the regeneration of brown field sites, and the prevention of natural or technological disasters.

- *Education, employment and social support:*

Employability and social inclusion: equal opportunities and life-long learning for those regions most affected.

- *Human capital and labour supply:*

The focus here is on continuing training measures, active labour market measures to ensure access to the labour market for all and social inclusion support measures.

Apart from that on financial allocations, debate has predominantly concerned the notion of 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, something that is also addressed in the policy recommendations.

### **Concepts: 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. Territorial policy on the other hand is often seen in a more limited fashion than in the national context, largely corresponding to Structural Funds policy.

Having said that, it is worth noting that over 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 with 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).

This has occurred in part as a response to economic integration and to the single market, as well as to the improvement of transport networks and new infrastructure such as the Channel Tunnel. It can also however be interpreted as a recognition of the importance of spatial and territorial aspects of other broader European policies, in particular major EU projects such as Economic and Monetary Union, and the enlargement of the Lisbon/Gothenburg process.

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 levels. 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 Ministers 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 between the different traditions and aims of national governments on the one hand, and the EU on the other, 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 (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.

### **Concepts: Polycentric development as an operationalisation of territorial cohesion**

Territorial Cohesion is here seen as addressing the potential, the position and the relative situation of a geographical entity. It can be discussed at various geographical levels or

scales, i.e. at the micro, *meso* and macro levels. Polycentricity/polycentric development addresses the aspects of morphology, accessibility, functional specialisation and co-operation links of an area, each of which can be discussed at various geographical levels, i.e. the micro, *meso* and macro levels. Polycentric development is seen then as an operationalisation of territorial cohesion, as it is used as a bridging concept merging two not always congruent policy aims, namely those of economic growth and balanced development.

Based on the conceptual debate ongoing within ESPON as a whole, as well as the political discussions ongoing throughout Europe, the analysis focused increasingly on polycentricity at three different scales (*micro – meso – macro*) and the four dimensions (morphology – accessibility – socio-economic specialisation – co-operation).

The Structural Funds focus mainly on overcoming imbalances in socio-economic development measures mostly in terms of GDP and unemployment. In the context of this project both the Structural Funds and the Cohesion Fund were analysed, though in the report reference is usually made to 'Structural Funds' as a shorthand expression of this. Cohesion Policy centres on the aspects of competitiveness as outlined in the Lisbon Strategy. The Third Cohesion Report (CEFC 2004a) illustrated a shift towards more territorial considerations within cohesion policy and the project has sought to provide a further elaboration of this approach.

The investigation of the connections between polycentricity and the Structural Funds necessitates both the consideration of the policy priorities of the Structural Funds and the ways in which the area designation may help or hinder polycentricity, as well as the consideration of policy content and governance (for instance whether national and European policies for regional development and territorial cohesion are compatible with the emerging European priorities for urban policies and competitiveness). How could polycentricity be promoted at different scales through Structural Funds instruments? The scales are relevant, as Structural Funds policies have varied ways of impacting the constituent parts of polycentricity. As has been described elsewhere (Nordregio 2004, part 2, 19), on the macro level these constituent parts are global economic integration zones, on the *meso* level metropolitan regions and urban clusters and on the micro level functional urban areas.

Within the national perspective, polycentricity occurs when the system is characterised by several cities at different levels rather than just being dominated by one city. At this level, polycentric policies would then be policies that aim to stimulate the growth of urban centres and regions outside the core. On the other hand, at the regional or local scale, polycentricity occurs when two or more cities have functions that complement each other and even more so, if the cities co-operate with each other in order to be able to act jointly as a larger city. At this level, policies for polycentricity stimulate the functional division of labour, as well as the flows and the level of co-operation between neighbouring cities. The two situations are interlinked when e.g. polycentric integration at the regional level contributes to counterbalancing the dominance of the national centre. (Ibid, 3)

The mapping of the effects of the Structural Funds thus becomes a challenge of analysing effects and impacts beyond the administrative boundaries set for them. This is particularly important as the concept of functional urban areas (FUA) has become central to this type of analysis, and one of the most important qualities of the FUA concept is its capacity to extend beyond administrative boundaries (ibid, 23, Antikainen and Vartiainen 2002). This multiplicity of scales is not only an analytical challenge, but also a major challenge for policy formulation and effectiveness. This implies that the effects and impacts of the Structural Funds (as well as other territorially targeted policy interventions) are not only relevant for the current positioning of regions, but also for the potentials to promote competitiveness and polycentric development in the future (for instance in terms of how global integration zones can be promoted or functional urban areas strengthened).

### **Concepts and causal connections**

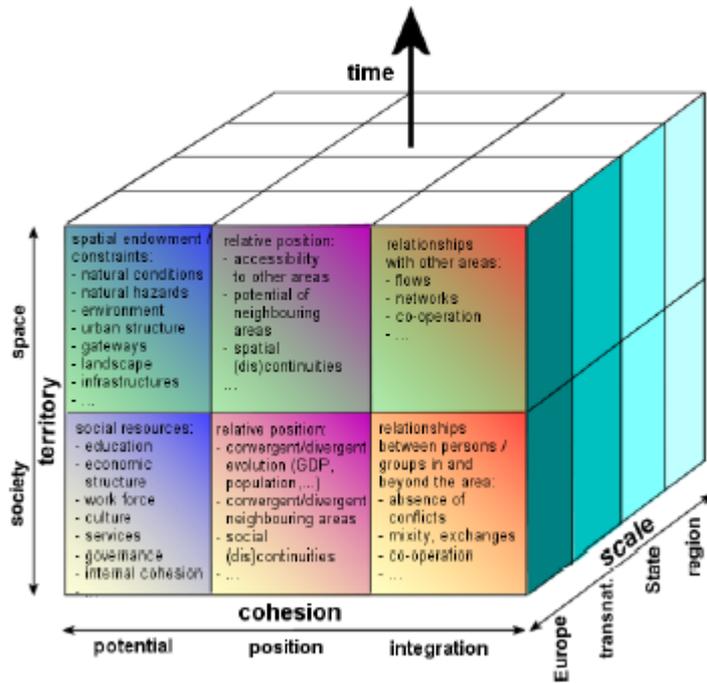
Given the context of this study, such a definition needs to relate to the debate on spatial policies ongoing at the European level. Thus, for assessing the territorial effects and impacts of the Structural Funds it is necessary to take spatial policy aims as a point of reference. Taking into consideration the fact that the Structural Funds are an integral part of European cohesion policy, and that the ESDP aims to add a territorial dimension to this, the concept of territorial cohesion thus seems to provide a logical point of departure. Here Pezzini's definition of "territorial development policies" and the ESDP policy aim to reconcile conflicting sector policies are of critical importance to our analysis.

Making the concepts 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 has translated territorial cohesion into accessibility and polycentric development.

Figure 13: The ESPON 3.1 Hyper-cube of territorial cohesion

**The "hyper-cube" of territorial cohesion**

*PhDB consultant with contribution of Cl. Grasland, 2003*



Source: ESPON 3.1 Second Interim Report

Based on these developments, as well as on the discussions held during the various ESPON seminars, we have developed an understanding of the territorial dimension for the assessments on which this report is based. Here polycentric development also gradually took a more prominent position, eventually equalling that of territorial cohesion, which provided our original focus. Indeed, it was increasingly seen throughout the duration of the project that EU enlargement calls for a new territorial paradigm proceeding from core-periphery to territorial balance and polycentricity.

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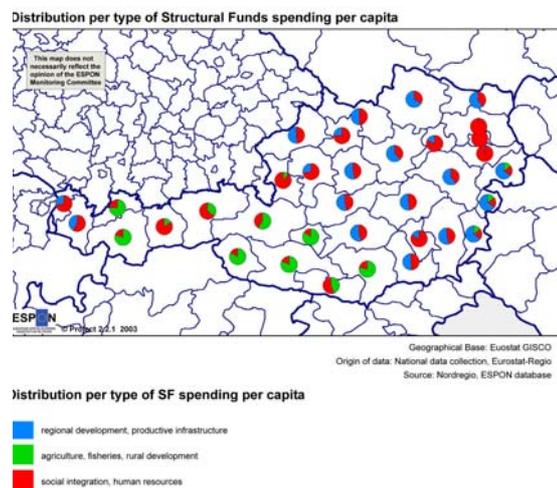
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## Annex 6 - Indication of performance indicators achieved

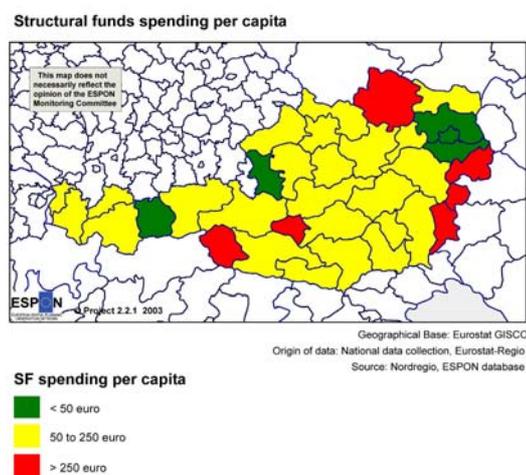
Number of spatial indicators employed in addition to priority 1:	
in total	2
covering the EU territory more than the EU territory	2 (EU 15)
Number of spatial indicators applied:	
in total	7
covering the EU territory more than the EU territory	6 (EU 15)
Number of EU maps produced	9
Number of Funds fully addressed	6
Number of charts on the institutional related to the Funds in their policy context	14
Number of ESDP policy aims mentioned in the ESDP reference addressed by Funds investigated	10

# Annex 7 - Additional maps not included in the core text of the Report

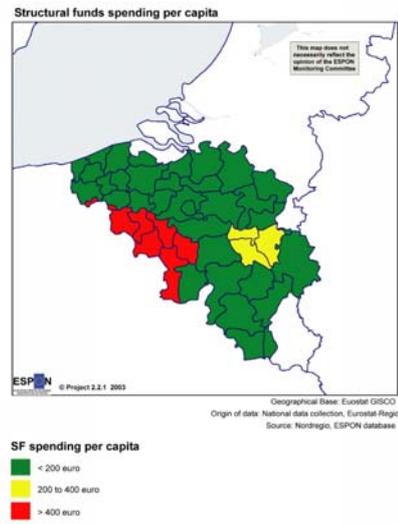
Distribution per type of SF spending per capita, Austria, Annex report A, p9



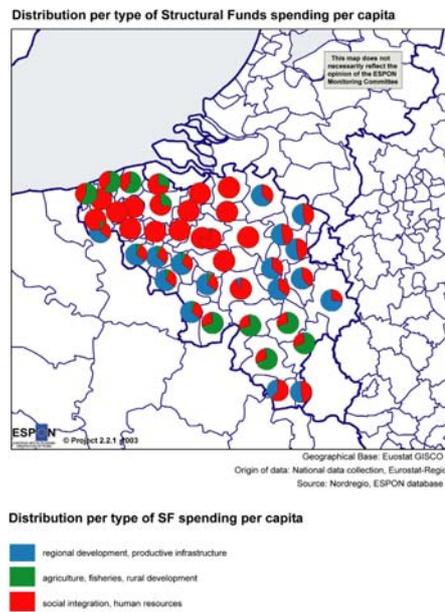
Structural Funds spending per capita, Austria, Annex report A, p 10



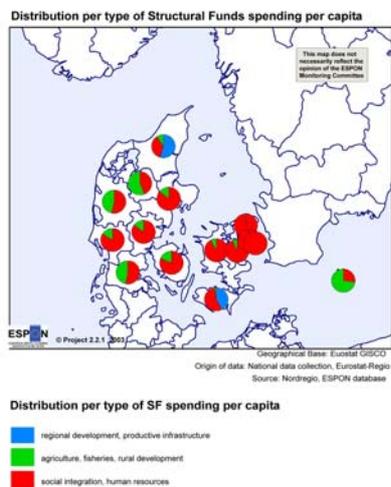
Structural Funds spending per capita, Belgium, Annex report A, p 22



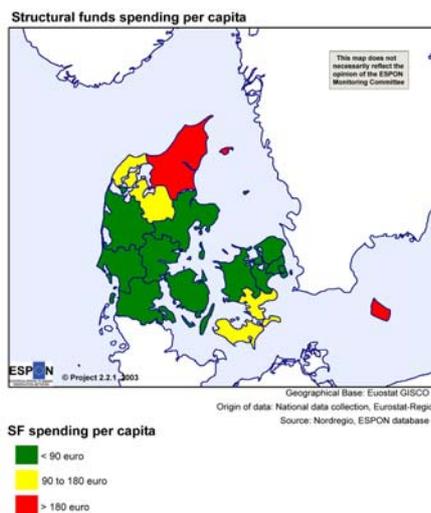
Distribution per type of SF spending per capita, Belgium, Annex report A, p23



Distribution per type of SF spending per capita, Denmark, Annex report A, p66

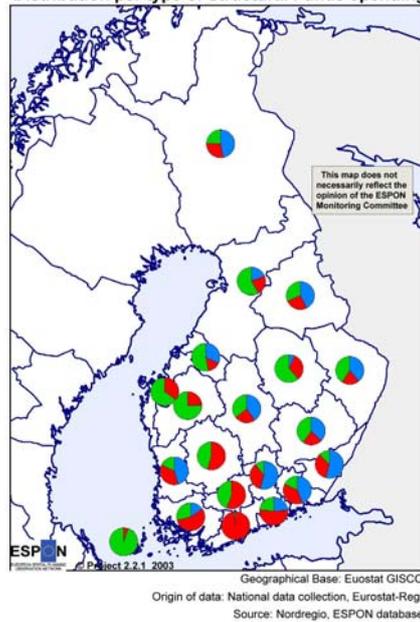


Structural Funds spending per capita, Denmark, Annex report A, p67

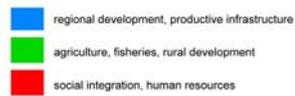


Distribution per type of SF spending per capita, Finland, Annex report A, p76

Distribution per type of Structural Funds spending per capita

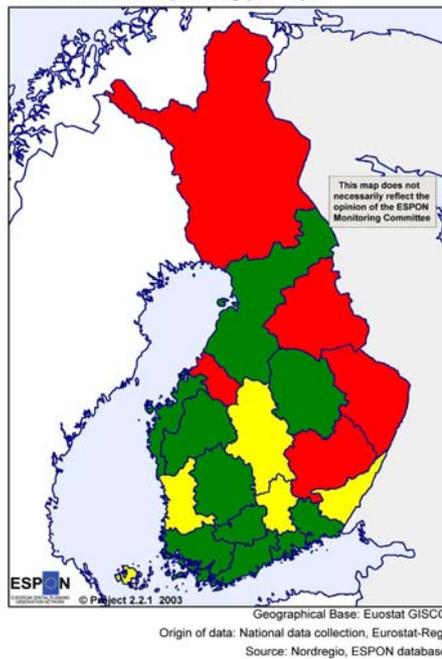


Distribution per type of SF spending per capita



Structural Funds spending per capita, Finland, Annex report A, p77

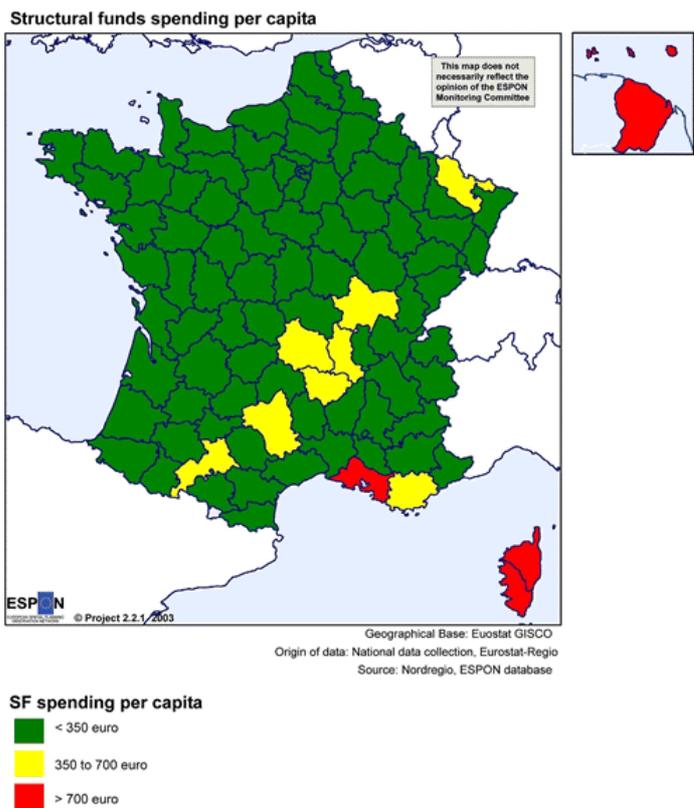
Structural funds spending per capita



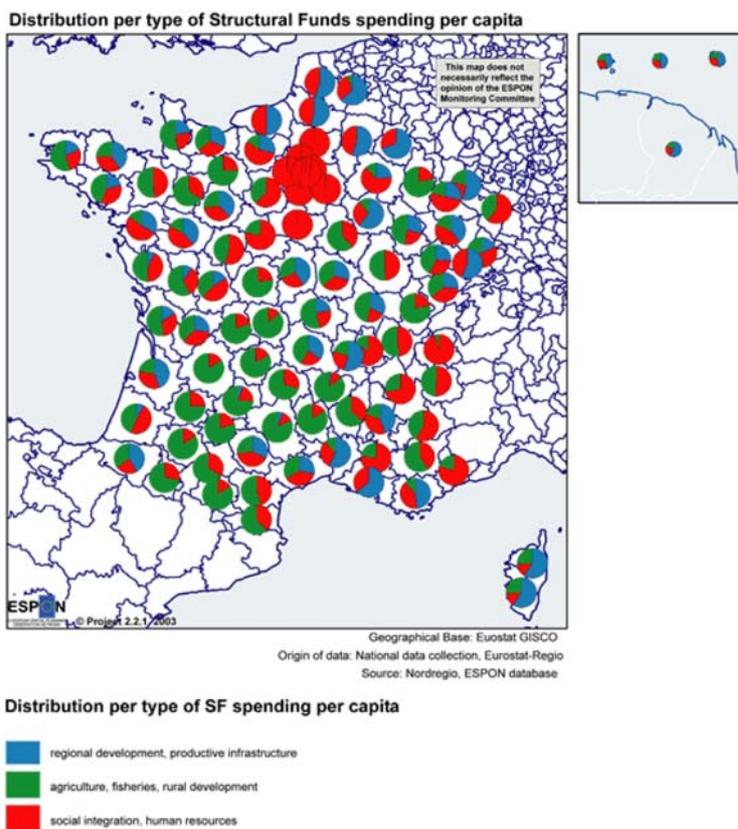
SF spending per capita



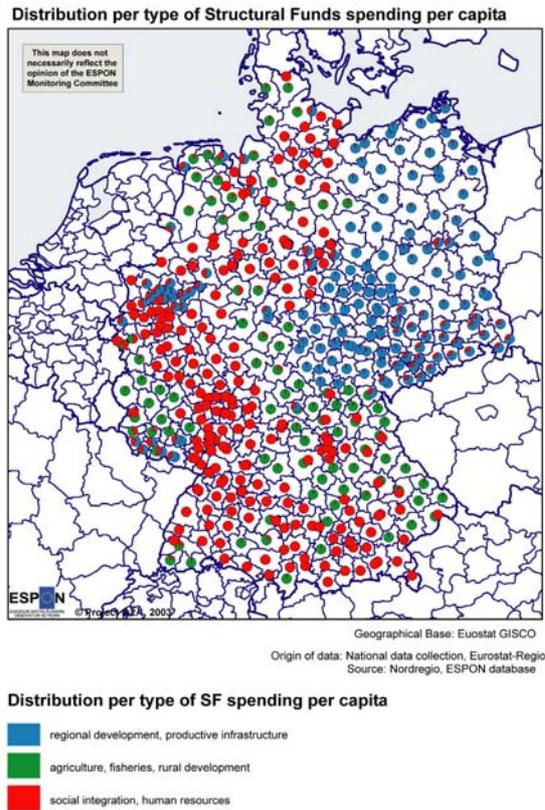
Structural Funds spending per capita, France, Annex report A, p127



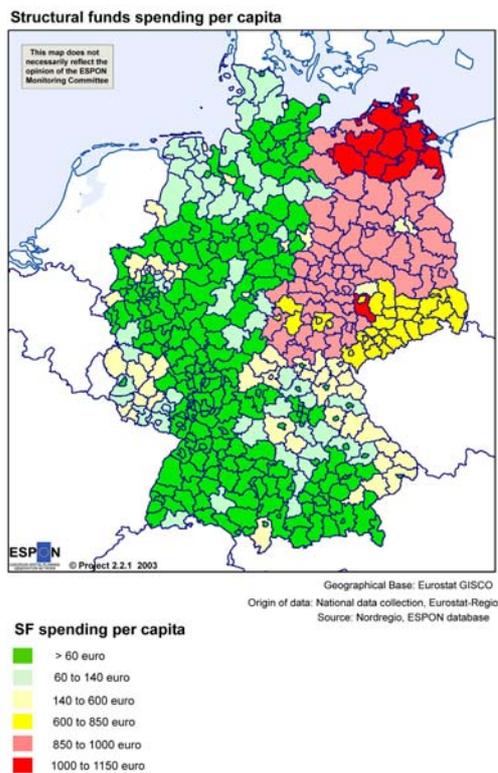
Distribution per type of SF spending per capita, France, Annex report A, p129



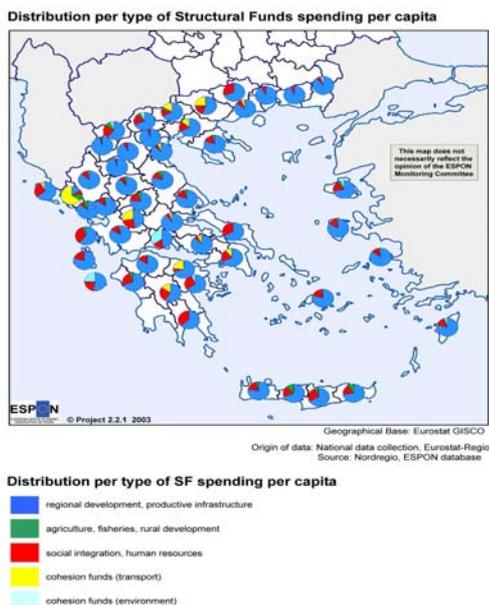
Distribution per type of SF spending per capita, Germany, Annex report A, p182



Structural Funds spending per capita, Germany, Annex report A, p183



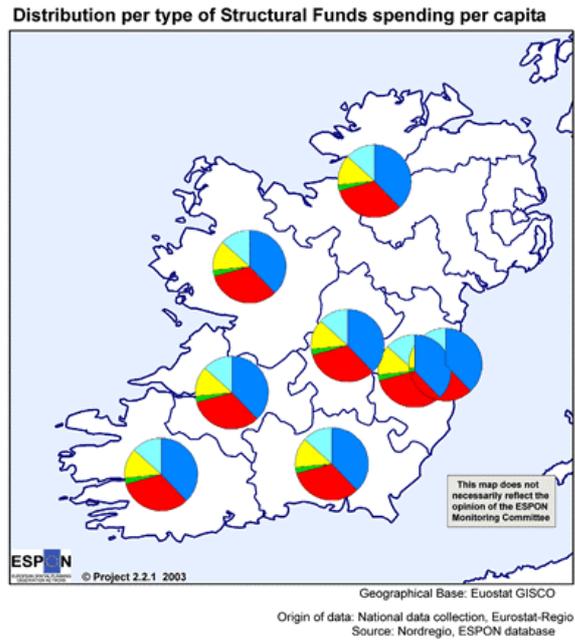
Distribution per type of SF spending per capita, Greece, Annex report A, p269



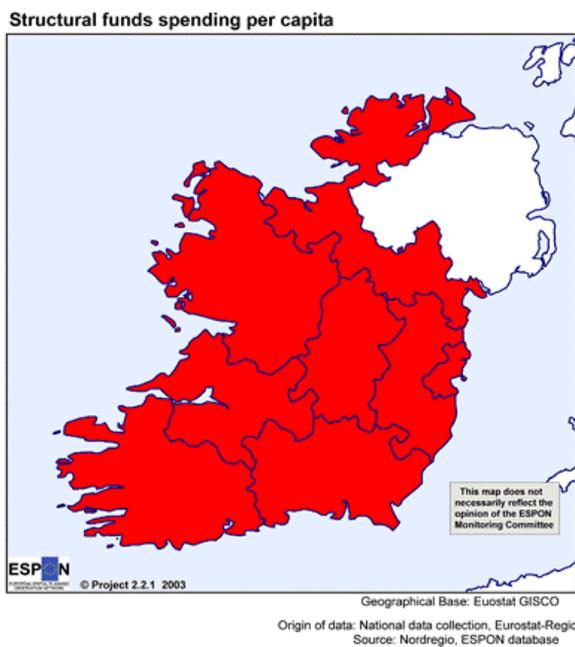
Structural Funds spending per capita, Greece, Annex report A, p271



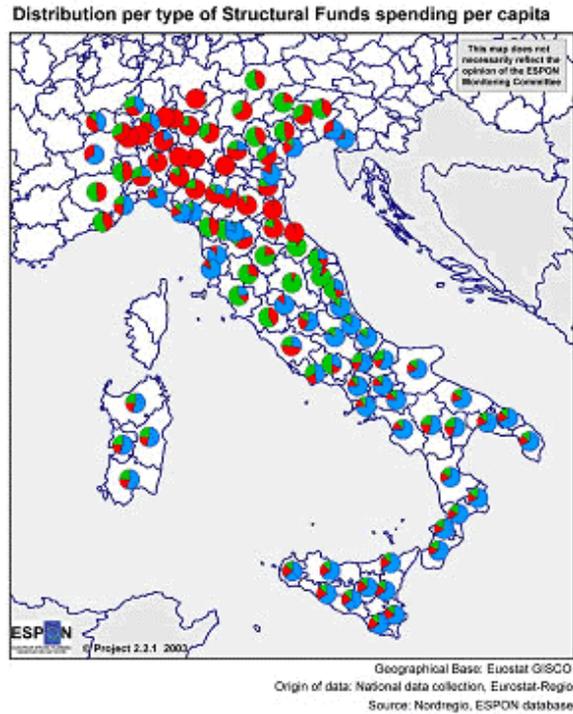
Distribution per type of SF spending per capita, Ireland, Annex report A, p374



Structural Funds spending per capita, Ireland, Annex report A, p375



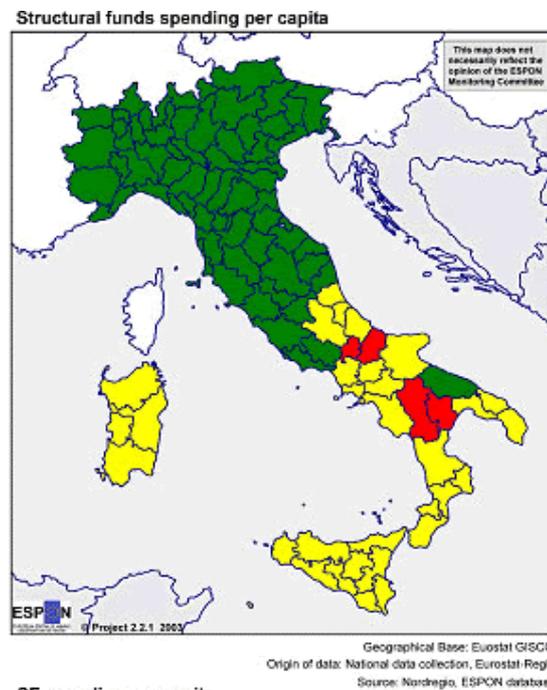
Distribution per type of SF spending per capita, Italy, Annex report A, p432



**Distribution per type of SF spending per capita**

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources

Structural Funds spending per capita, Italy, Annex report A, p433

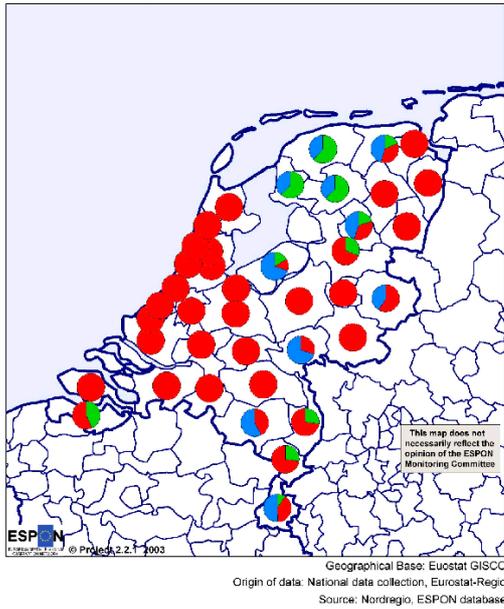


**SF spending per capita**

- < 600 euro
- 600 to 1200 euro
- > 1200 euro

Distribution per type of SF spending per capita, The Netherlands, Annex report A, p538

Distribution per type of Structural Funds spending per capita

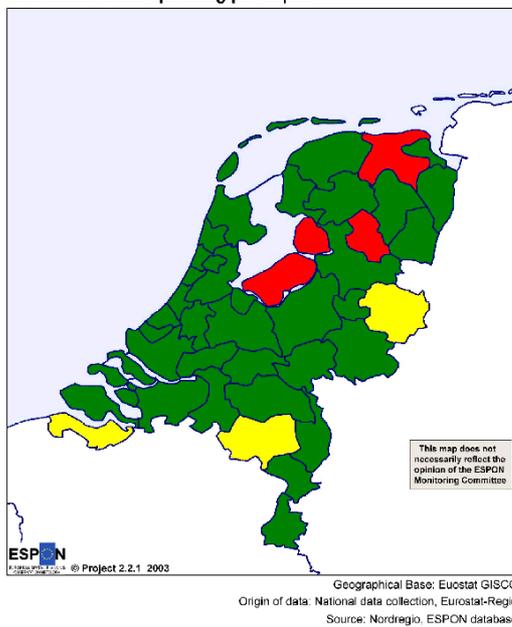


Distribution per type of SF spending per capita

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources

Structural Funds spending per capita, The Netherlands, Annex report A, p539

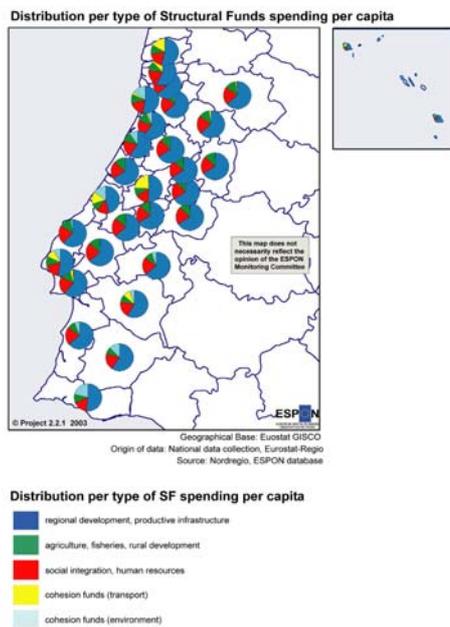
Structural funds spending per capita



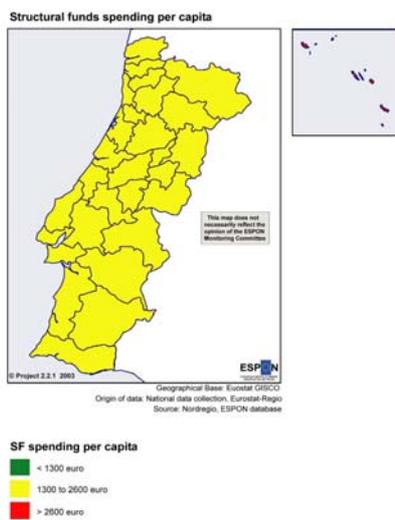
SF spending per capita

- < 200 euro
- 200 to 400 euro
- > 400 euro

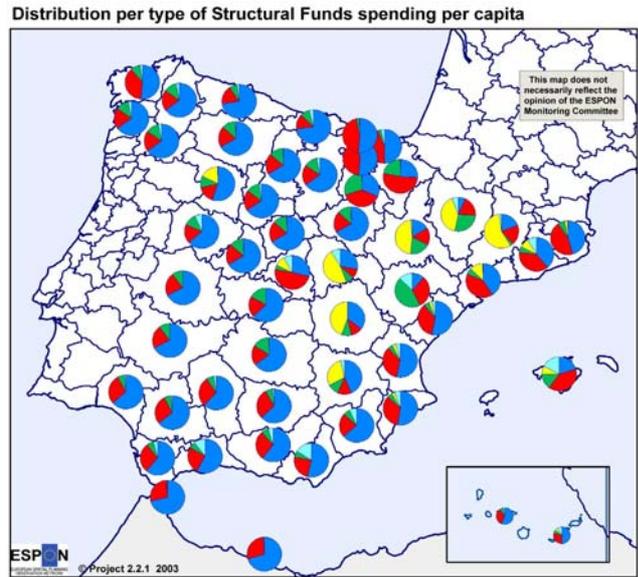
Distribution per type of SF spending per capita, Portugal, Annex report A, p551



Structural Funds spending per capita, Portugal, Annex report A, p552



Distribution per type of SF spending per capita, Spain, Annex report A, p610

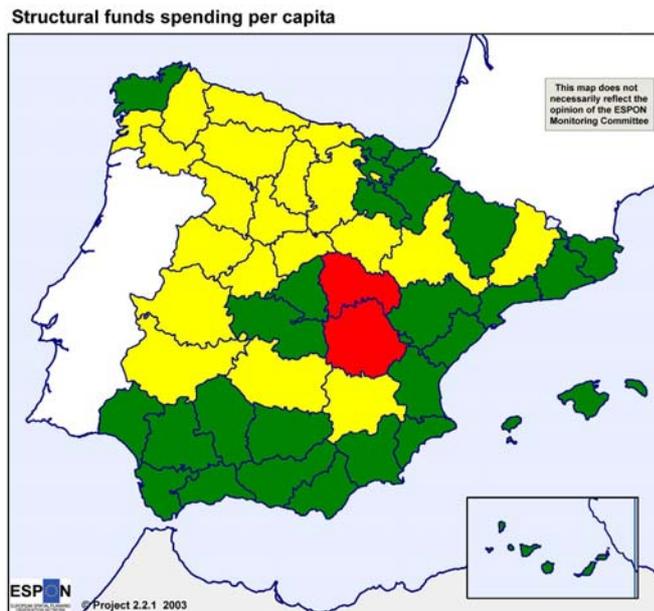


Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

**Distribution per type of SF spending per capita**

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources
- cohesion funds (transport)
- cohesion funds (environment)

Structural Funds spending per capita, Spain, Annex report A, p611



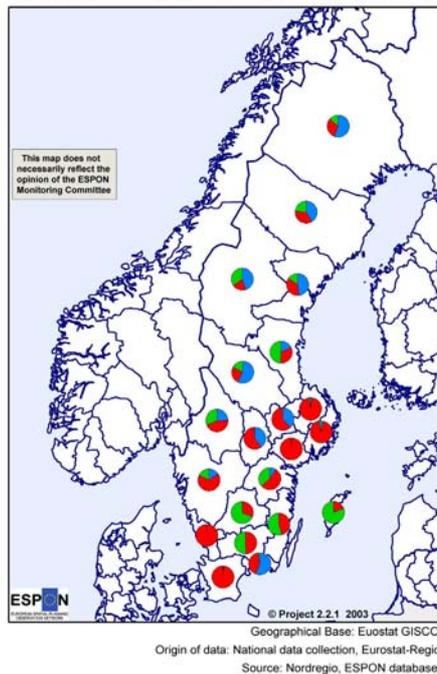
Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

**SF spending per capita**

- < 1000 euro
- 1000 to 1600 euro
- > 1600 euro

Distribution per type of SF spending per capita, Sweden, Annex report A, p751

Distribution per type of Structural Funds spending per capita

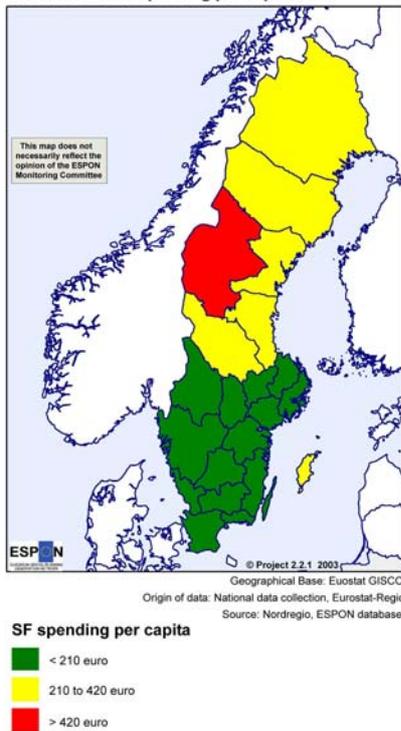


Distribution per type of SF spending per capita

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources

Structural Funds spending per capita, Sweden, Annex report A, p752

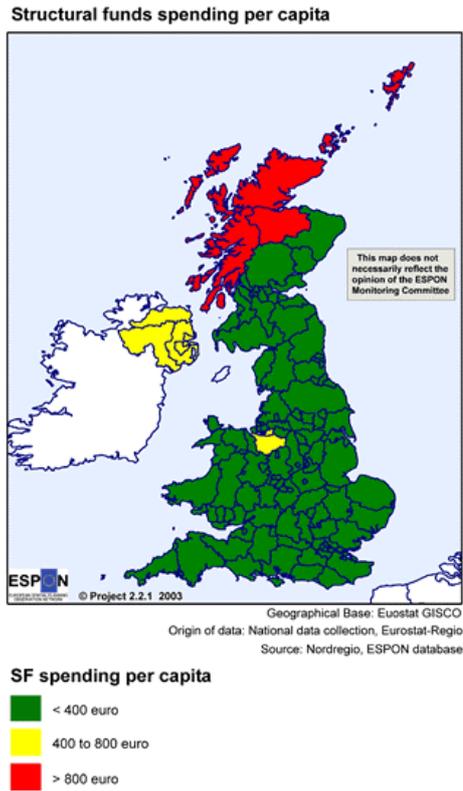
Structural funds spending per capita



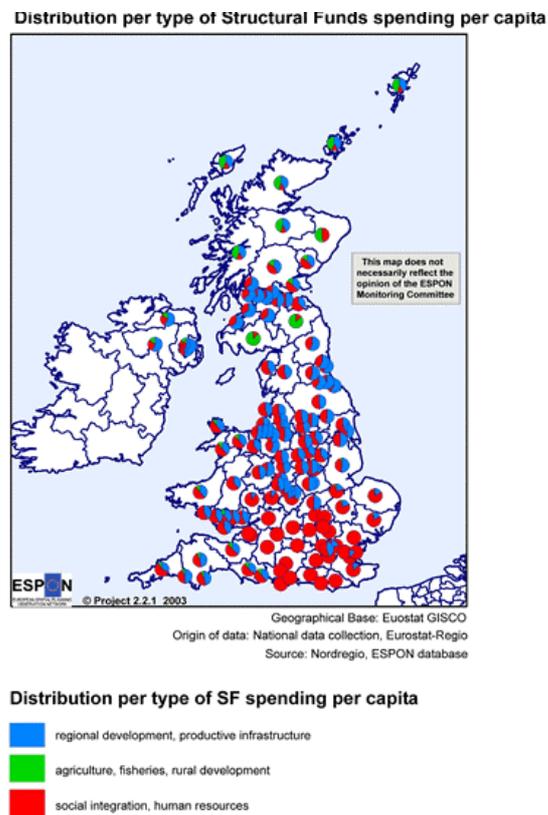
SF spending per capita

- < 210 euro
- 210 to 420 euro
- > 420 euro

Structural Funds spending per capita, United Kingdom, Annex report A, p817

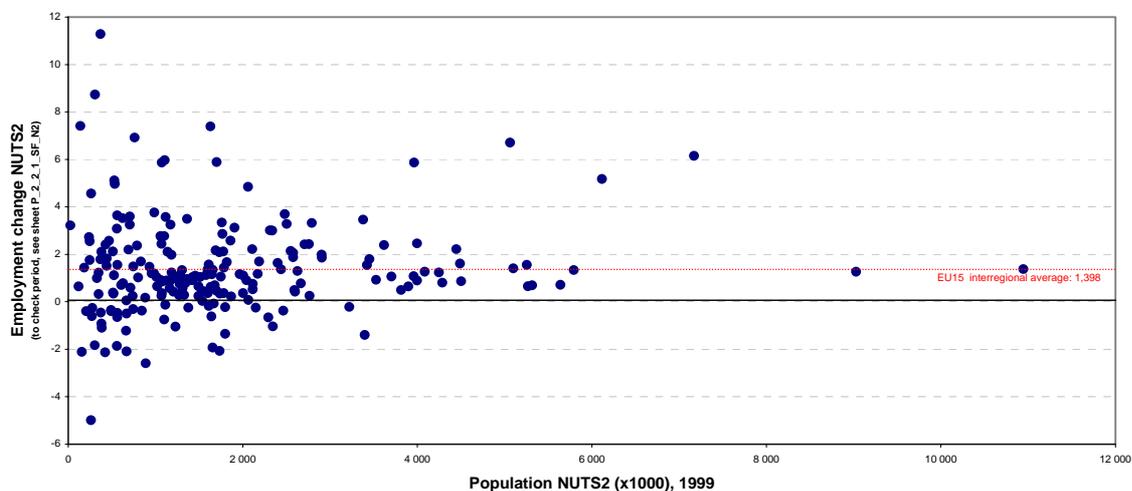


Distribution per type of SF spending per capita, United Kingdom, Annex report A, p818

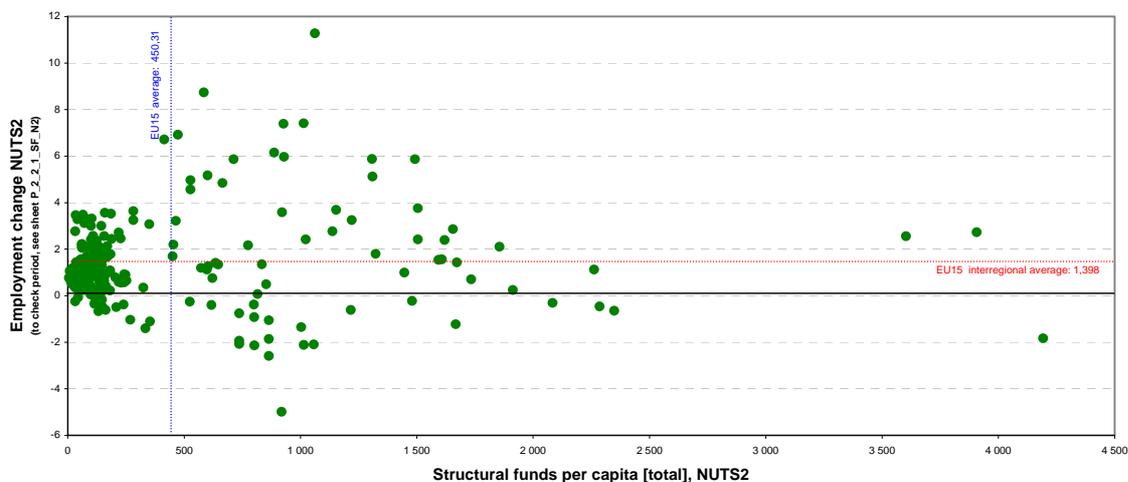


# Annex 8 - Selected aspects of Structural and Cohesion Fund spending and employment

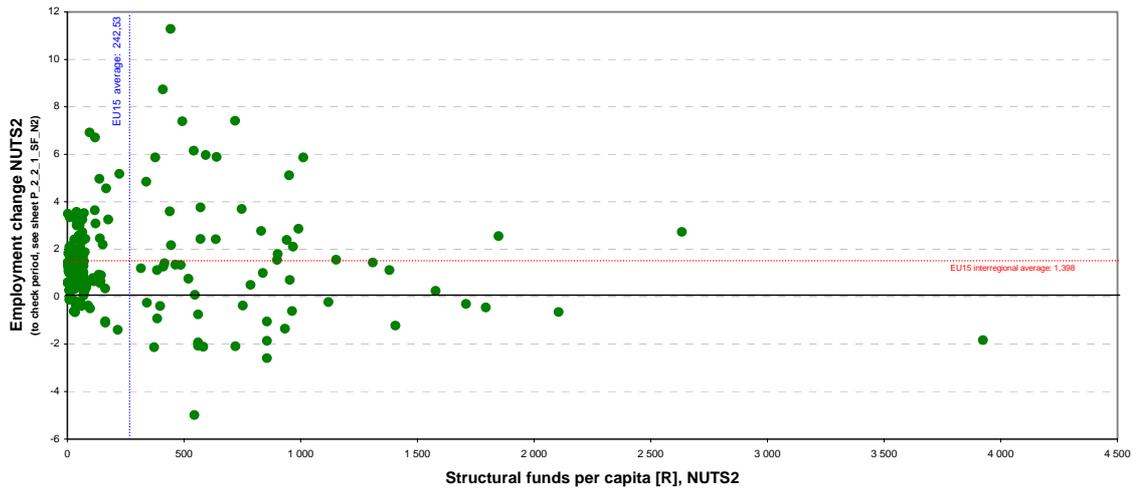
Population NUTS2, 1999 vs Employment change at NUTS2



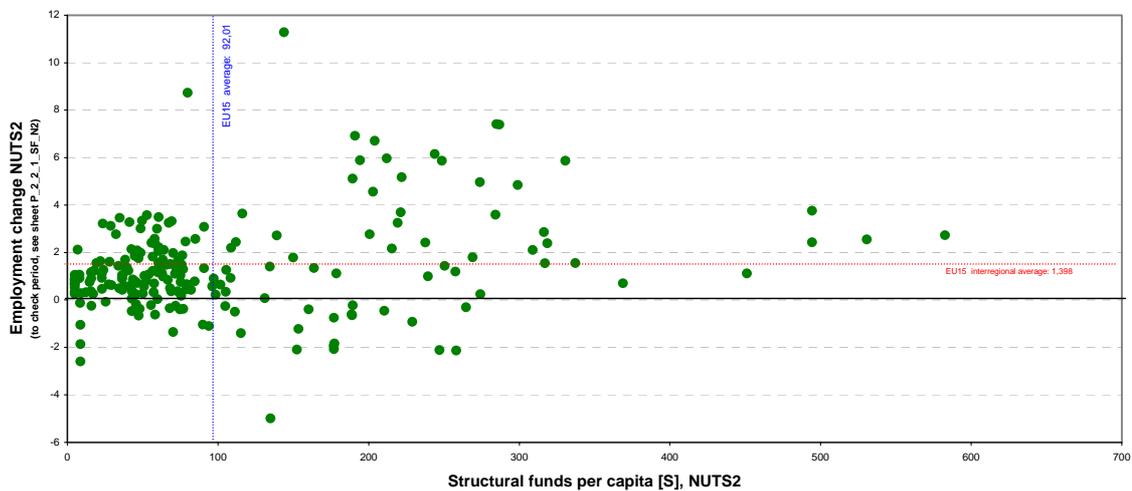
Structural funds per capita (Total) at NUTS2 vs Employment change at NUTS2



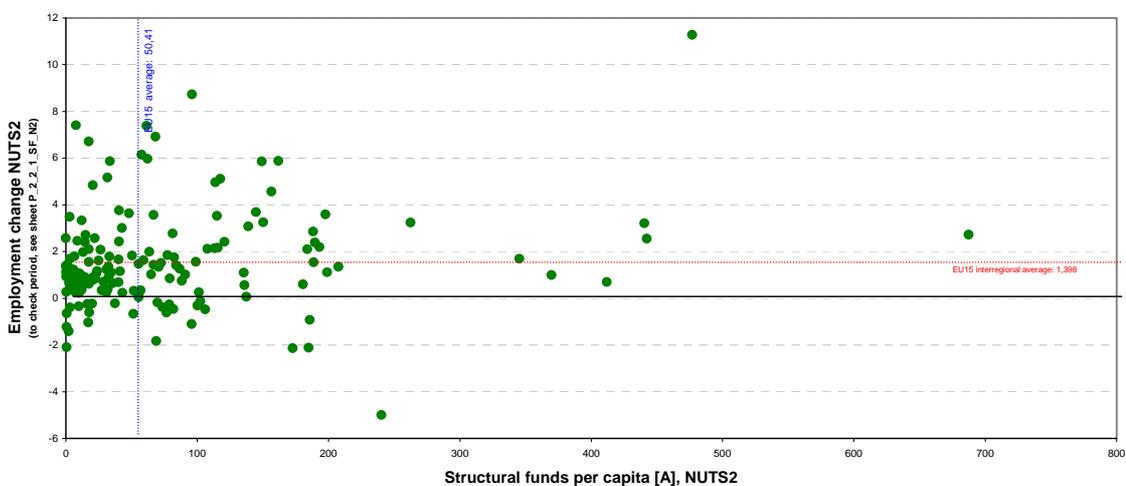
Structural funds per capita [R] at NUTS2 vs Employment change at NUTS2



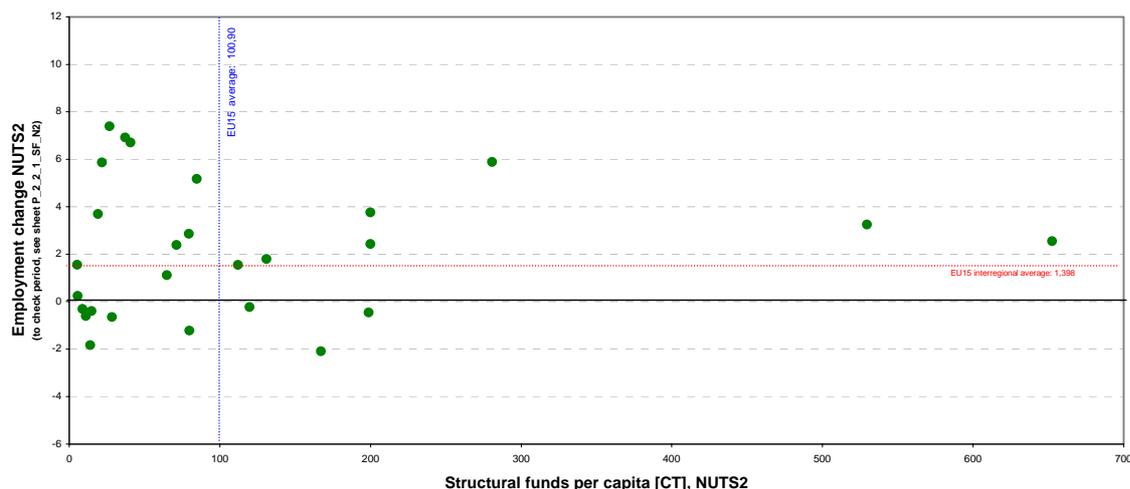
Structural funds per capita [S] at NUTS2 vs Employment change at NUTS2



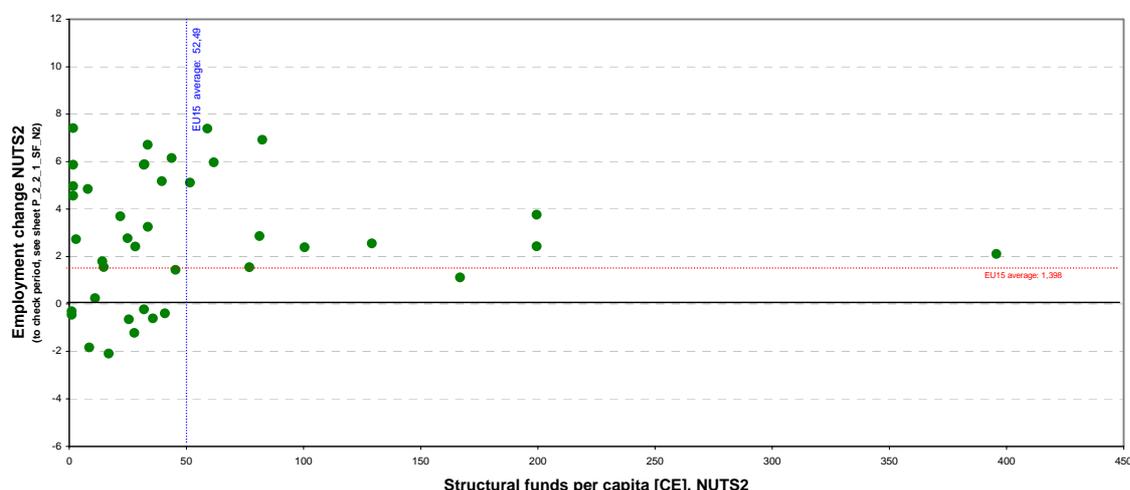
Structural funds per capita [A] at NUTS2 vs Employment change at NUTS2



Structural funds per capita [CT] at NUTS2 vs Employment change at NUTS2



Structural funds per capita [CE] at NUTS2 vs Employment change at NUTS2



Data on employment change refers to the period 1995-2001, except for:

*Tees Valley and Durham, Northumberland, Tyne and Wear, Cumbria, Cheshire, Greater Manchester, Lancashire, Merseyside, East Riding and North Lincolnshire, North Yorkshire, South Yorkshire, West Yorkshire, Derbyshire and Nottinghamshire, Leicestershire, Rutland and Northants, Lincolnshire, Herefordshire, Worcestershire and Warwickshire, Shropshire and Staffordshire, West Midlands, Bedfordshire, Hertfordshire, Essex, Berkshire, Bucks and Oxfordshire, Surrey, East and West Sussex, Hampshire and Isle of Wight, Kent, Gloucestershire, Wiltshire and North Somerset, Dorset and Somerset in the UK (1996-2001)*

*Uusimaa and Etelä-Suomi in Finland; Guadeloupe, Martinique, Guyane and Réunion in France; Småland med öarna and Västsverige in Sweden; Inner London, Outer London, Cornwall and Isles of Scilly, Devon, West Wales and The Valleys,*

*East Wales, North Eastern Scotland, Eastern Scotland, South Western Scotland and Highlands and Islands in the UK (1995-2001)*

*Ireland; Chemnitz, Dresden and Leipzig in Germany (2000-2001)*

*Koblenz, Trier and Rheinhessen-Pfalz (1995-1998).*

## **Annex 9 - Case study summary sheets**

Calabria, Italy

Cantabria, Spain

Catalonia, Spain

Centre, France

Extremadura, Spain

Grevena, Greece

Highlands and Islands, United Kingdom

Lakonia, Greece

Lapland, Finland

Madeira, Portugal

Norrland, Sweden

Saxony, Germany

Southern and Eastern Ireland, Ireland

Tuscany, Italy

Wallonia, Belgium

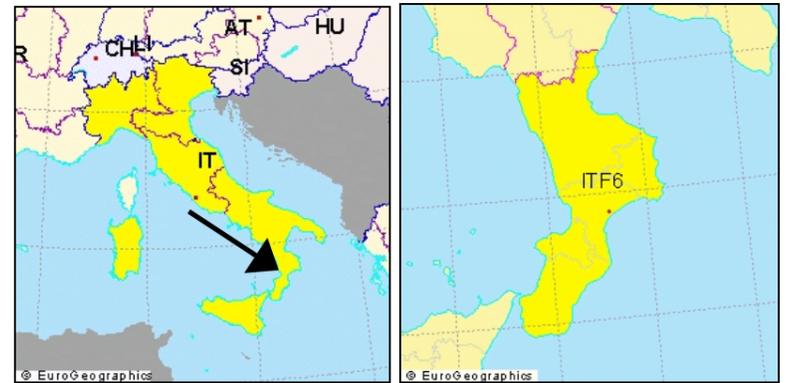
# Case Italy – CALABRIA

## Introduction

Name (in national language)	Calabria	
NUTS Info	NUTS II (IT 93), including 5 NUTS III areas	
Population	2 057 600	
Area	15 100 km <sup>2</sup>	
Population density	136 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	54,6%	66,6%
GDP-Index change from 1996 to 2000 (NUTS III)	-2,3%-points	+3,7%-points

### Main trends

Failure to exploit tourism potential  
 Relatively homogenous regional structure  
 Relatively high education  
 Low activity and high unemployment rate  
 Environment: outstanding coastal stretches and mountain ranges, no huge problems



## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1 Interreg Community initiatives</b>		
	Urban: Cosenza, Catanzaro and Reggio di Calabria	LEADER

1994-99 funding breakdown	Amount (M€)	Share
Regional	1 129	67%
Social	270	16%
Agriculture (and related)	284	17%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
<b>Calabria</b>	<b>818*</b>
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norrland	338
Wallonia	329
Tuscany	116
Centre	82

\* Between 813€ and 836€ on NUTS III level

- **HOT SPOT:** high Structural Fund-spending and positive GDP-change (National)
- **COLD SPOT:** high Structural Fund-spending and negative GDP-change (National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	Either <b>service, strong service or primary</b>
ESPON 1.1.2	NUTS III Urban-rural typology	Mostly <b>Rural, high human intervention</b> , 1 Urban, medium human intervention and 1 Urban, low human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Peripheral*</b>

\* In all NUTS III areas, except one

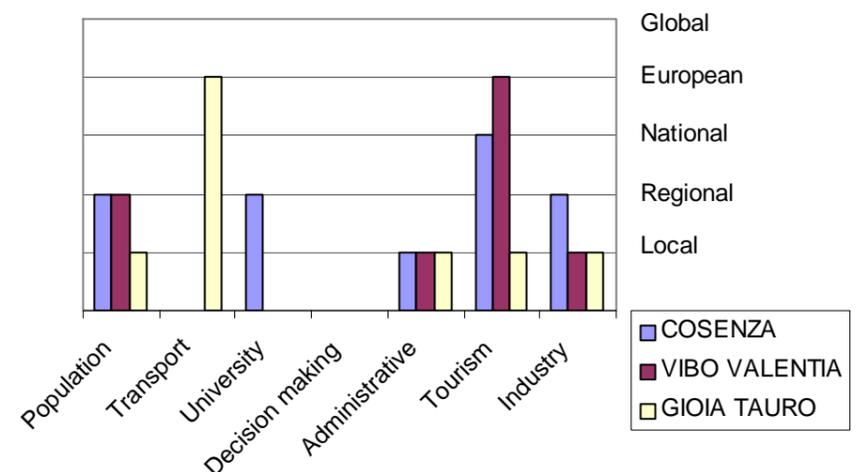
### Comments

Very weak productive basis (agriculture and industry contributing to less than one fourth of the regional GDP, thus is the tertiary sector overdimensioned).  
 Relative nearness to international markets.  
 Predominance, among industrial activity, of traditional sectors.

FUA classification	Number of FUA
MEGA	0
Transnational/national	0
Regional/local	9
<b>Total</b>	<b>9</b>

### Role in the European spatial system

- ESPON 1.1.1 FUA sample typology



Cosenza, Vibo Valentia and Gioia Tauro are the top-3 FUA in Calabria.

## Conclusions

The polycentric approach influenced the Structural Funds programme for 2000-2006. Even though not often explicitly referred to as such, interventions in line with polycentricity can be identified. At the moment, there is however no clear evidence that the implementation process is having practical, identifiable results but influence can be seen on regional and local governance.

The most significant experience from a polycentric point of view, the hub of Gioia Tauro port development, seems to be only indirectly related to Structural Funds. The developments have however created synergies with Structural Funds, and there are also other side-effects strongly affected by EU funding. The tourism sector should be mentioned as one such sector with strong support and influence from EU funding.

# Case Spain – CANTABRIA

## Introduction

Name (in national language)	Comunidad Autónoma de Cantabria	
NUTS Info	NUTS II/III (ES 13)	
Population	542 275	
Area	5 300 km <sup>2</sup>	
Population density	102,3 inhabitants/km <sup>2</sup>	
GDP level		
GDP-Index 2000 (NUTS III)	73,3%	
GDP-Index change from 1996 to 2000 (NUTS III)	4,2%-points	

### Main trends

Close connection to País Vasco (commuting)  
 Differentiation between a) Coastal Zone (East-West) and Besaya Valley (North-South) with industry and sectoral restructuring problems, gaining population and the two main cities (Santander and Torrelavega) and b) Mountain rural zone with underdevelopment problems, losing population.



Problems of accessibility (caused by topographical situation: coastlines vs. mountains)

High level of education

High unemployment rate

Environment: great variety of habitats, problems with industrial sites

## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1 Interreg</b>	Whole Cantabria	Phasing out III Atlantic Arc III B: South West Europe
<b>Community initiatives</b>	Urban II: Santander LEADER ADAPT Employment	Equal LEADER II

1994-99 funding breakdown	Amount (M€)	Share
Regional	501	73%
Social	100	14%
Agriculture (and related)	62	9%
Cohesion Transport	-	-
Cohesion Environment	27	4%

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
<b>Cantabria</b>	<b>1308</b>
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norrland	338
Wallonia	329
Tuscany	116
Centre	82

- **HOT SPOT:** high Structural Fund-spending and positive GDP-change (National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	<b>Diversified</b>
ESPON 1.1.2	NUTS III Urban-rural typology	<b>Rural, low human intervention</b>
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Peripheral</b>

### Comments

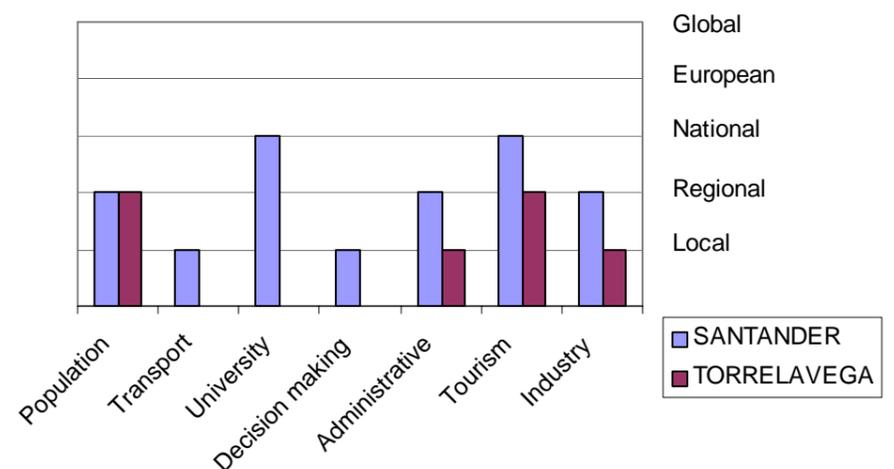
- Important port (commercial, ferry to UK, fishery)
- Fishery sector is one of the dominant sectors
- Ship building sector has broken down in the 80ies
- Industrial specialisation in supply to car industry and the chemical sector
- Mountain areas in the hinterland and most of the coast line are destinations of regional and national tourism

FUA classification	Number of FUA
MEGA	0
Transnational/national	1*
Regional/local	1
<b>Total</b>	<b>2</b>

\* Santander

### Role in the European spatial system

- ESPON 1.1.1 FUA typology



Santander and Torrelavega are the two existing regional FUA. In the Spanish city system Santander is a second tier town

## Conclusions

Structural Funds have had a certain impact on the development of the territory and spatial structures in Cantabria. New transport and educational infrastructures have been created and new actors, institutional infrastructures and partnerships have been established – within the region and together with other European regions. The region does not have a specialisation on the European or even national level. The Structural Funds have hardly changed this situation.

The focus of the SF was first on the coastal area, by improving the overall accessibility of this part of the region. The need for a better territorial dimension has now been emphasized. As the concentration of population and economic activities is concentrating more on the littoral, the Structural Funds have also focused on a better connection with the hinterland, improving the urban-rural relationship. Community initiatives have also fostered the use of new forms of Private Public development initiatives.

# Case Spain – CATALONIA

## Introduction

Name (in national language)	Comunidad Autónoma de Cataluña	
NUTS Info	NUTS II (ES 51), including 4 NUTS III areas	
Population	6 343 110 inhabitants	
Area	31 875 km <sup>2</sup>	
Population density	199 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	92,6%	106,5%
GDP-Index change from 1996 to 2000 (NUTS III)	-2,1%-points	+3,3%-points

### Main trends

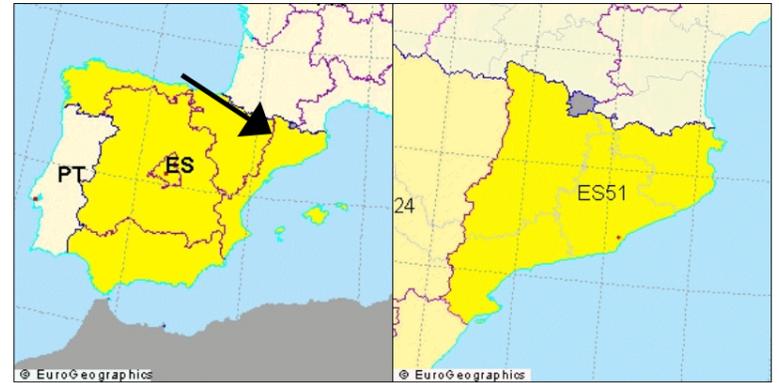
Marked regional character

2 thirds of the population is concentrated in province of Barcelona.

Diversified economic base: mainly industry and services. Agricultural sector still has an important social role. The importance of the tertiary sector is growing.

Outstanding high mountains and coastal areas, attracting tourism. Rural or medium-mountain areas are most problematic.

Poor educational system, not adapted to contemporary challenges.



## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 2</b>	90% of the municipalities	Parts of Barcelona and Lleida counties. Whole Girona and Tarragona counties.
<b>Objective 3</b>	-	-
<b>Objective 4</b>	-	-
<b>Objective 5b</b>	-	-
<b>Interreg &amp; Community initiatives</b>	Interreg II Rechar II, PME LEADER II, PESCA Urban II, KONVER II	IIIA: Spain-France IIIB: Western Mediterranean, South West Europe IIIC LEADER +, PRODER Urban, Equal

1994-99 funding breakdown	Amount (M€)	Share
Regional	1 367	37%
Social	1 358	37%
Agriculture (and related)	195	5%
Cohesion Transport	518	14%
Cohesion Environment	241	7%

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
<b>Catalonia</b>	<b>600*</b>
Lapland	552
Lakonia	420
Norrland	338
Wallonia	329
Tuscany	116
Centre	82

\* Between 492€ and 1 158€ at NUTS III level

- COLD SPOT:** high Structural Fund-spending and negative GDP-change (on NUTS III: Lleida, National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	Diversified except 1 "strong primary" and 1 "industrial"
ESPON 1.1.2	NUTS III Urban-rural typology	Two Rural, low human intervention, one Urban, low human intervention and one Urban, high human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	Central*

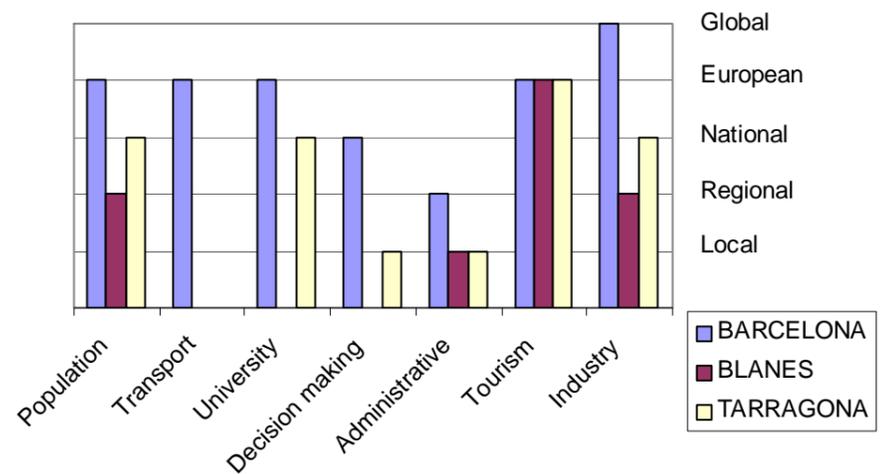
\* 2 "intermediate, 2 "peripheral" and 1 "central" on NUTS III

FUA classification	Number of FUA
MEGA	1*
Transnational/national	1**
Regional/local	11
<b>Total</b>	<b>13</b>

\* Barcelona, \*\* Tarragona

### Role in the European spatial system

- ESPON 1.1.1 FUA sample typology



Barcelona, Tarragona and Blanes are the Top-3 FUA in Catalonia

## Conclusions

Structural Funds during 1994-1999 helped to create new jobs and made a substantial contribution to the sustained economic growth of the Catalan economy. The largest projects dealt with waste management, motorway infrastructure and car production. With regard to the regional motorway projects, these have contributed to the notion of polycentrism in Catalonia by linking inner medium-sized cities to Barcelona.

At a micro scale, the metropolitan motorway projects likewise foster polycentrism within the metropolitan area of Barcelona. The industrial projects are strategic projects at regional level. However, it seems that the Structural Funds have had a limited influence on themes such as polycentricity or governance.

# Case France – CENTRE

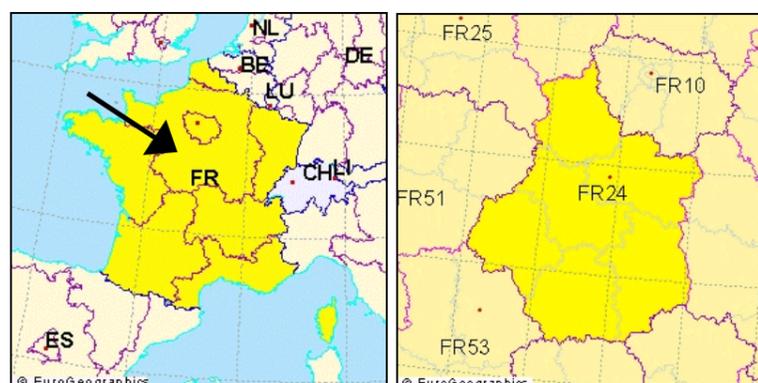
## Regional facts

Name (in national language)	Région Centre	
NUTS info	NUTS II (FR 24), including 6 NUTS III areas	
Population	2 440 329 inhabitants (1999)	
Area	39 151 km <sup>2</sup>	
Population density	62 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	81,3%	104,1%
GDP-Index change from 1996 to 2000 (NUTS III)	-3,9%-points	-1,0%-points

### Main trends

Strong contrast between the relative wealth of the northern part of the region (high performance economic sectors are concentrated) and the fragility of the two *départements* in the south that suffer from the decline of rural areas.

The spatial evolution of the *Région Centre* can be interpreted as between a form of polycentrism and the predominance of two major cities, Tours and Orléans, which have complementary profiles and equivalent socio-economic weights.



The demographic and economic influence of Paris can be seen on the northern fringe of the region. Ageing demographic profile of the region.

## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 2</b>	Eligible area: Employment areas of Vierzon and Bourges	Eligible area: Regional southern areas: Bourges, Châteauroux and rural areas
<b>Objective 5b</b>	Eligible area: 540 municipalities in the north-west of the region	
<b>Community initiatives</b>	KONVER II	LEADER+, EQUAL Interreg IIIB: North West Europe Interreg IIIB: Atlantic rim Interreg IIIC: West

1994-99 funding breakdown	Amount (M€)	Share
Regional	25	12%
Social	96	48%
Agriculture (and related)	79	40%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norrland	338
Wallonia	329
Tuscany	116
<b>Centre</b>	<b>82*</b>

\* Between 38€ and 195€ on NUTS III level

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Result
ESPON 1.1.1	FUA economic base	N/A
ESPON 1.1.2	NUTS III Urban-rural typology	Mostly <b>urban, low human intervention</b> , one rural, medium human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Peripheral*</b>

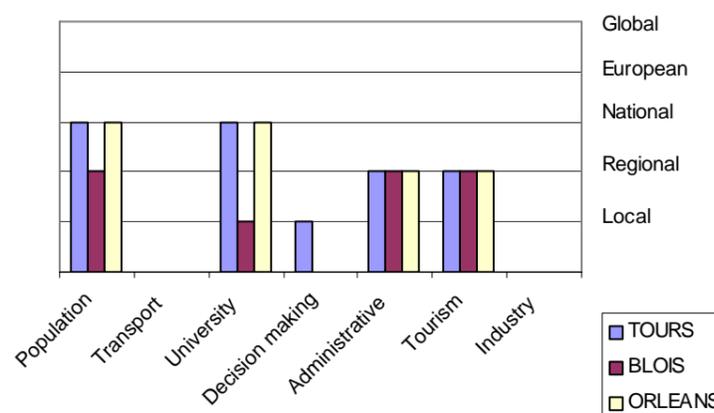
\* 2 "intermediate", 4 "peripheral" on NUTS III

FUA classification	Number of FUA
MEGA	0
Transnational/national	2*
Regional/local	11
<b>Total</b>	<b>13</b>

\*Orléans and Tours

### Role in the European spatial system

- 1.1.1 FUA sample typology



Tours, Orléans and Blois are the top-3 FUA of the *Région Centre*.

## Conclusions

It is possible to imagine a parallel and separate development of the two main cities, where each one would polarise a portion of the regional space. A polycentric scenario would imply the development of complementarities and exchanges between the two main urban areas, so as to contribute to the development of the region as a whole. The Structural Funds have focused on the imbalance between the northern and southern part of the region, with the southern part lagging as regards economic development. SF have also enabled the funding of regional development strategies linked to tourism and R&D.

Nevertheless, the SF have had little impact on the settlement of decision-making entities in the region. On the basis of current trends, turning the axis formed by the Loire into a metropolitan area has not yet been realized, though still plausible in the long term. New businesses connected to the service industry have already been set up along this axis. The effects of these efforts have however been limited. The SF have however emphasised the use of new methods of Governance such as partnerships in the region, but also a new "culture of evaluation" in the policy-making bodies and their administration.

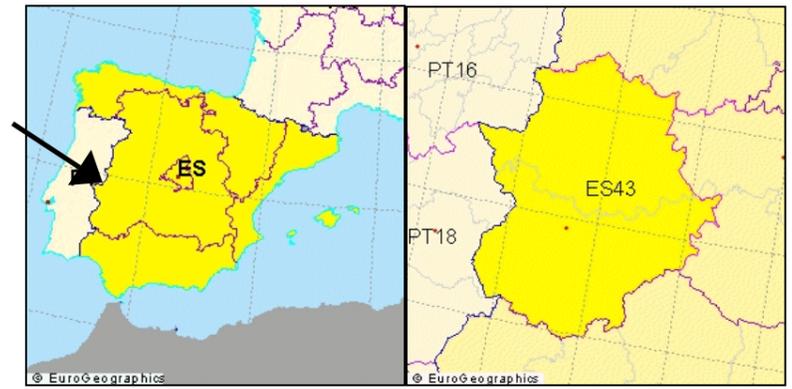
# Case Spain – EXTREMADURA

## Introduction

Name (in national language)	Extremadura	
NUTS Info	NUTS II (ES 43), Including 2 NUTS III	
Population	1 071 000 inhabitants	
Area	41 600 km <sup>2</sup>	
Population density	26 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	49,7%	56,7
GDP-Index change from 1996 to 2000 (NUTS III)	-0,1%-point	+3,2%-point

### Main trends

One of the least populated regions in the EU. Rural region, industrially under-developed; Spatial system based on the two main cities, Badajoz and Cáceres. At the micro level, the polycentric structure of the region is fairly balanced between three cities. At the macro and meso level, the peripheral position of the region has not dramatically improved, despite the potential created by its middle situation between Madrid and Lisbon.



Numerous environmental assets; Development of eco-tourism is a potential; Tourism in Extremadura is mainly attracting Spanish people. The measured GDP growth is following the trend of other Spanish regions; Positive economic development has been witnessed.

## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1 Interreg</b>	Whole region Spain-Portugal	Whole region IIIA: Spain-Portugal IIIB: South West Europe
<b>Community initiatives</b>	URBAN Badajoz LEADER, PYME, Employment, REGEN, RISI	URBAN II Cáceres LEADER+, Equal, Innovative actions

1994-99 funding breakdown	Amount (M€)	Share
Regional	1 083	68%
Social	354	22%
Agriculture (and related)	160	10%
Cohesion Transport	-	-
Cohesion Environment	2	<1%

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
<b>Extremadura</b>	<b>1492</b>
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norriand	338
Wallonia	329
Tuscany	116
Centre	82

**HOT SPOT:** high Structural Fund-spending and positive GDP-change (on NUTS III: Badajoz, National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	<b>Strong primary</b> (on each NUTS III)
ESPON 1.1.2	NUTS III Urban-rural typology	<b>Urban, low human intervention</b> and <b>Rural, low human intervention</b>
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Peripheral</b> ("peripheral" / "very peripheral" on NUTS III)

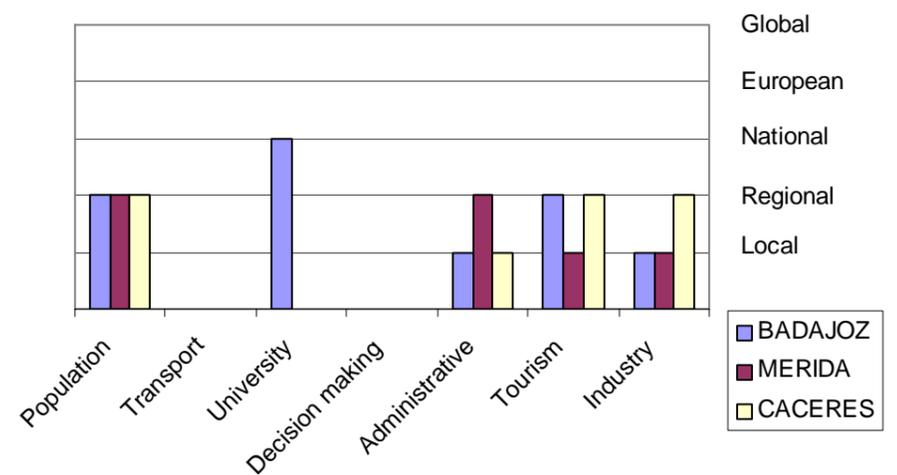
### Comments

The regional economic structure is dominated by agriculture and tourism (of national importance), the industrial sector is extremely underdeveloped and services are increasingly important.

FUA classification	Number of FUA
MEGA	0
Transnational/national	0
Regional/local	4
<b>Total</b>	<b>4</b>

### Role in the European spatial system

- ESPON 1.1.1 FUA typology



Badajoz, Cáceres and Merida are the top-3 FUA of the Extremadura region. FUA population smaller than non-FUA population

## Conclusions

In the case of Extremadura, it seems that the Structural Funds have had a significant impact on the development of the region. In the programming period 94-99, the focus was put on infrastructure construction and local development activities, but the region not being a priority in the Spanish context, no major projects were funded during this period. The level of SF (94-99) was extremely important in the region when considered per capita. Regarding specialisation function, the SF intended to increase the regional competitiveness and to diversify the regional economy. The SF have also enabled a better quality of life in the small- and medium-sized cities.

Regarding the relation function, the SF had important impacts on the internal accessibility as well as the large extent of the cross-border relations and projects with Portugal. An interesting feature is the growing importance put on learning the Portuguese language in the region. Concerning the economy, the SF have helped improving the infrastructure necessary for developing tourism and creating R&D amenities. On the governance side, the SF have helped fostering an approach based on Regional or territorial Development Plans and influenced the overall governance system. The Lisbon themes have also been promoted thanks to the Structural Funds.

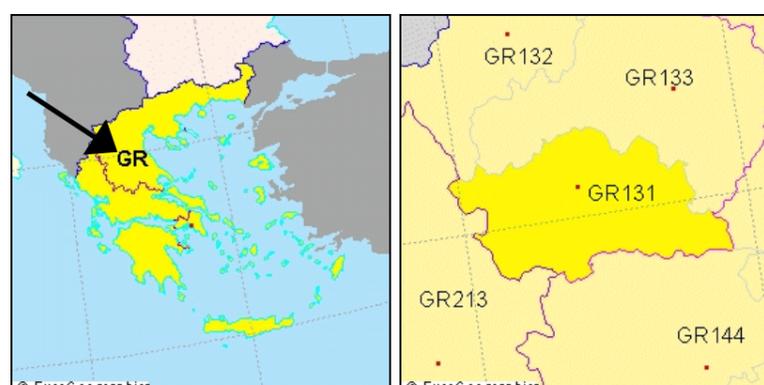
# Case Greece – GREVENA

## Introduction

Name (in national language)	Grevena
NUTS Info	NUTS III (GR 131), Part of NUTS II Western Macedonia
Population	38 481 inhabitants
Area	2 290 km <sup>2</sup>
Population density	17 inhabitants/km <sup>2</sup>
GDP level	
GDP-Index 2000 (NUTS III)	44,9%
GDP-Index change from 1996 to 2000 (NUTS III)	+9,3%-points

### Main trends

Isolation and crisis in the local economy due to peripheral geographical situation and its proximity to Albania and former Yugoslavia. The geographical position at the same time is an opportunity for the future. Sparsely populated and facing population loss. Poor communication partly due to the mountainous landscapes. Low educational level. The region is dominated by the primary and secondary sectors. Importance of the environmental issues due to intensive agriculture.



## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1 Interreg</b>	Whole region	Whole region
<b>Community initiatives</b>		III A: Greece/Bulgaria and Greece/Albania IIIB: CADSES IIIC: East Equal, LEADER, Urban

1994-99 funding breakdown	Amount (M€)	Share
Regional	315	96%
Social	6	2%
Agriculture (and related)	5	2%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
<b>Grevena</b>	<b>7739</b>
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norriand	338
Wallonia	329
Tuscany	116
Centre	82

- **HOT SPOT:** high Structural Fund-spending and positive GDP-change (EU and National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	N/A
ESPON 1.1.2	NUTS III Urban-rural typology	Rural, low human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	Peripheral

### Comments

Economy strongly dependent on agriculture.

### Role in the European spatial system

- ESPON 1.1.1 NUTS III Polycentricity typology: **no FUA**

## Conclusions

Structural Funds have widely contributed to the economic and social cohesion of the region thanks to the individual projects' achievements. Structural Funds had, and still have, a significant impact on the sustainable development of the region. The regional economy has made some progress towards convergence with EU average, aiming at the same time at achieving economic and social cohesion. Among the aims in the programmes are innovation and entrepreneurship and development of the region's mountainous, internal and less-favoured areas for reduced regional disparities.

Improvement of the regional infrastructure has been a major goal, as well as better protection of the environment. The Structural Funds have managed to emphasize the importance of innovations for both private and public actors. They have also stressed the need for new forms of governance, such as partnerships and co-operation, for instance between SME or between SME and local authorities.

# Case UK – HIGHLANDS AND ISLANDS

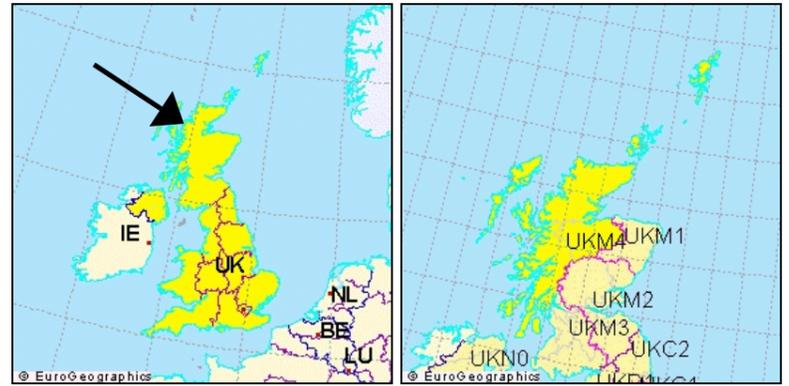
## Introduction

Name (in national language)	Highlands and Islands	
NUTS Info	NUTS II (UKM 4), including 6 NUTS III areas	
Population	372 000 inhabitants	
Area	30 700 km <sup>2</sup>	
Population density	9 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	66,9%	121,0%*
GDP-Index change from 1996 to 2000 (NUTS III)	-5,3%-points	+6,5%-points

\* With the second highest scoring region at 77,7%

### Main trends

One of the least densely populated areas in Europe. Peripheral area in Scottish, UK and EU contexts. High unemployment rate. Economy dominated by SMEs and self-employment. Poor overall transport infrastructure. One main core urban area (Inverness). Regional GDP in short term has fallen from 76 to 72% of EU average.



## Structural Funds

### Programmes

	1994-99	2000-06
<b>Objective 1</b>	The entire region is eligible, but a great share of funds is targeted to Western Isles and Pan-Highland sub-regions.	Phasing out
<b>Interreg</b>		III B: Atlantic Area, Northern Periphery
<b>SME community initiative</b>		LEADER, PESCA

1994-99 funding breakdown	Amount (M€)	Share
Regional	163	42%
Social	53	14%
Agriculture (and related)	176	44%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
<b>Highlands and Islands</b>	<b>1063</b>
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norriand	338
Wallonia	329
Tuscany	116
Centre	82

- **COLD SPOT:** high Structural Fund-spending and negative GDP-change (EU and National: Shetland Islands, National: a) Lochaber, Skye and Lochalsh, Argyll and the Islands, b) Western Isles)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	<b>Diversified</b>
ESPON 1.1.2	NUTS III Urban-rural typology	<b>Rural, low human intervention</b>
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Peripheral*</b>

\* 4 "very peripheral", 1 "peripheral" on NUTS III level

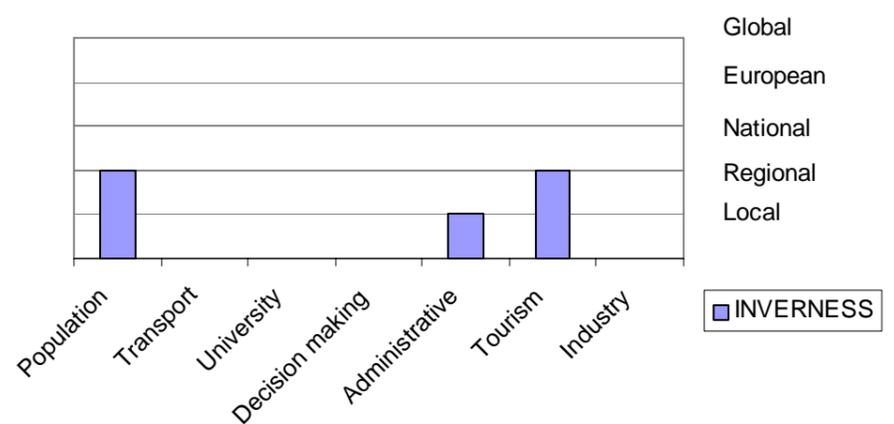
#### Comments

Over-reliance on tourism and the primary sectors  
Inverness: role as the administrative and service centre for the rest of the region.

FUA classification	Number of FUA
MEGA	0
Transnational/national	0
Regional/local	1
<b>Total</b>	<b>1</b>

### Role in the European spatial system

- ESPON 1.1.1 FUA typology



## Conclusions

The challenge of applying a polycentricity typology to a region with one core urban area that is itself small in national and European terms is clear. Nevertheless, spatial development themes are evident in Structural Funds programmes, albeit in an oblique way. These issues are particularly apparent in the Programmes' commitment to upgrading the regional transport network and, increasingly, improvements in the region's telecommunications infrastructure. Growing influence of the Lisbon agenda in deciding how Structural Funds are allocated has contributed to the furthering of spatial themes such as connectivity and accessibility.

The Programmes' support for R&D initiatives has contributed to the development of a traditionally weak part of the regional economy and increased the potential for regional specialization in growth sectors that depend on improving regional, national and European connectivity. Overall, the impact of the SF programmes in terms of spatial development and territorial cohesion is hard to quantify in concrete terms. The level of regional GDP has actually dropped over the Programming periods and local economies in the region remain poorly integrated. However, the value of Structural Funds in supporting projects with a long-term, regional, spatial perspective – which otherwise would not have been taken forward - is recognised.

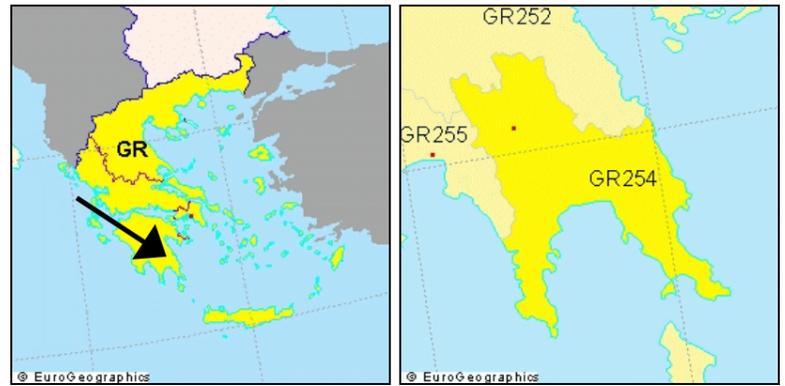
# Case Greece – LACONIA

## Introduction

Name (in national language)	Lakonia
NUTS Info	NUTS III (GR 254)
Population	99 674 inhabitants
Area	3 636 km <sup>2</sup>
Population density	27,4 inhabitants/km <sup>2</sup>
GDP level	
GDP-Index 2000 (NUTS III)	46%
GDP-Index change from 1996 to 2000 (NUTS III)	+5,8%-points

### Main trends

Poor infrastructure: no airport, no railway, poor streets.  
 Low level of investment.  
 High tourist potential.  
 Low education level.  
 Agriculture the main employment sector.  
 Lack of services for businesses and individuals.  
 Topography: central valley (Eurotas River) and two mountain ranges, running North-South.



## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1</b>	The whole region is eligible	The whole region is eligible
<b>Interreg</b>		III B: Archi-Med
<b>Community initiatives</b>	LEADER II	Equal, LEADER+

1994-99 funding breakdown	Amount (M€)	Share
Regional	28	64%
Social	16	36%
Agriculture (and related)	0,06	<1%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
<b>Lakonia</b>	<b>420</b>
Norrland	338
Wallonia	329
Tuscany	116
Centre	82

- **HOT SPOT:** low Structural Fund-spending and positive GDP-change (National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	N/A
ESPON 1.1.2	NUTS III Urban-rural typology	Rural, low human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	Peripheral

### Role in the European spatial system

- ESPON 1.1.1 NUTS III Polycentricity typology: **no FUAs**

## Conclusions

Structural Funds have had, and still have, a significant impact on the sustainable development of the region. The effects can be seen both in economic growth, in improved infrastructure, in job creation, in new activities and sectors and in quality of life aspects for the region. Concerning the objective of Polycentricity, measures have intended to improve the urban and semi-urban centres and their relationships. The regional strategy is currently aiming at strengthening the competitiveness of the region and reducing regional disparities.

The Structural Funds have been extremely important for the development of the relation function within the region, but also in a broader perspective with other parts of Greece. As regards governance, the EU Fundings have brought a new perspective with the notion of partnership. The European programmes were a playground for testing the co-operation between local authorities, organisations and private sector.

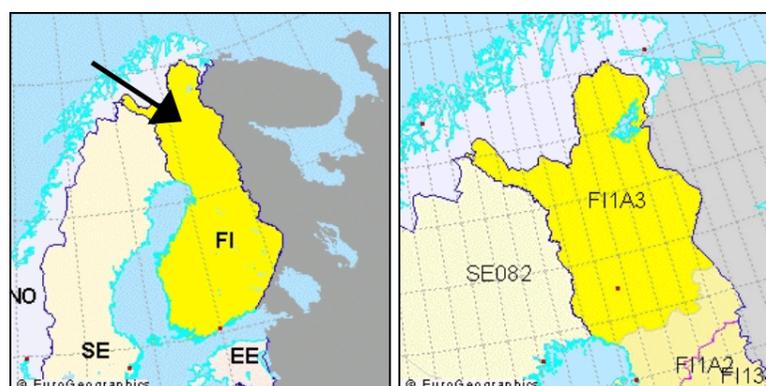
# Case Finland – LAPLAND

## Introduction

Name (in national language)	Lappi
NUTS Info	NUTS III (FI 152)
Population	195 500 inhabitants
Area	98 937 km <sup>2</sup>
Population density	2 inhabitants/km <sup>2</sup>
GDP level	
GDP-Index 2000 (NUTS III)	87,7%
GDP-Index change from 1996 to 2000 (NUTS III)	+2,9%-points

### Main trends

High unemployment rate.  
 High reliance on public sector employment.  
 More focus on tourism development in the region.  
 Sparsely populated and strong out-migration.  
 Good basic communication infrastructure.  
 High regional disparities.



## Structural Funds

### Programmes

	1994-99	2000-06
<b>Objective 1</b>		The whole region
<b>Objective 6</b>	The whole region	
<b>Interreg</b>	IIA: North Calotte Region IIA: Barents IIC: Baltic Sea Region	IIIA: Nord IIIB: Baltic Sea Region IIIC: Northern Periphery IIIC: North Zone PESCA
<b>Community initiatives</b>		

1994-99 funding breakdown	Amount (M€)	Share
Regional	51	47%
Social	31	28%
Agriculture (and related)	26	25%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
<b>Lapland</b>	<b>552</b>
Lakonia	420
Norriand	338
Wallonia	329
Tuscany	116
Centre	82

- **HOT SPOT:** high Structural Fund-spending and positive GDP-change (National)

## Functional and spatial situation

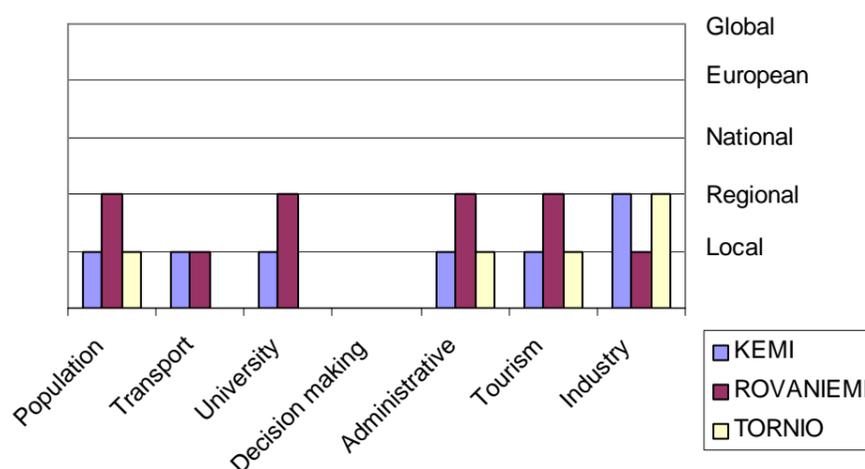
### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	Primary
ESPON 1.1.2	NUTS III Urban-rural typology	Rural, low human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	Peripheral

FUA classification	Number of FUA
MEGA	0
Transnational/national	0
Regional/local	3
<b>Total</b>	<b>3</b>

### Role in the European spatial system

- ESPON 1.1.1 FUA sample typology



Rovaniemi, Tornio and Kemi are the only three FUA of Lapland. They are all classified as of regional/local importance.

## Conclusions

The development of the region has been based on Regional centres as nodes for competitive business and expertise. The main impact of the Structural Funds was perceived to include aspects of learning and governance in the field of regional development, with programme based working methods becoming more widely used. Despite the criticism of increasing bureaucracy the new cooperation model based on actor networking can be regarded as a positive effect of the Structural Funds. Furthermore, it has been evaluated that the emphasis of regional policy on the national political agenda has been reinforced, giving better opportunities for the regions to influence their development.

As regards the economy, cluster thinking is now wide spread, partly due to the objectives of the programming periods. The Structural Funds have also fostered the creation of networks of enterprises within the region. Increased international co-operation with neighbouring countries, and with other EU countries, is also a positive result from the Structural Funds.

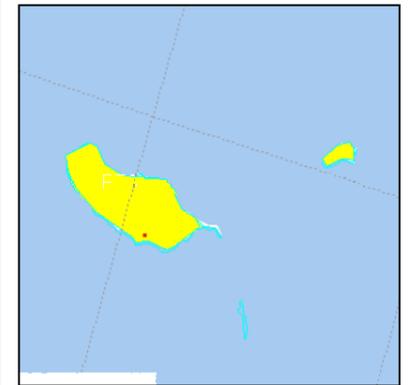
# Case Portugal – MADEIRA

## Introduction

Name (in national language)	Região Autónoma da Madeira
NUTS Info	NUTS I/II/III (PT 3)
Population	250 000 inhabitants
Area	800 km <sup>2</sup>
Population density	310 inhabitants/km <sup>2</sup>
GDP level	
GDP-Index 2000 (NUTS III)	72,8%
GDP-Index change from 1996 to 2000 (NUTS III)	+8,2%-points

### Main trends

Archipelago (4 islands of which 2 are inhabited).  
Highly peripheral situation in European context.  
A highly differentiated topographical situation: mountains and coastlines also connected to population distribution.  
Economic development of the last years has been extremely positive, based on sustained growth.  
High-quality tourist destination. Young population.



## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1</b>	POPRAM II	POPRAM III
<b>Community initiatives</b>	REGIS II, Employment LEADER II, Adapt	Equal, LEADER Interreg IIIB: Azores-Madeira-Canary Islands, South West Europe
<b>Cohesion Fund</b>	Environment, Transport	

1994-99 funding breakdown	Amount (M€)	Share
Regional	453	51%
Social	130	15%
Agriculture (and related)	108	12%
Cohesion Transport	160	18%
Cohesion Environment	32	4%

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
<b>Madeira</b>	<b>3564</b>
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norriand	338
Wallonia	329
Tuscany	116
Centre	82

- **HOT SPOT:** high Structural Fund-spending and positive GDP-change (EU and National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	Service
ESPON 1.1.2	NUTS III Urban-rural typology	N/A
ESPON 2.1.1	NUTS multimodal accessibility potential	Very peripheral

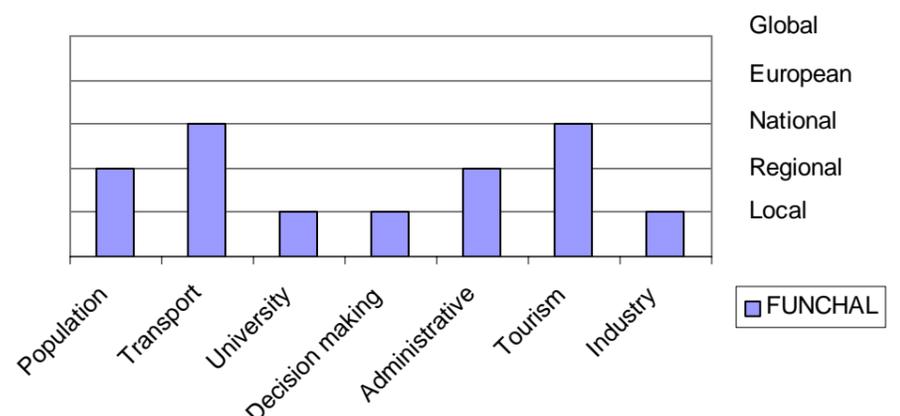
### Comments

Tourism is the most important economical factor.  
A technology park intends to promote innovative and R&D intensive economic activities.  
Business activities around shipping (Industrial Free Zone, International Business Centre).  
National classification of the urban-rural relations: **"densely populated urban region"**.

FUA classification	Number of FUA
MEGA	0
Transnational/national	1
Regional/local	0
<b>Total</b>	<b>1</b>

### Role in the European spatial system

- ESPON 1.1.1 NUTS III Polycentricity typology: **Transnational/national FUA, but FUA smaller than non-FUA population**
- ESPON 1.1.1 FUA typology of Funchal



Funchal is the only FUA and is classified as of Transnational/national importance.

## Conclusions

The Structural and Cohesion Funds have proved to be of high importance for the development of the Madeira archipelago. The Structural Funds have had significant effects towards a better internal (road infrastructures, maritime travels between islands) and external accessibility (Funchal airport). The accessibility thanks to other types of networks (ICT, telecom) has been increased as well. The emphasis has also been put on trans-regional (Azores-Madeira) and trans-national (Madeira-Canary) co-operation projects.

The tourism facilities have been also directly or indirectly (infrastructures, services) improved thanks to the Structural Funds. From the governance perspective, new actors have been involved via partnership type of management. The Structural Funds have also fostered a better consistency between the Portuguese and European regional policy.

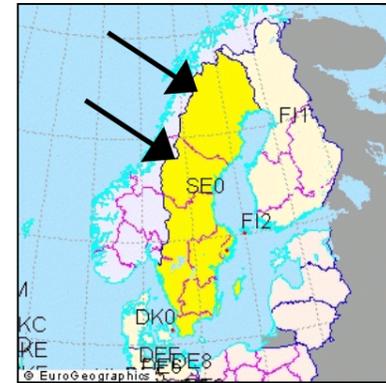
# Case Sweden – NORRLAND

## Introduction

Name (in national language)	Mellersta Norrland och Övre Norrland	
NUTS Info	NUTS II (SE 07 and SE 08), including 4 NUTS III areas	
Population	898 400 inhabitants	
Area	225 400 km <sup>2</sup>	
Population density	4 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	85,9%	99,0%*
GDP-Index change from 1996 to 2000 (NUTS III)	-10,5%-points	-5,5%-points

### Main trends

Peripheral region, even in Swedish context.  
 One of the most sparsely populated areas in Europe.  
 Relatively good communication links.  
 GDP-index around 90% of EU average.  
 Major issues: decreasing population, economic changes and peripherality. Development of High education institutions.



## Structural Funds

### Programmes Overview

	1995-99	2000-06
<b>Objective 1</b>		Övre Norrland Södra Skogslän
<b>Objective 2</b>	Luleå municipality and parts of Piteå, Boden and Skellefteå (covering 210 000 inh.)	
<b>Objective 6</b>	Sparsely populated inland municipalities	
<b>Interreg</b>	IIA: Kvarken-MittSkandia, North Calotte Region, Barents, Sapmi IIC: Northern Periphery, Baltic Sea Region Adapt, Employment, LEADER II, SME	IIIA: Kvarken-MittSkandia, Nord IIIB: Baltic Sea Region, Northern Periphery IIIC: North Zone EQUAL
<b>Community initiatives</b>		

1994-99 funding breakdown	Amount (M€)	Share
Regional	147	48%
Social	91	30%
Agriculture (and related)	66	22%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
<b>Norrland</b>	<b>338*</b>
Wallonia	329
Tuscany	116
Centre	82

\* Between 216€ and 620€ on NUTS III level

- **COLD SPOT:** high Structural Fund-spending and negative GDP-change (National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	5 Diversified, 2 "primary", 1 "strong primary"
ESPON 1.1.2	NUTS III Urban-rural typology	Rural, low human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	Peripheral ("peripheral" on each NUTS III)

### Comments

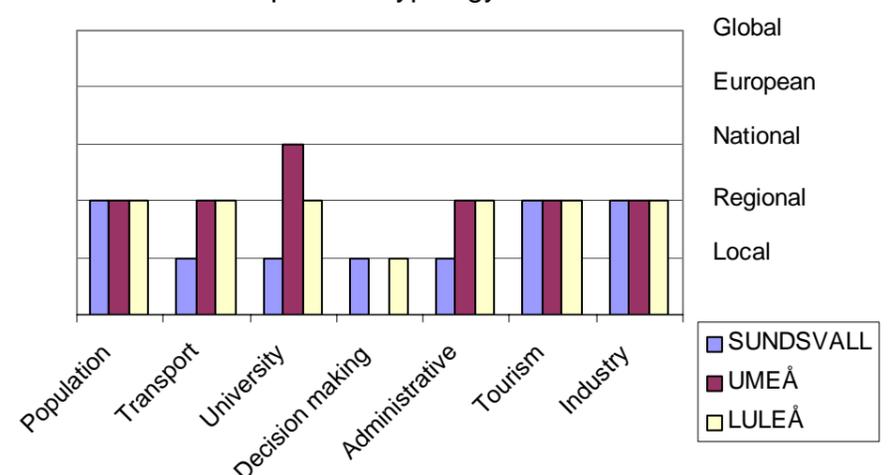
National classification: **sparsely populated rural region**

FUA classification	Number of FUA
MEGA	0
Transnational/national	2*
Regional/local	6
<b>Total</b>	<b>8</b>

\* Luleå and Umeå

### Role in the European spatial system

- ESPON 1.1.1 sample FUA typology



Umeå, Luleå and Sundsvall are the top-3 FUA of the Norrland region.

## Conclusions

The main impacts of the Structural Funds include aspects on both learning and governance, as the whole methodology of working partnerships was new. The Structural Funds have also helped improving co-operation between SMEs. Co-operation and networking were thus repeatedly referred to as the main impacts of the Structural Funds. Direct and indirect territorial impacts of more tangible nature were found in the R&D sector, education and infrastructure.

Some SF programmes seem to have had a negative impact on polycentricity in the region by separating the coastal zones, with the main regional cores, and the hinterlands in different funding zones, and thereby cutting their functional relationships. The current period has corrected this. The Structural Funds have also fostered the specialisation of some regional core in R&D sectors (Regional Growth Centres).



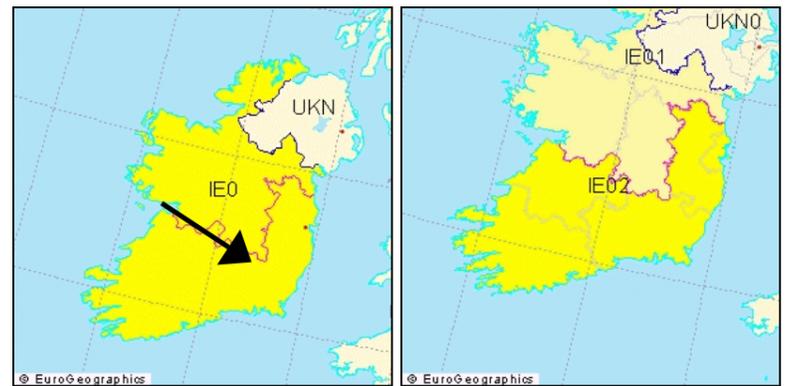
# Case Ireland – SOUTHERN and EASTERN

## Introduction

Name (in national language)	Southern and Eastern Ireland	
NUTS Info	NUTS II (IE 02), including 5 NUTS III areas	
Population	2 757 700 inhabitants	
Area	36 414 km <sup>2</sup>	
Population density	73 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	92,3%	154,5%*
GDP-Index change from 1996 to 2000 (NUTS III)	+10,7%-points	+33,7%-points

### Main trends

Strong regional disparities between the growing urban areas, especially Dublin, and the rural underdeveloped areas. Population concentrated in a small number of urban centres. The region contains the economic driver of the country, Dublin, especially service industry.



Increased educational level. Increased activity rate. Considerable economic success of the country since the 90s.

## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1</b>	Ireland as a single Objective 1 region	Phasing out: Southern and Eastern Operational Programme
<b>Interreg</b>	II CI: Eire-Wales, Eire-Northern Ireland, Atlantic Area, North Western Metropolitan Area	III A: Ireland/Wales III B: North West Europe
<b>Community initiatives</b>	SME CI Urban CI (Dublin-Cork) PEACE CI (Ireland-Northern Ireland)	Urban II: Dublin-Ballyfermot Equal, LEADER+

1994-99 funding breakdown	Amount (M€)	Share
Regional	1 573	38%
Social	1 363	33%
Agriculture (and related)	112	3%
Cohesion Transport	551	13%
Cohesion Environment	550	13%

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
Grevena	7739
Madeira	3564
<b>Southern and Eastern Ireland</b>	<b>1505</b>
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norriand	338
Wallonia	329
Tuscany	116
Centre	82

- HOT SPOT:** high Structural Fund-spending and positive GDP-change (EU and National for NUTS III Dublin and South West)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	<b>3 industrial, 1 diversified, 1 strong industrial</b> Dublin: <b>Urban, high human intervention</b> otherwise Urban, low human intervention, and one Rural, high human intervention
ESPON 1.1.2	NUTS III Urban-rural typology	
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Intermediate*</b>

\* 3 "intermediate" and 2 "peripheral" on NUTS III

### Comments

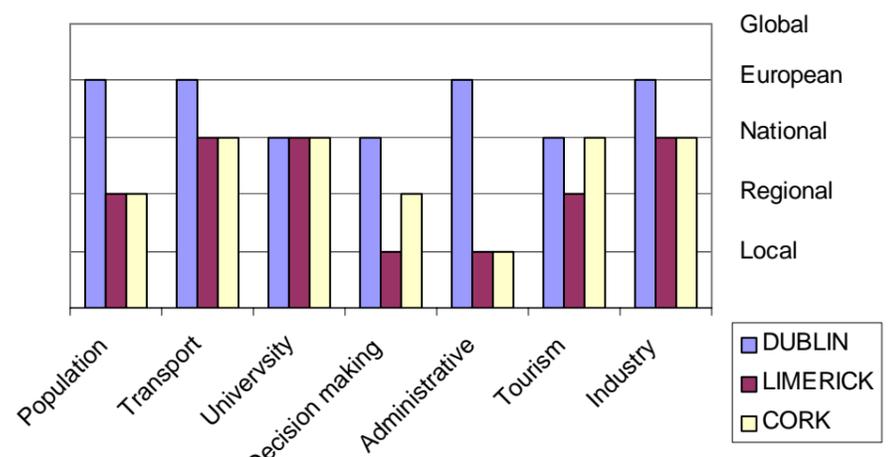
Dublin, the clearly dominant economic centre.

FUA classification	Number of FUA
MEGA	2*
Transnational/national	1**
Regional/local	2
<b>Total</b>	<b>5</b>

\* Dublin and Cork, \*\* Limerick

### Role in the European spatial system

- ESPON 1.1.1 FUA typology



Dublin and Cork are considered as MEGAs, but Dublin is clearly the most important one.

## Conclusions

Some studies show that the Structural Funds' contribution to the renewed economic development of the region is somehow limited. However, there are areas where Structural Funds in Ireland have funded priorities and projects or promoted practices that are in line with the goals outlined in the ESDP. On the economic side, the Structural Funds have played an important role as catalyst especially for tourism and R&D expertise. For instance, during the 2000-06 programming period the theme of polycentricity is more explicitly stated. The Structural Funds have raised the awareness on the importance of avoiding urban sprawl and fostering better urban-rural linkages.

It is also possible to track an evolution where spatial development concerns have gradually gained a greater profile in national policy objectives and the SF programmes. Infrastructure provision has been a major element of the Structural Funds. Areas where the impact of the Structural Funds is particularly apparent are in regional governance and the implementation of policy, with the creation of regional entities aiming at handling the funding in a better way. In these areas the SF have introduced innovative policy practices, reinforced existing strengths and enhanced regional participation in development planning.

# Case Italy – TUSCANY

## Introduction

Name (in national language)	Toscana	
NUTS Info	NUTS II (IT 51), including 10 NUTS III areas	
Population	3 460 835 inhabitants	
Area	23 000 km <sup>2</sup>	
Population density	150 inhabitants/km <sup>2</sup> *	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	89,2%	133,6%*
GDP-Index change from 1996 to 2000 (NUTS III)	-4,6%-points	+6,3%-points

\* Between 49 and 308 inhabitants/km<sup>2</sup> on NUTS III level

### Main trends

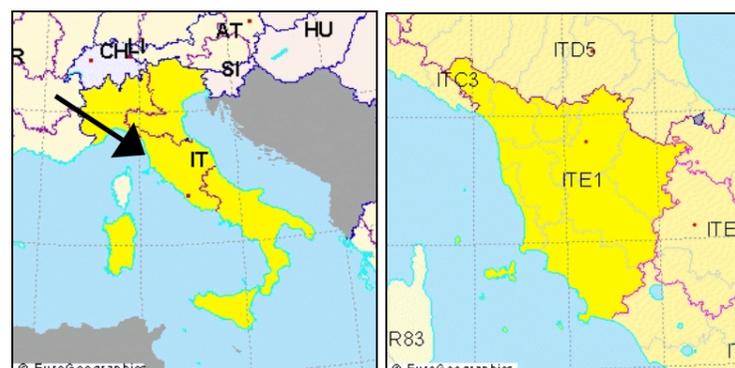
Shift from agriculture and industry to service sector, but still agriculture plays an important role especially in the less densely populated provinces.

Tourism is very important. Slow overall economic growth rate.

Wide gap between activity rates of men and women.

Relatively low educational level.

Serious environmental problems.



## Structural Funds

### Programmes

	1994-99	2000-06
<b>Objective 2</b>	Whole region except for Lucca, Arezzo and Siena counties	Whole region
<b>Objective 3</b>	Whole region	
<b>Objective 5b</b>	Whole region except Pisa	
<b>Community initiatives</b>	Resider II Retex II SME Rechar II Interreg IIA: Corsica-Toscana	URBAN II: Carrara

1994-99 funding breakdown	Amount (M€)	Share
Regional	213	52%
Social	81	20%
Agriculture (and related)	115	28%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norrland	338
Wallonia	329
<b>Tuscany</b>	<b>116*</b>
Centre	82

\* Between 51€ and 201€ on NUTS III level

- **HOT SPOT:** low Structural Fund-spending and positive GDP-change (National)

## Functional and spatial situation

### Functional profile/specialisation of the region

Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	Diversified, service, primary
ESPON 1.1.2	NUTS III Urban-rural typology	Mostly <b>Urban, high human intervention</b> , 2 Urban, low human intervention, 1 Rural, low human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	<b>Intermediate*</b>

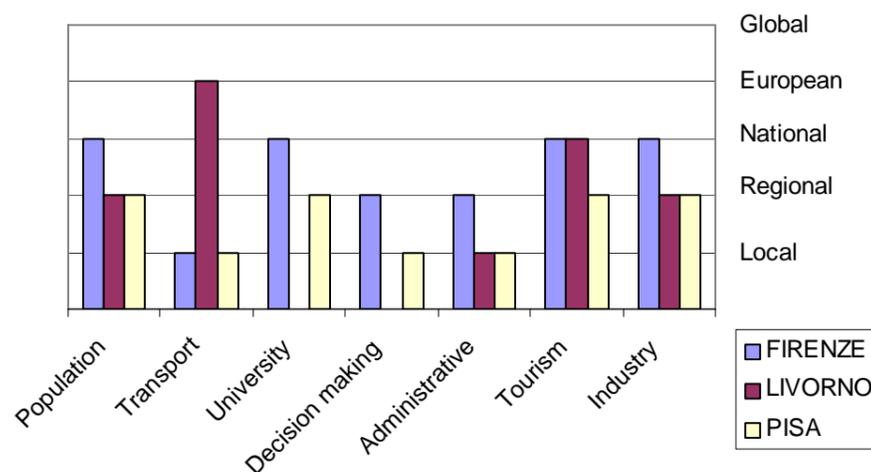
\* From "peripheral" to "central" on NUTS III level

FUA classification	Number of FUA
MEGA	0
Transnational/national	3*
Regional/local	19
<b>Total</b>	<b>22</b>

\* Firenze, Livorno and Pisa

### Role in the European spatial system

- ESPON 1.1.1 FUA typology



Firenze, Livorno and Pisa are the top-3 FUA typologies in the region.

## Conclusions

Structural Funds in Toscana have, especially during the previous programme period, contributed to increasing the territorial cohesion and polycentric aspects, especially at the intra-regional level, but also on a broader perspective. This is however due to the favourable pre-existing and already polycentric territorial structures, as for example, the SMEs' network that represents the core of the regional economic system. Besides, the Structural Funds are only one aspect among several that have affected the development. Tourism has been widely supported by the SF.

Activities linked to tourism (infrastructures, services) have been developed thanks to SF funding. The Structural Funds have particularly focused on supporting and strengthening the SMEs. As regards transport infrastructure, the major part of the investments was targeted to harbour areas such as Livorno and Prato. The main impacts of the Structural Funds that have been witnessed in the region are linked to governance, the introduction of partnerships not being the least. It seems also that the funds have had positive impacts on the regional economic indicators, via better management practices for instance.

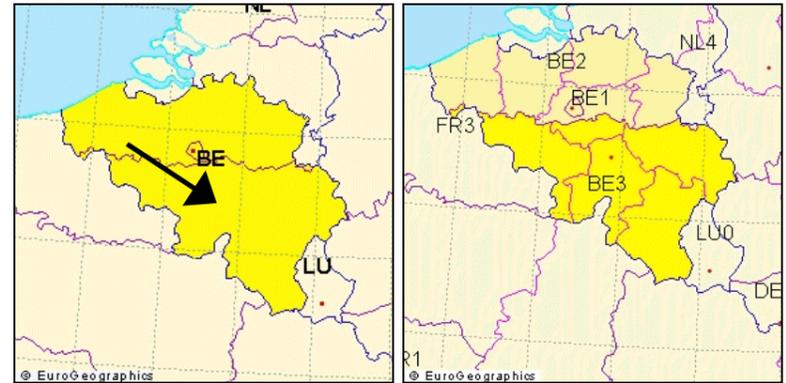
# Case Belgium – WALLONIA

## Introduction

Name (in national language)	Région Wallone	
NUTS Info	NUTS I (BE 3), including 5 NUTS II and 20 NUTS III areas	
Population	3 333 000 inhabitants	
Area	16 800 km <sup>2</sup>	
Population density	198 inhabitants/km <sup>2</sup>	
GDP level	Minimum	Maximum
GDP-Index 2000 (NUTS III)	46,0%	102,4%*
GDP-Index change from 1996 to 2000 (NUTS III)	-11,4%-points	+2,0%-points

### Main trends

2 languages represented in the region: French and German (minority). The region is considered as being highly polycentric. Its central position in European context is not fully exploited.



Environmental challenges due to industrial wastes. Economy confronted with the decline of some manufacturing activities (textile, iron).

## Structural Funds

### Programmes Overview

	1994-99	2000-06
<b>Objective 1</b>	Province of Hainaut	Phasing out for Hainaut
<b>Objective 2</b>	Meuse-Vesdre Valley: 33 municipalities of the province of Liège Municipality of Aubange	Meuse-Vesdre basin Provinces Namur and Luxembourg
<b>Interreg</b>	IIC: North Western Metropolitan Area II: Rhine-Meuse Activities, Upper Rhine-Centre / South, Hainaut-Nord-Pas-de-Calais-Picardy, Ardennes	III A: Belgium/France/Luxembourg, Euregio Maas-Rhein, Germany-Luxembourg-German Community, France-Wallonia-Flanders III B: North West Europe and North Sea Region III C: West Zone Urban II: Sambreville
<b>Community initiatives</b>	Resider II Konver II Urban Rechar II Retex II SME Wallonia	

1994-99 funding breakdown	Amount (M€)	Share
Regional	643	59%
Social	366	33%
Agriculture (and related)	87	8%
Cohesion Transport	-	-
Cohesion Environment	-	-

### Spending 1994-1999

Comparative SF spending 1994-99	€ per capita
Grevena	7739
Madeira	3564
Southern and Eastern Ireland	1505
Extremadura	1492
Cantabria	1308
Highlands and Islands	1063
Calabria	818
Saxony	740
Catalonia	600
Lapland	552
Lakonia	420
Norriand	338
<b>Wallonia</b>	<b>329*</b>
Tuscany	116
Centre	82

\* Between 8€ and 598€ on NUTS III level

- **COLD SPOT:** high Structural Fund-spending and negative GDP-change (on NUTS III: Charleroi, Signies, Tournai, National)
- **HOT SPOT:** high Structural Fund-spending and positive GDP-change (on NUTS III: Mouscron, National)

## Functional and spatial situation

### Functional profile/specialisation of the region

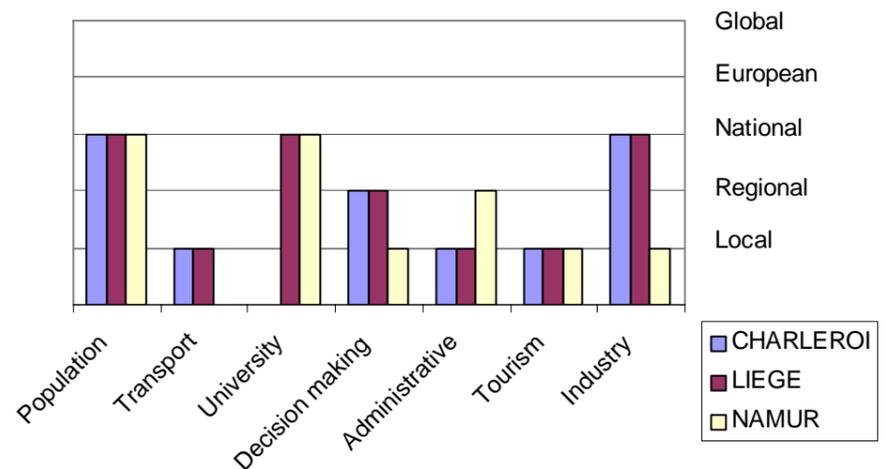
Link with other ESPON projects	Topic	Results
ESPON 1.1.1	FUA economic base	Mostly <b>diversified</b> , 2 "service"
ESPON 1.1.2	NUTS III Urban-rural typology	Mostly <b>urban, high human intervention</b> . Two Rural, high human intervention and four Rural, medium human intervention
ESPON 2.1.1	NUTS multimodal accessibility potential	1 <b>Very Central</b> , 3 <b>Central</b> and 1 <b>Intermediate</b>

FUA classification	Number of FUA
MEGA	0
Transnational/national	3*
Regional/local	5
<b>Total</b>	<b>8</b>

\* Charleroi, Liège and Namur

### Role in the European spatial system

- ESPON 1.1.1 FUA sample typology



Charleroi, Liège and Namur are the top-3 FUAs in the region.

## Conclusions

The Structural Funds projects implemented in the *Région Wallone* during the previous and current programming periods have had important spatial impacts on their designated areas, and even on the region as a whole. The Structural Funds have particularly targeted the revitalisation of the economy of the region. The Objective 2 strategy was based, for instance, on manufacturing industries. The objective 1 SF have certainly increased the speed and volume of investments in the targeted areas, increasing their attractiveness.

The Structural Funds have also targeted the reorientation of the economy towards new activities (R&D, innovation spin-offs...). The focus on the appropriate training of the labour force has managed to make supply and demand match. The region is now more involved in cross-border networks, using more appropriately its central position in Europe. The Structural Funds have also produced a leverage effect on certain governance aspects of the region, such as the introduction of new management processes.

## ESPON 2.2.1

# The Territorial Effects of the Structural Funds

Annex report A  
**Country reports**

# ESPON 2.2.1

## The territorial effects of the Structural Funds

Annex report A  
Country reports

**Separate volumes**

Project report  
The territorial effects of the Structural Funds  
ISBN 91-89332-48-2

Annex report B  
The relationship between National Regional Policies and Structural  
Funds Policies  
ISBN 91-89332-50-4

Annex report C  
The contribution of Interreg to polycentric development  
ISBN 91-89332-51-2

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**NORDREGIO**  
Nordic Centre for Spatial Development

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Luxembourg (Grand-Duché)

## Foreword

This annex report of the ESPON 2.2.1. project "Territorial effects of Structural Funds" presents the findings of work package 6, undertaken by the project partners. This annex is a compilation of the national reports produced by the project partners for each EU15 country.

This annex report is also a compilation of the Case Studies that were conducted for the ESPON 2.2.1. project by some of the project partners:

- Nordregio: Case studies of Lapland and Norrland
  
- EPRC: Case studies of Wallonia (Belgium), Centre (France), Southern and Eastern Ireland (Ireland), Calabria (Italy), Toscana (Italy) and Highlands and Islands (United Kingdom).
  
- Peter Ache: Case study of Saxony (Germany).
  
- Systema: Case studies of Grevena and Laconia (Greece).
  
- MCRIT: Case study of Catalonia (Spain).
  
- Infyde: Case studies of Extremadura (Spain), Cantabria (Spain) and Madeira (Portugal).

The synthesis of the section presented here is included in more length in the project report. Therefore, the findings presented in this annex report are complementary to the project report.

The project report and the annex reports are available at [www.espon.lu](http://www.espon.lu)

Stockholm, March 2005

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

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# Austria



# **THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS**

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Austria

Prepared by

Peter Ache

&



under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

### **Austria – data collection**

Due to accession in 1995, the period under consideration for Austria is 1995-1999. For the ESPON 2.2.1 country study on Austria, the analysis of the SF assistance in that period concentrated on NUTS III regions, i.e. the level of political districts or groups thereof. However, this approach is a difficult task, since the programming (and also the monitoring and evaluation) usually happens at the NUTS II level, i.e. the federal states.

In a first step, the territorial experts tried to obtain spending data from the different national and regional programming documents and evaluation reports. For the period under consideration, about 25 Operational Programmes, Single Programming Documents, and Community Initiative Programmes were under operation. The approach to use primary sources with the help of administrators and other experts proved to be comparatively time consuming.

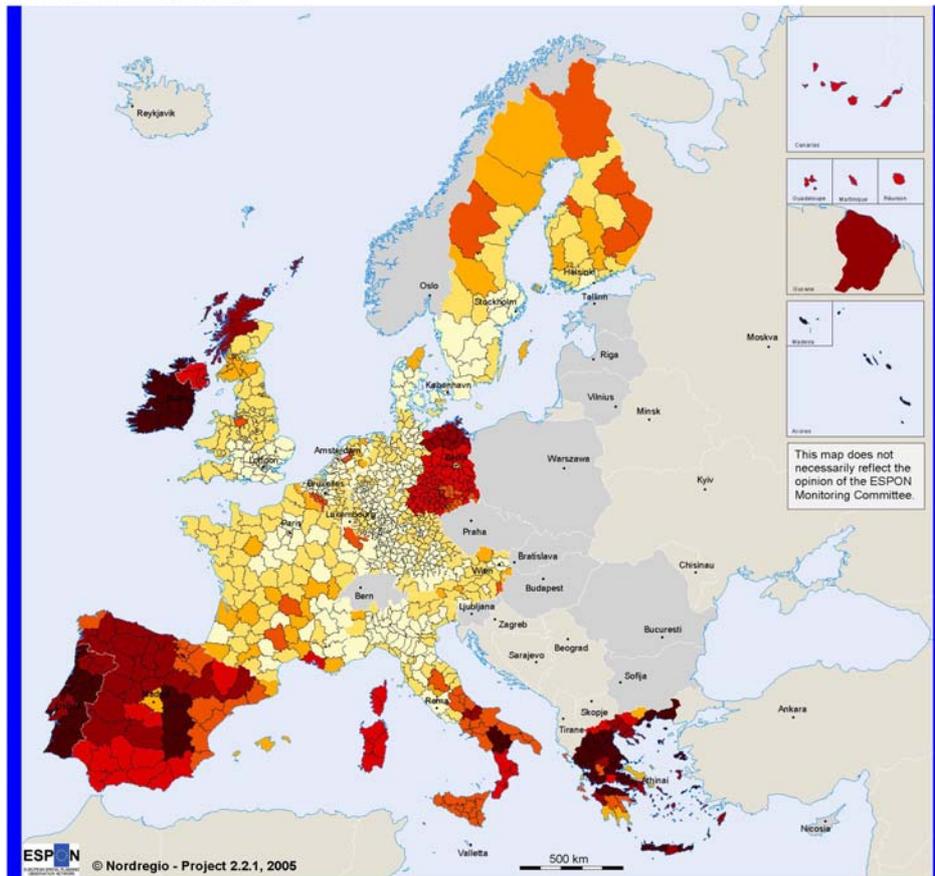
The final methodology for the data collection and assessment was based on data provided by an Austrian Conference on Spatial Planning (ÖROK, cf. WP 4 report). ÖROK provided information from their national atlas on spatial development, which also includes information on the total spending of SF in Austrian regions. However, these data were not differentiated according to Objectives and Initiatives, which had to be done with the help of programme IDs. The data show some variation compared with spending tables available from the EC.

### **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

**Structural Fund spending**



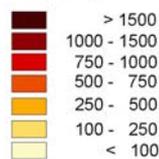
Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection

Source: Nordregio



## What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

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:

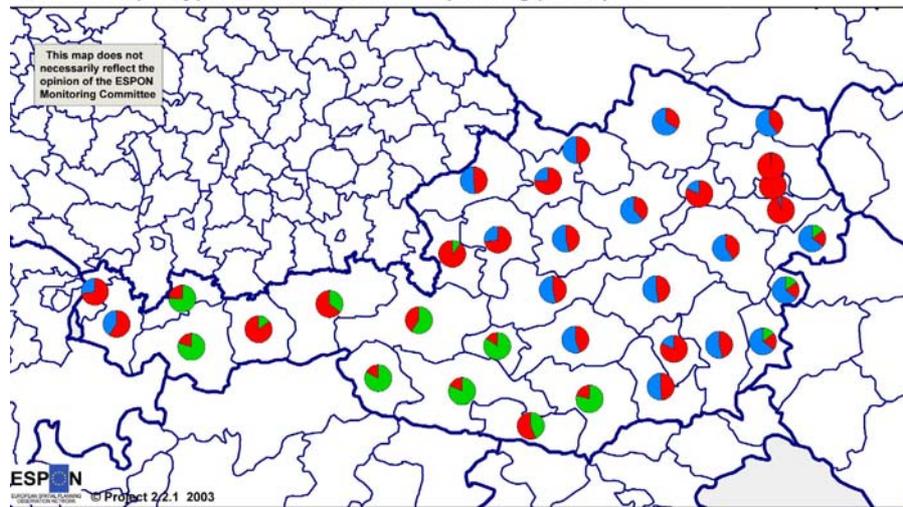
- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

## STRUCTURAL FUNDS IN AUSTRIA

In the period 1995-1999, almost the entirety of Austria was covered by Structural Funds, with the exception of a number of political districts situated mainly in Upper Austria, Salzburg, Tyrol, and in the direct vicinity of Vienna.

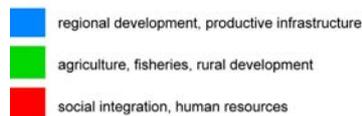
Austrian regions qualified under different Objectives (O1, O2, and O5b) and Initiatives (Leader II, SME, Rechar II, Resider II, Retex and Urban; Interreg was also available but has been ignored for the RASCI approach). Altogether 25 different programmes (OP, SPD, and CIP) were under operation in the period 1995-1999 in Austria.

### Distribution per type of Structural Funds spending per capita



Geographical Base: Euostat GISCO  
Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database

### Distribution per type of SF spending per capita



A focus on regional development and productive infrastructure in the spending pattern can be detected for Burgenland, towards the East of Austria, which was the only Objective 1 region in Austria (and continuous to be so for the period 200-2006), Upper and Lower Austria, and for large parts of Styria, (in the centre of above map). In these regions the support to build up infrastructures and to re-structure the weak regional economy is very pressing (Objective 5b). Styria is in particular suffering from old industrial large scale structures (Objective 2). The focus on agriculture and rural development stands out for Carinthia, again Lower and Upper Austria, but also Tyrol. These parts of the Austrian country largely qualified for the Objective 5b status, i.e. with a strong agricultural and tourism orientation. Social integration and human resources are dominant in Vienna and its surrounding political districts.

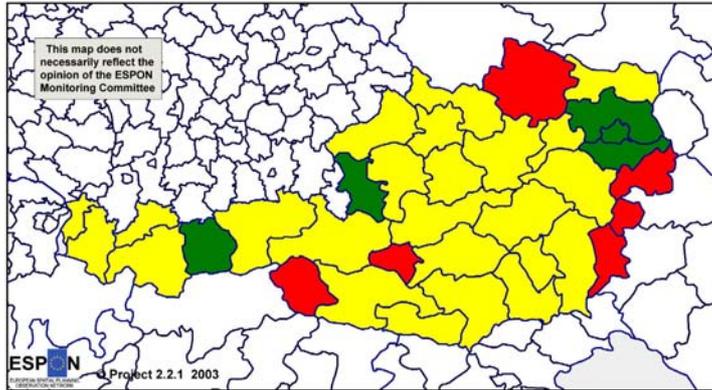
### Regional Structural Funds spending

The spending pattern in Austria follows the pattern which has been outlined for the EU level, on the basis of NUTS II data.

Burgenland, situated at the border with the Slovak Republic, Hungary, and Slovenia and already being mentioned as the only Objective 1 region in Austria, shows the highest per capita ratio. Here, according to national data, the spending per capita reaches up to 6,000 Euro per capita (including national budgets). Next to it are districts in Lower Austria, bordering with the Czech Republic, and districts in Salzburg (Tamsweg) and Tyrol (Lienz).

Low spending per capita occurs in districts of Tyrol, Salzburg, and the city of Vienna and its surrounding areas. The remaining parts of Austria fall into a mid-range spending category.

### Structural funds spending per capita



Geographical Base: Eurostat GISCO  
Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database

### SF spending per capita



## **REGIONAL POLICY IN AUSTRIA IN RELATION TO EUROPEAN REGIONAL POLICY**

Severe regional disparities are not evident in Austria, though two main types of regional problem area can be identified: peripheral rural regions, principally in the south and east and the western high Alpine areas; and old industrialised regions concentrated in central Austria and the Steiermark region. The emergence of such problem areas is associated with the decline of the old industrial heartland, the growth of urban-rural disparities, increased levels of commuting and environmental concerns. Urban problems and the links between regional centres and their hinterlands have also grown in significance.

### **Strategies**

Prior to EU accession, regional policy did not enjoy a high political profile due to the small size of the country, the lack of serious regional disparities, high labour mobility and commuting levels, and the fact that the services industry (particularly tourism) compensated for agricultural decline. Only with access to the Structural Funds did the issue of regional policy become more widely debated. Indeed, the term 'regional policy' in Austria has become increasingly synonymous with the Structural Funds, which, because of their administrative demands, are increasingly viewed as suitable mainly for standard, routine investment.

In contrast, domestic regional policy focuses on the endogenous potential of regions and their integration into regional, national and international networks. The traditionally low profile attached to the policy and its associated lack of formal administrative structures has had the advantage of allowing a more flexible and innovative approach to be taken to regional development issues. The main domestic regional development initiatives are now generally classified under non-regional policy headings, including, in particular, innovation policy. Policy responsibility is spread across a number of federal Ministries, particularly those involved with technology and innovation support. The *Land*-level also has a significant role to play.

### **Instruments**

The last significant regional grant scheme targeted at the designated aid areas (the Regional Innovation Premium, RIP) was withdrawn towards the end of 2000 in response to budgetary pressures. The only remaining spatially-targeted aid is the ERP Regional Investment Programme, a relatively minor low interest loan scheme.

Incentives viewed as important for regional development now tend to be available across the country. This is particularly true of technology and innovation incentives where spatial restrictions are considered counter-productive to the prime objectives of networking and innovative development.

An example of this type of support is the RIF 2000 scheme.<sup>1</sup> This aims to increase the innovative capacity of some 50 innovation and technology centres ("impulse" centres) across Austria, in particular by strengthening the knowledge base and technology transfer capacity of SMEs in the regions. There are other federal measures which are similarly driven by innovation-oriented goals and are targeted at the innovation infrastructure in the regions (universities, technical high schools etc). The *Land* level,

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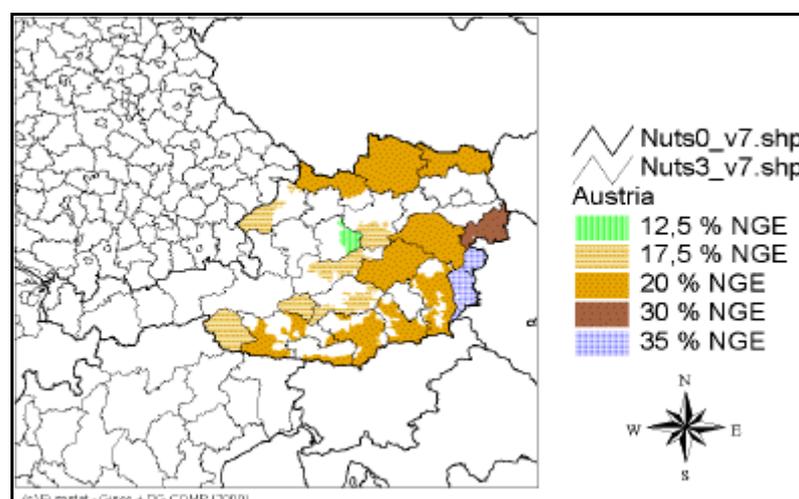
<sup>1</sup> *Regionalen Impulsförderung* (Regional Impulse Support)

too, is heavily involved in this type of activity, with each *Land* having some form of economic development strategy often with a significant innovation-oriented component. A number of *Länder* (particularly Styria and Upper Austria) have important cluster initiatives which are viewed as central to the regional competitiveness and growth prospects of these areas.

### Spatial targeting

Prior to access to the European Union, there was no formal map of the designated aid areas in Austria. The policy focus was on regional problems rather than on problem regions, with different forms of support having different spatial targets. Area designation has become much more formalised as a consequence of EU membership. The aid area map for the 2000-06 period covers 27.5 percent of the population, a reduction from 35.2 percent over the 1995-99 period. Maximum rates of award authorised by the Commission range from 30 to 35 percent of eligible expenditure in Burgenland (which, as an Objective 1 area, qualifies under Article 87(3)(a)) to 12.5-20 percent in all other assisted areas (Article 87(3)(c)).

**Figure 1: Austrian regional aid map**



Source: DG Competition website

### Governance

Austria is a federal State, consisting of nine *Länder*, which have an important political and economic role. The constitution does not specify a clear allocation of responsibility for regional policy to either the federal government or the *Länder*. In practice, there is an informal allocation of both legislative competence and administrative jurisdiction between different bodies at federal, *Land*, and local levels.

At the federal level, the Federal Chancellery is responsible for the co-ordination of measures in all policy areas and has a separate department for regional policy. It has, however, only minimal financial resources for the implementation of regional policy instruments and measures.

The *Österreichische Raumordnungskonferenz*, ÖROK (Austrian Conference of Regional Planning), created in 1971, acts as a forum for cooperation between the different actors in the regional policy field. Decisions reached within ÖROK are recommendations only and do not have legal force. However, given that many of the

key policy actors are represented within ÖROK, its recommendations are usually reflected in subsequent policy decisions.

Other federal Ministries are also involved in regional development activities, generally through the provision of incentives, which contain a regional dimension or regional financial weighting. These include: the Federal Ministry for Economy and Labour (BMWA) which administers support through the ERP Fund; and the Federal Ministry for Transport, Innovation and Technology which, together with the BMWA, implements important measures in the field of regional technology development and infrastructure.

The nine *Länder* governments have key regional development competencies for their own territories and each elaborates its own regional development programme. Following approval by the federal government, these programmes are implemented at the district level. In addition, the *Länder* also operate their own regional development instruments, in some cases involving the federal level more formally through federal-*Land* agreements for co-funded packages of regional development support.

**Table 2-1: Territorial Units in Austria**

Unit Type	Designation	Number of Units
	NUTS I	3
Bundesländer	NUTS II	9
Bezirke (districts)	NUTS III	35

## **AUSTRIAN REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

National regional policy in Austria has no main spatial focus, indeed national regional policy is overall scarcely visible in the country, as has been illustrated in the previous sections of the report. A spatial dimension is implicit only in the selection of areas eligible to support. However, general non-binding recommendations and spatial objectives are formulated within the ÖREK (Austrian Spatial Development Concept 2001). Within ÖREK 2001 six priority themes for the Austrian spatial development policy are formulated: (i) Austria as a business location in Europe; (ii) Sustainable use of natural resources; (iii) Balanced regional development and social integration; (iv) Mobility and traffic: opportunities, moderation and excess; (v) Urban regions: dynamic development and need for guidance; (vi) Rural regions: a variety of challenges and development opportunities. Because of the overarching framework provided by ÖREK 2001, such themes are also received in domestic regional policy. Here territorial cohesion and balance are targeted at the intra-regional level (ie. within each single Land). Every Land tries to promote specific initiatives with regard to avoid/reduce territorial imbalances.

A particularly strong example of the integration of spatial themes in domestic regional policy is Niederösterreich. The Land implements both a strategy called 'Equal conditions of life' and a strategy called 'Fitness-Programme Niederösterreich' which aim at promoting balanced territorial and settlement structures. The Fitness programme in particular, underlines that infrastructure provision under the programme are targeted to the development of structurally weak regions.

Polycentrism is only marginally touched upon by domestic regional policy in Austria, again with relevance at an intra-regional level, for example in the form of the development of the new capital city for Land Niederösterreich in St. Pölten. ÖREK 2001, under the theme 'urban regions', mentions the objectives of developing polycentric and attractive city regions and of achieving a decentralised concentration in areas surrounding the cities. From a trans-national perspective, moreover, initiatives cooperation initiatives are being implemented in the Vienna-Bratislava axis. Furthermore the BAER - Building up a European Region - project which covers the area Vienna, Niederösterreich, Burgenland, Brno/CZ, Győr and Sopron/HU and that has recently been launched may also discuss polycentric development.

# Belgium



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Belgium

Prepared by



under the framework of ESPON 2.2.1

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

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The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Belgian data collection**

With regard to the ESPON 2.2.1 country study of Belgium, the focus of the analysis of the Structural and Cohesion Fund assistance for the 1994-1999 period was on the NUTS II level. The data collection for Structural Funds spending in Belgium for the period 1994-1999 was primarily based on reviews of accessible program documentation available from web sites and on data as provided by the Ministry of the Walloon Region and the Flemish Ministry of Economics and Employment. The overall reporting of the Belgian data was prepared by first extracting all evidence of project expenditure from relevant reports readily accessible and then cross checking and supplementing this with expenditure information as presented in the 11<sup>th</sup> Annual Structural Funds Report. It can be observed that most expenditure was not clearly tied to NUTS III regions. As a general comment, there was no clear spatial referencing for expenditures especially below the NUTS II level. For most cases expenditure was defined by NUTS I or NUTS II regions and in a few cases at NUTS 0.

Expenditure information was subdivided into two categories:

1. total amount of contributions spent,
2. total EC contributions for all funds (a subset of the former larger amount).

While gathering the data it was often not clear the exact distribution of expenditure by the different funds. Likewise it was not clear if the available figures were showing the planned expenditure values or the final and actual expenditure values. The data situation became even more complicated when funds were broadly allocated across

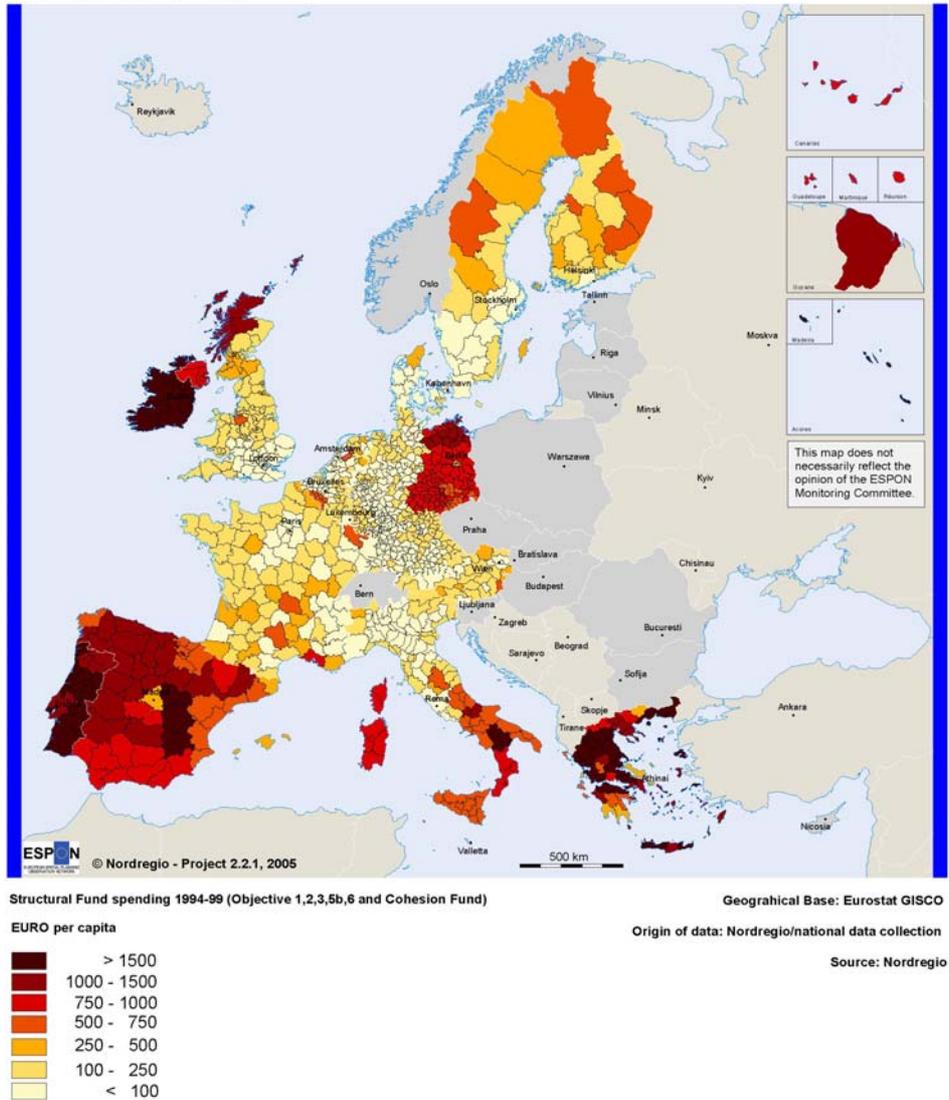
multiple NUTS II regions (for a good example, refer to Objective 5b funds which were shared by the provinces of Namur and Luxembourg without specifications of how the distribution was managed, thus in this report a rough estimate was a 50-50 split in the funds to the two provinces).

A first draft of the assessment of expenditures was sent to the Flemish Ministry of Economics as well as the Ministry of the Walloon Region General Direction for Employment and Economy in order to receive confirmation regarding the reported values as well as any additional information on expenditure data. A complication with the available data was the currency of the expenditure as well as the fact that there was probable inconsistency in how available expenditure was expressed for the period, i.e. data was variously expressed in Belgian Franc or Euro.

### **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

**Structural Fund spending**



**What kind of regions?**

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately

15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

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. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

## **STRUCTURAL FUNDS IN BELGIUM**

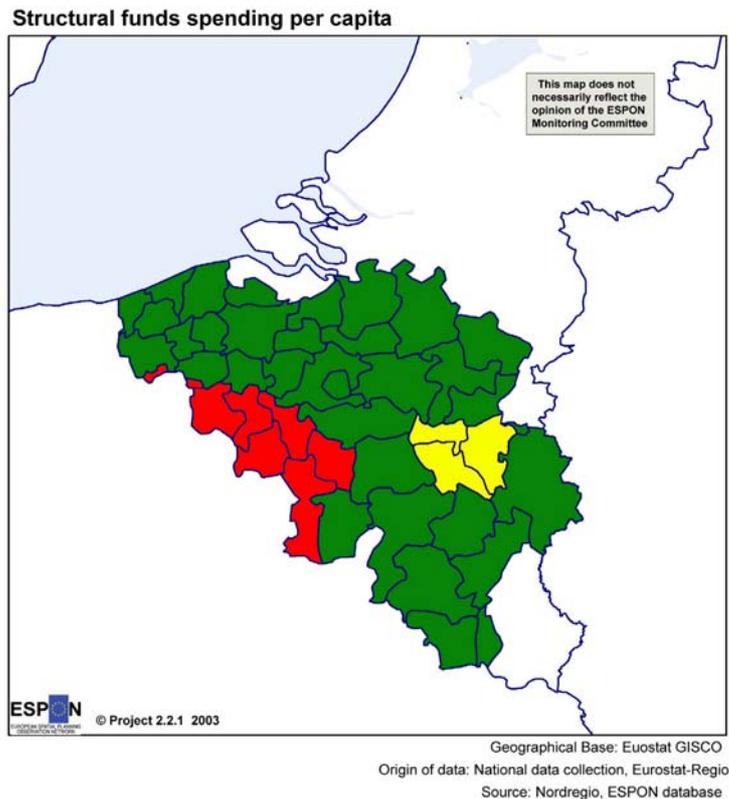
During the 1994-1999 programming period, Belgium was covered by the following programmes:

- the Objective 1 programme for Hainaut, 1994-99;
- the Objective 2 programmes for Meuse-Vesdre (Liège), 1994-1996 and 1997-99; for Limburg, 1994-1996 and 1997-99; for Turnhout, 1994-1996 and 1997-1999; and for Aubange, 1994-1996 and 1997-1999;
- the Objective 5b for Meetjesland, 1994-1999; for Westhoek, 1994-1999; and for Marche, Bastogne, Neufchâteau, Dinant, Philippeville, 1994-1999.

### **Regional Structural Funds spending**

The first map below provides an overview on the different levels of per capita Structural Fund expenditure across Belgium for the 1994-1999 programming period. Unsurprisingly, the map reveals that Structural Fund expenditure per capita is highest in those regions which benefited from Objective 1 funding, namely the Belgian Hainaut area where spending per capita was above €400 per capita. In addition, between €200 and €400 euro per capita were spent in those areas corresponding to the Objective 2 programme for Meuse-Vesdre (Liège). All other geographical areas of Belgium fall under the < €200 euro per capita category. This threshold does not allow

for a very nuanced analysis, as some of these areas were eligible for Objective 2 or 5b programmes (the Objective 2 programmes for Limburg, Turnhout and for Aubange; the Objective 5b for Meetjesland,, for Westhoek, and for Marche, Bastogne, Neufchâteau, Dinant, Philippeville) whilst the remaining parts of Belgium were not.

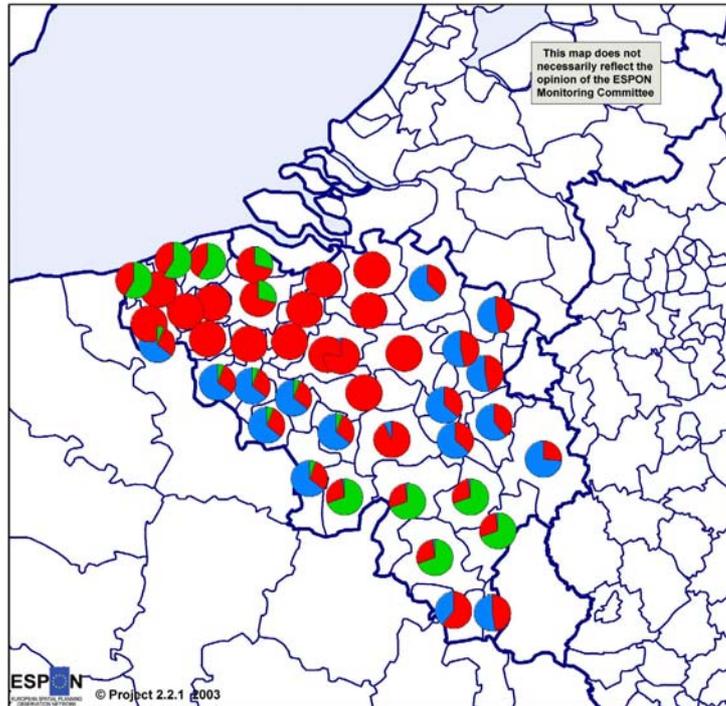


The second map below shows the different types of Structural Fund expenditure that have been spent across Belgium. As the map reveals, regional development and productive infrastructure expenditure were particularly important in the traditional industrial regions of the Hainaut and Liège Provinces in the Walloon Region and of the Limburg Province in the Flemish Region. The maps also show a dominance of

Objective 5b-type expenditure in the northernmost *arrondissements* of the West-Flaanderen (West Flanders) and Oost-Vlaanderen Provinces of the Flemish Region, as well as in the Namur and Luxembourg Provinces of the Walloon Region (with the exception of the two *arrondissements* bordering the Grand Duchy of Luxembourg).

In the remaining areas, that is in the Brussels-Capital Region and in those Flemish Provinces and *arrondissements* not already mentioned, the map reveals a strong, if not exclusive, dominance of social-related expenditure. This probably reflects the fact that these regions were only eligible under the national Objective 3 and 4 programmes but not under the regional Objective 1, 2 or 5b programmes.

### Distribution per type of Structural Funds spending per capita

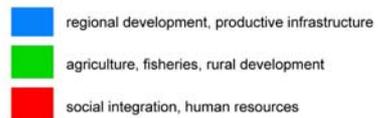


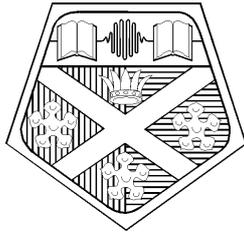
Geographical Base: Euostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, ESPON database

### Distribution per type of SF spending per capita





THE  
**UNIVERSITY OF**  
**STRATHCLYDE**  
IN GLASGOW

## **Case Study of Wallonia**

ESPON 2.2.1: Work package 6

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May 2004

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## ESPON 2.2.1

### CASE STUDY ON WALLONIA

#### **Introduction**

The case studies in the framework of Espon 2.2.1 are undertaken in order to answer the following research questions:

- “What (if any) can be seen to be the territorial impact of Structural Funds implemented in 1994-1999 in the chosen case region in question?”<sup>2</sup>
- “What (if any) has been the relationship between this impact and territorial cohesion / polycentricity?”<sup>3</sup>

As outlined in the 2<sup>nd</sup> Interim Report, the main focus of the case studies will be on explanatory factors for the relation between spatial performance of a region and the type of Structural Funds investments as well as the overall amount of funding. Moreover, the case studies are intended to highlight the constancies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework. Both of these issues are considered in relation to territorial cohesion and polycentricity.<sup>4</sup>

The case study consists of the following sections: after this introduction, a first section deals with first tentative hypotheses as to the impact of the Structural Funds in the region (both direct or indirect impacts on endowment factors, governance structure, centrality of cohesion issues in regional programming, key trends in national policy development and others. Section 2 describes the region and the programmes covered by the case study (the Objective 2 programmes 1994-99 and 2000-06). This is followed by Sections 3 and 4 that deal respectively with spatial and policy impacts. The case study report concludes by highlighting some considerations deriving from the analysis conducted (Section 5).

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<sup>2</sup> = Looking to identify changes in temporal perspective from the previous programming period to the current one. When necessary, you can also relate these to the current programming period by using concrete examples from the programming documents, evaluations and project examples.

<sup>3</sup> = Looking to identify causality – when the template refers to “identifiable changes”, this relates to changes that are at least in part attributable to the SF intervention; For an elaboration of how polycentricity is defined and operationalized in this project see the methodological note on polycentricity attached.

<sup>4</sup> As has been argued in the 2<sup>nd</sup> interim report, there is a close connection between territorial cohesion and polycentricity. Territorial cohesion is used more as an umbrella concept covering the territorial aspects of cohesion expressed in polycentric development and equally including the objectives of balanced and sustainable development.

## 1 FOCUS OF INTEREST/HYPOTHESIS

The Walloon Region was selected for this case study for a number of factors. A more detailed description of the region is provided in Section 2 of this case study.

First, the two maps presented in the Second Interim Report on Structural Fund Spending and regional performance (page 93) and on Structural Fund Spending and change of regional performance ranking (page 95) show a very mixed picture for Wallonia, with both negative change in GDP ranking corresponding to high SF support and positive change in GDP ranking.

Indeed the *arrondissements* (NUTS III) of Charleroi, Signies and Tournai can be considered as ‘cold spots’, with high Structural Fund-spending but negative GDP-change. On the other hand, the *arrondissement* (NUTS III) of Mouscron is a ‘hot spot’, with high Structural Fund-spending and positive GDP-change.

Second, Wallonia has developed a strong programme management culture over the past programming period, as shown in the evaluation reports.

Last, EPRC has consolidated relationship with the Ministry for the Walloon Region which both administers regional aid schemes and acts as Secretariat for all Walloon Structural Fund programmes. The region has also been part of the IQ-Net<sup>5</sup> network and its regional policy is regularly analysed for the EoRPA consortium.

In terms of functional specialisation of the region, Wallonia can be considered as a highly polycentric region, with differing and widespread territorial participation to the economy. Analysis undertaken under ESPON 1.1.1 shows that Wallonia has 8 different Functional Urban Areas (FUAs).

In addition, research undertaken under ESPON 2.1.1. shows that the region has ‘potential’ in terms of multimodal accessibility at NUTS III level, with 1 NUTS III area qualifying as ‘very central’, 3 as ‘central’ and 1 as ‘intermediate’.

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<sup>5</sup> IQ-Net is a network of Objective 1 and 2 regions that EPRC has been managing since 1996. The aim of the network is that of ‘Improving the Quality of Structural Fund Programming through Exchange of Experience’. The network involves a structured programme of applied research and debate, centred on a bi-annual conference. IQ-Net member regions currently come from 10 different Member States across the whole EU.

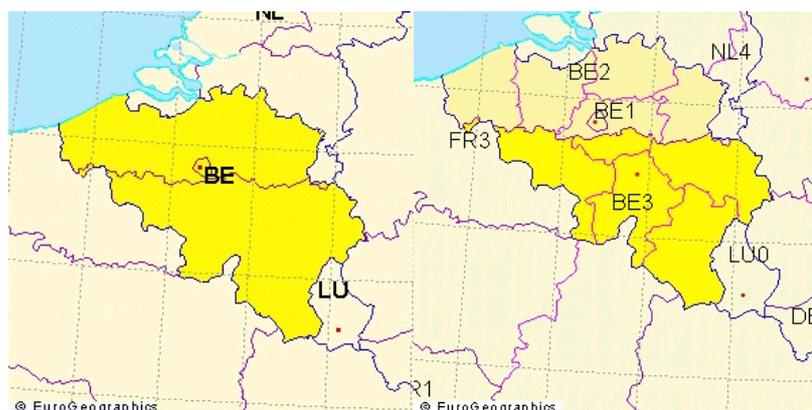
## 2 DESCRIPTION

### 2.1 CASE STUDY REGION

The *Région Wallonne* is one of three Regions within the institutional context of the Belgian federal states. It has a population of 3,333,000 inhabitants. Its surface covers 16,800 square kilometres and the density of population amounts to 198 inhabitants per square kilometres.

The region is sub-divided in 5 *provinces* (Brabant Wallon, Province du Hainaut, Province de Liège, Province du Luxembourg, Province de Namur) and 20 *arrondissements*.

**Map 1: Case Study Region - Wallonia**



#### The Province of Hainaut<sup>6</sup>

This section focuses more particularly on the Province of Hainaut, which has received by far the largest share of Structural Fund spending over both the past and current programming period.

The province of Hainaut is a region with a strong tradition in industries such as textile and steel. This area of Wallonia was in economic decline in the early 1990s, as shown by the following indicators from 1992:

- GNP per inhabitant amounted to 77.3 percent of the Community average;
- the average growth rate equalled 2.2 percent, compared to a European average of 3.5 percent;
- the unemployment rate was 13.2 percent, 40 percent higher than the EU-average, with high levels in Charleroi and Mons.

Hainaut was confronted with a large structural deficit of jobs, due to the decline in traditional industries and the service sector not being sufficiently developed. Compared to other areas of Belgium, Hainaut employed less people in the services sector (9.6 percent compared to 14.1 percent for Belgium) or in tourism (2.9 percent compared to 3.6 percent).

Hainaut showed high unemployment rates and was responsible for 5 percent of total long-term unemployment in Wallonia. Given the structural shortage of jobs, young

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<sup>6</sup> This section draws from the *Ex Post Evaluation of Objective 1, 1994-1999, National Report* (see Bibliography Section at the end of this case study).

people experienced particularly great difficulties in finding work. Youth unemployment levels equalled 27 percent, compared to 17 percent in the EU-8. A further characteristic of the region was a relatively low level of education. In 1994, 52 percent of the active population aged between 25 and 59 did not attain secondary education level. This compared to only 46 percent for Wallonia as a whole, and to 42 percent for the whole of Belgium.

The origins of the regions' economic decline can be found in its **weak economic fabric**. The province has a tradition of textile and steel industries. The crisis that has affected these two industries has caused a severe structural imbalance in the job market. Investments have focused on restructuring the declining traditional industries have been mainly directed to restructuring activities and not on the diversification of the region's economic base. Innovation has been hampered by low R&D investments which are, in any case, concentrated in the traditional sectors. As a result, the network of SMEs is less developed in Hainaut.

This weak economic situation has resulted in a significant increase of unemployment in the province, particularly among women, young people and people with lower education levels. The decrease in jobs available in industry has led to a shift towards the service sector. The main employers here remain the public sector and non-tradable services, such as health care. The commercial services sector is less dynamic.

The economic situation varies within the province. Unemployment levels are much higher in Charleroi than in Ath, although the latter area shows much lower levels of value added. Overall, all areas in the Province show a significant divergence from the Belgian average.

As far as the **environment** is concerned, the Province of Hainaut has been confronted with three major problems: the rehabilitation of industrial brown field areas, water quality and processing, and waste treatment. Since the funds necessary to finance any additional capacity for water purification systems by far exceed the budgets available under the Objective 1 programme, this topic was not included in the SPD. The two other environmental issues (regeneration of industrial sites and waste processing) were addressed by the SPD.

## **2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999 AND 2000-2006)<sup>7</sup>**

### ***Objective programmes for 1994-1999 period***

#### ***Objective 1 programme for Hainaut, 1994-99***

The Objective 1 programme for Hainaut for the 1994-99 period represented a Community Structural Fund allocation of ECU 730 million.

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<sup>7</sup> Source: European Commission Directorate General for Regional Policy web site ([http://europa.eu.int/comm/regional\\_policy](http://europa.eu.int/comm/regional_policy))

The single programming document sets out four development priorities, outlined in first table below, which is followed by another table presenting an outline of the programme's budget.

**Table 1. Strategy structure for the Objective 1 programme for Hainaut, 1994-99**

Priority	Description
1. Reviving economic activity	The aim was to counter the effects of chronic under-investment in Hainaut by promoting the modernisation of the province's economic fabric and endogenous development, boosting its research and development capabilities, creating a suitable environment to attract businesses, and turning the resultant economic growth into jobs.
2. Promoting the area's appeal and rural development	Even in the heart of its urban areas, Hainaut still bears the traces of its industrial past. Making the area more attractive, ensuring quality of life and protecting the environment, therefore, are significant challenges, especially since cultural heritage and tourism were not previously seen as development sectors. Nevertheless, Hainaut has considerable potential in this respect, particularly in rural districts.
2 a. Developing transport infrastructure	Hainaut's central location in the Community makes it a point of intersection for many international communication links, so its infrastructure is already well developed. Future projects will therefore have to demonstrate full economic justification and compliance with the selection criteria, particularly in terms of cost-efficiency, leverage effect and complementarity with other programme measures.
3. Creating opportunities for all	The province's labour market problems called for a proactive employment policy to promote economic competitiveness and solidarity. This will involve measures in three areas: the adjustment of workers (young people and adults) to changes in production systems; quality improvements in the education and training system; and the creation of more job opportunities for young people and those at risk of long-term unemployment

	and exclusion from the jobs market.
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**Table 2. Financial structure for the Objective 1 programme for Hainaut, 1994-99**

Priorities	Total cost (in €millions)	EC contribution (in €millions)
Revival of economic activity	1,895.620	480.140
Promoting local appeal	181.200	90.600
Transport infrastructure	77.250	30.090
Creating opportunities for all	250.020	124.560
Technical assistance	7.600	3.800
<b>Total</b>	<b>2,411.690</b>	<b>729.190</b>

*Objective 2 programme for Meuse-Vesdre (Liège), 1994-96*

The Objective 2 programme for Meuse-Vesdre (Liège) for the 1994-96 period represented a Community Structural Fund allocation of ECU 88.50 million.

The eligible area was the industrial basin of the Meuse and Vesdre valleys, an area covering 33 municipalities in the province of Liège, Wallonia. This area spans:

- the Meuse valley (the municipalities of Amay, Engis, Héron, Villers-le-Bouillet and Wanze in the Huy arrondissement, and Saint-Georges-sur-Meuse in the arrondissement of Waremme);
- the Vesdre valley (the municipalities of Dison, Pepinster and Verviers);
- at the centre of the basin, the arrondissement of Liège, including the Liège conurbation. Only the latter arrondissement was previously eligible for assistance.

The programme covered a very densely populated area (677 inhabitants/km<sup>2</sup>) of 717,128, or 7.1% of the national total.

The strategy stemmed from the analysis that the manufacturing industry could be the main driver of economic recovery, if activities dependent on the declining metal industry could be restructured and diversified, the agrifoodstuffs sector strengthened and specific measures undertaken to foster the development of SMEs. Tourism is another sector where support is required.

The two tables below provide an outline of the programme's strategy and key financial allocations.

**Table 3. Strategy structure for the Objective 2 programme for Meuse-Vesdre (Liège), 1994-96**

Priority	Description
Priority 1. Revitalisation and diversification of the economy	1.1. and 1.2. Aids for productive investment (direct creation of 1,140 jobs planned). Increase in venture capital for SMEs (approval of some 60 applications forecast).

	<p>1.3.1. to 1.3.5. Advice and encouragement for the development of endogenous potential.</p> <p>Economic stimulation and information for SMEs (1,200 businesses). Management assistance (90 SMEs). Assistance for business creation through the Business and Innovation Centres (creation of some 50 SMEs). Training for company directors and development of SME potential (1,300 people: directors, managers, employees and jobseekers). Improvement and establishment of training programmes to develop that potential.</p> <p>1.4.3. to 1.4.4. Development of business facilities.</p> <p>Facilities for industrial, craft and service parks (130 hectares). Construction and fitting-out of temporary business premises (14 buildings). Access to industrial sites and estates (15 locations).</p> <p>1.5.1. and 1.5.2. Promotion of trade on external markets</p> <p>Image promotion for local businesses. Internationalisation of SME activities.</p>
<p>Priority 2. Technological innovation</p>	<p>2.1. and 2.2. Development of centres of excellence in R&amp;D (to help businesses acquire the capacity to participate in Community programmes and international projects in the research field). Cooperation between the business community and research centres.</p> <p>2.3.1. to 2.3.5. Measures to stimulate the development of new products and processes leading to new products.</p> <p>International partnerships: support for around 15 international R&amp;D projects.</p> <p>“ASSISTE”: financing for feasibility studies, etc.</p> <p>“STIMULE”: aid programme for the development of new products and processes;</p> <p>COPROTECH: refundable advances for R&amp;D programmes;</p> <p>ACQUITECH: incentives for technology transfers from abroad.</p> <p>2.4.1. and 2.4.2. Skills development for innovative sectors</p> <p>Skills training (1,576 trainees). Infrastructural support for the training programme.</p> <p>2.5. Human resource development in the university and research centres</p>
<p>Priority 3. The attractiveness of the local area</p>	<p>3.1. to 3.3. Rehabilitation and redevelopment of derelict industrial sites (120 hectares). Purification plant on the river Vesdre. Completion of airport facilities.</p> <p>3.4.1. to 3.4.3. Development of tourist potential. Development of tourist sites along the Meuse in Liège (20 sites). Industrial archaeology (around 10 sites). Completion of work already in progress.</p>

	3.5.1. and 3.5.2. Skills development in the field of tourism and environmental protection. Skills training. Aid for business creation and for improvements in training provision.
Priority 4. Specific support for employment growth	4.1. to 4.4. Business creation: training (205 people), recruitment aids and assistance for SME start-ups (commercial and other sectors). Aids for integration via voluntary associations, mutual societies and cooperatives. Careers guidance and support. Continuing training and support for employment-training partnerships.
Technical assistance	

**Table 4. Financial structure for the Objective 2 programme for Meuse-Vesdre (Liège), 1994-96**

Priorities	Total cost (in €millions)	EC contribution (in €millions)
Revitalisation and diversification of the economy	189.602	44.567
Technological innovation	40.674	17.655
The attractiveness of the local area	73.288	21.334
Specific support for employment growth	8.562	3.938
Technical assistance	2.057	1.006
<b>Total</b>	<b>314.183</b>	<b>88.500</b>

*Objective 2 programme for Aubange, 1994-96*

The Objective 2 programme for Aubange for the 1997-99 period represented a Community Structural Fund allocation of ECU 1.30 million.

The eligible area was the municipality of Aubange in the Luxembourg province of Wallonia Belgium (Arlon arrondissement). The crossborder conurbation Aubange forms with the neighbouring municipalities of Pétange (L) and Longwy (F) has been severely effected by the decline of the iron and steel industry. Frontier workers, mostly employed in the Grand Duchy of Luxembourg, account for a substantial share of the municipal workforce.

The strategy was to focus on industrial activity in Aubange and the crossborder conurbation in the mechanics, electrical and electronics sectors. A twin-track development process was planned:

- exogenous development, which, with the arrival of major multinationals, would revitalise the local economy after the collapse of the iron and steel monoindustry;
- endogenous development, via closer ties between the newcomers and local SMEs, particularly in terms of industrial logistics (stock control and distribution, etc.), and via a process of training and technological development so as maximise the results of previous actions designed to boost endogenous development, while at the same time ensuring integration into the economic fabric of large enterprises which have recently located to the region and boosting the development of SMEs.

The aim was to encourage inter-company links through subcontracting, research and development, logistics or external services. Emphasis was given to the application of information technologies.

The two tables below provide an outline of the programme's strategy structure and key financial allocations.

**Table 5. Strategy structure for the Objective 2 programme for Aubange, 1994-96**

<b>Priority/Measures</b>	<b>Description</b>
Priority 1. Business development and employment growth	A single priority was identified for the programme: creating the right conditions for employment-generating investment by businesses - SMEs and SMIs in particular - with a view to shoring up the tentative economic recovery, which has gone only partially offset the job losses of the late 1970s and early 1980s.
Measure 1.1. Business facilities	Facilities for industrial parks (in particular to ensure a reliable water supply), development of basic industrial premises and establishment of an instrument to finance business sites.
Measure 1.2. Promoting technological innovation	By means of training, centred on new technologies and growth sectors, training for young people in need of additional qualifications, and inter-company training schemes.
Measure 1.3. SME development	Through management training for budding entrepreneurs and in-house training for business creation, development and conversion. Community assistance covers 118 trainees.

**Table 6. Financial structure for the Objective 2 programme for Aubange, 1994-96**

<b>Priorities</b>	<b>Total cost (in €millions)</b>	<b>EC contribution (in €millions)</b>
Business development and employment growth	3.153	1.300
<b>Total</b>	<b>3.153</b>	<b>1.300</b>

*Objective 2 programme for Meuse-Vesdre (Liège), 1997-99*

The Objective 2 programme for Meuse-Vesdre (Liège) for the 1997-99 period represented a Community Structural Fund allocation of ECU 114.443 million.

The eligible regions were the same as for the 1994-96 period. They cover 33 communes in the province of Liège in the region of Wallonia, i.e.: the Meuse valley (communes of Arnay, Engis, Héron, Villers-le-Bouillet and Wanze in the district of Huy and Saint-Georges-sur-Meuse in the district of Waremme); the Vesdre valley (communes of Dison, Pepinster and Verviers); in the centre of the basin, the district of Liège which includes the Liège conurbation. These areas cover approximately 1,060 square kilometres (3.5% of the area of Belgium). In January 1995, they had a combined population of 716,351 (7.1% of the national population). At 677 inhabitants per square kilometre, the population density in the Liège industrial basin is twice that of the country as a whole and over three times that of the rest of the Wallonian region. The strategy aimed to revitalise the region's main economic activities and diversify the industrial fabric in order to halt the decline of traditional sectors upstream and downstream of the metal industry. Essentially, this meant consolidating restructured firms dependent on the metal industry and developing sectors with significant growth potential by encouraging investment, research and development and staff training. The programme also sought to improve the attractiveness of the region by redeveloping abandoned industrial sites and improving the quality of the environment, while at the same time creating jobs.

The two tables below provide an outline of the programme's strategy and key financial allocations.

**Table 7. Strategy structure for the Objective 2 programme for Meuse-Vesdre (Liège), 1997-99**

Priority	Description
Priority 1. Revitalisation and diversification of the economy (58% of the Community contribution).	This priority aimed to support productive investments in sectors with genuine job creation potential, to improve access to services for SMEs, to offer companies wanting to relocate to the area adequate premises, to improve the tourism potential of the region, to establish training and professional retraining measures tailored to the main economic sectors and to inform potential outside investors of the assets of the Meuse-Vesdre basin.
Priority 2. Technological innovation (22% of the Community contribution)	This priority aimed to boost the potential of research institutes in order to respond more effectively to the needs of enterprises for innovation and new products and processes. At the same time, training was provided to help staff at these enterprises master new technologies.
Priority 3. Improving the attractiveness of the local area (almost 11% of the Community contribution).	This priority had two aims: to create an environment which encourages the location and modernisation of companies and to establish centres of economic activity geared towards developing the commercial sector. Three measures were planned: the cleaning-up of disused industrial estates, waste recycling pilot projects/the completion of a purification plant, and modernising the independent port of Liège.
Priority 4. Specific support for	This priority involved the setting up of specific community-based enterprises in order to create jobs for low-skilled

employment growth (almost 5% of the Community contribution).	workers or victims of industrial restructuring drives. Sectors such as the environment, tourism and personal services were targeted in particular. A package of specific aid was developed together with information, advice and training measures.
Priority 5. Technical assistance.	

**Table 8. Financial structure for the Objective 2 programme for Meuse-Vesdre (Liège), 1997-99**

<b>Priorities</b>	<b>Total cost (in €millions)</b>	<b>EC contribution (in €millions)</b>
Revitalisation and diversification of the economy	305.928	66.942
Technological innovation	62.892	25.144
The attractiveness of the local area	48.422	15.556
Specific support for employment growth	22.383	5.634
Technical assistance	2.419	1.167
<b>Total</b>	<b>442.044</b>	<b>114.443</b>

*Objective 2 programme for Aubange, 1997-99*

The Objective 2 programme for Aubange for the 1997-99 period represented a Community Structural Fund allocation of ECU 2.17 million.

The eligible area was the commune of Aubange, on the border between France and Luxembourg, part of the Belgian sector of the European Development Axis (EDA). The region had begun diversifying its economic activities towards new industrial activities and towards enterprise services within the context of a cleaner environment.

The strategy was to maximise the results of previous actions designed to boost endogenous development while at the same time ensuring the integration into the economic fabric of large enterprises which have recently located to the region and boosting the development of SMEs. This was done by encouraging inter-company links through subcontracting, research and development, logistics or external services. Emphasis was given to the application of information technologies.

The single priority was designed to facilitate access by SMEs to the information society in two ways:

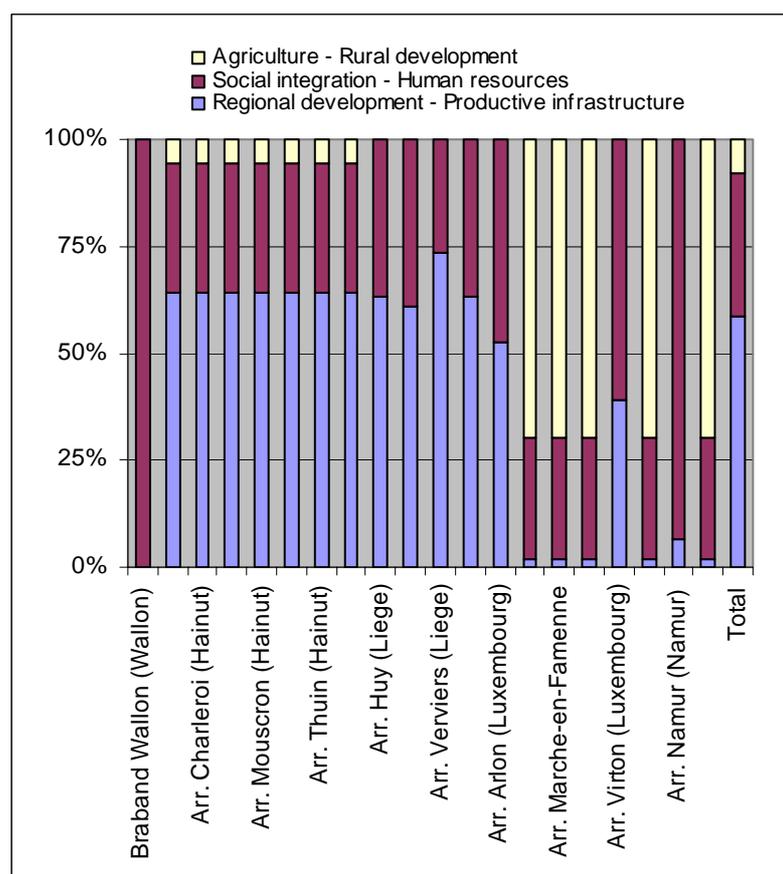
- by developing a telematics information system and information products and services geared to the needs of local businesses: economic support activities, awareness-raising activities, technology diffusion (57.5% of the Community contribution);
- by constructing the offices of a Telematics Support Centre (42.5% of the Community contribution).

The table below provide an outline of the programme's key financial allocations.

**Table 9. Financial structure for the Objective 2 programme for Aubange, 1997-99**

Priorities	Total cost (in €millions)	EC contribution (in €millions)
Awareness-raising, promotion and distribution of new information technologies	1.160	0.580
Construction of a building to house a telematics centre	1.014	0.428
<b>Total</b>	<b>2.174</b>	<b>1.008</b>

**Figure 2. Types of structural fund spending per arrondissements for all Objective programmes over the 1994-1999 programming period**



**Objective programmes for the 2000-2006 period**

*Objective 1 phasing-out programme for Hainaut, 2000-2005*

This programme is eligible for an EC contribution of €645 million, out of total budget of €2,221 million.

The region eligible for Structural Fund assistance under the programme has 1 285 000 inhabitants (40% of Wallonia's population). Hainaut is characterised by traditional industries in the process of restructuring and GDP at 80% of the Community average. In 1999 its unemployment rate was 15.4% (Belgium: 8.9%), while its under-25 unemployment rate reached 39.2%. Hainaut also suffers from a lack of diversification, a substantial research and development shortfall, an inadequate level of training, and environmental damage. However, the region's advantages are its central geographical location and its particularly well-developed transport infrastructure. Further pluses are its high productivity, quality human resources and business-friendly environment.

The two tables below provide an outline of the programme's strategy and key financial allocations.

**Table10. Strategy structure for the Objective 1 phasing-out programme for Hainaut, 2000-2005**

Priority	Description
Priority 1 : Expanding the productive base	The aim is to support economic growth by: assisting industrial and service investment; diversifying financial engineering instruments; identifying which economic stimulation measures businesses need; and encouraging businesses to network. Social integration agencies will be assisted in the purchase of equipment and materials.
Priority 2 : Promoting growth through the knowledge economy	The programme will accord priority to promoting the knowledge economy by: granting aid for research and innovation; disseminating technical and scientific knowledge; and developing centres of excellence.
Priority 3 : Developing the potential of agriculture, forestry and aquaculture	The measures funded cover: improving techniques for processing and marketing agricultural products; developing the potential of forestry; and granting investment aid to businesses which produce, process and market fishery products.
Priority 4 : Making the region more attractive through restoration work and by improving its image	As well as helping to upgrade tourist infrastructure, restore old industrial sites and improve management of the environment, EU funding will be used to promote public transport and renewable forms of energy.
Priority 5 : Improving access to the labour market	The aim is to adapt the education and training systems so that they meet businesses' needs and expectations.

	Particular attention will be focused on providing guidance and advice to job-seekers.
Priority 6 : Facilitating reintegration into working life and promoting social integration	The aims here are to provide unemployed people with better support at each stage of their reintegration and to integrate disadvantaged people.
Technical Assistance	Measures will be equally provided to assist with the management , implementation, control and evaluation of all aspects of the programme.

**Table 11. Financial structure for the Objective 1 phasing-out programme for Hainaut, 2000-2005**

<b>Priorities</b>	<b>Total cost (in €millions)</b>	<b>EC contribution (in €millions)</b>	<b>Public aid (EC + others)</b>
1 Expanding the productive base	1151.24	201.3	399.93
2 Promoting growth through the knowledge economy	283.59	117.92	235.85
3 Developing the potential of agriculture, forestry and aquaculture	213.04	43.31	101.61
4 Making the region more attractive through restoration work and by improving its image	217.23	106	212
5 Improving access to the labour market	192.29	94.29	188.58
6 Facilitating reintegration into working life and promoting social integration	153.55	76.77	153.55
7 Technical Assistance	10.8	5.4	10.8
<b>Total</b>	<b>2221.740</b>	<b>644.990</b>	<b>1302.320</b>

*Objective 2 Programme for the Meuse-Vesdre basin (Liège), 2000-2006*

The Objective 2 Programme for the Meuse-Vesdre basin (Liège) for 2000-2006 represents an EC contribution of €158.32 million. The eligible area is essentially the same as in the previous programming period.

The programme's strategy is based around 3 main objectives which aim to:

- diversify the economic fabric of the area and strengthen its know-how;
- reinforce the international function of the Meuse-Vesdre area;
- promote the sustainable development of the area.

These 3 priorities are declined in 5 priorities in the programme's strategy : AXE 1 :

- Priority 1: Diversifying the economic structure
- Priority 2: Promoting the knowledge economy
- Priority 3: Strengthening the employability of the workforce and its know-how
- Priority 4: Reinforcing the international function of the area
- Priority 5: Promoting the sustainable development of the area.

#### *Objective 2 Programme for the provinces of Namur and Luxembourg*

The Objective 2 Programme for the provinces of Namur and Luxembourg for 2000-2006 represents an EC contribution of €58.379 million. The eligible areas are the *arrondissements* of Dinant, Philippeville, Bastogne, Marche-en-Famenne and Neufchâteau, as well as the municipality of Aubange.

The programme is sub-divided into three main priorities which correspond to its key objectives:

- Priority 1: Promoting and supporting the endogenous development of economic activities
- Priority 2: Structuring rural areas
- Priority 3: Investing in human resources

#### ***Community Initiatives***

In addition to the programmes described above, Wallonia has been eligible for several Community Initiatives.

The table below provides an overview of these numerous Community Programmes from which Wallonia received funding during the previous programming period.

**Table 2. Community Initiatives in Wallonia during 1994-1999 programming period**

<b>Programme</b>	<b>EC contribution (in €million)</b>	<b>Period covered</b>
URBAN Mons - La Louvière	7	1998-1999
URBAN Charleroi	5.6	1994-1999
RECHAR II Châtelet	0.93	1994-1997
RESIDER II Liège	12.53	1994-1997

RESIDER II Charleroi and Centre	11.9	1994-1997
RETEX II Hainaut	3	1994-1997
SME Wallonia	9.41	1994-1999
KONVER II Wallonia	4.92	1995-1999
INTERREG II C North Western Metropolitan Area (NWMA): B / D / F / IRL / L / NL / UK)	31.392	1997-1999
INTERREG II Rhine-Meuse Activities (IRMA): C B / D / F / L / NL	137.118	1997-1999
INTERREG II Upper Rhine-Centre/South: Germany / France / Switzerland	24.579	1994-1999
INTERREG II Belgium / France Hainaut / Nord-Pas-de-Calais / Picardy	71.518	1995-1999
INTERREG II Belgium / France / Ardennes	12.45	1995-1999
INTERREG II Belgium / France / Wallonia (Province of Luxembourg) /Lorraine/Luxembourg	30.2	1994-1999

In the current programming period, the region is eligible for funding under the following Community Initiatives Programmes:

- URBAN II Sambreville;
- INTERREG III A: Germany - Luxembourg - German-speaking Community of Belgium;
- INTERREG III A - Belgium / France / Luxembourg;
- INTERREG III A - Euregio Meuse-Rhine;
- INTERREG III A - Euregio Maas-Rhein;
- INTERREG III A - France-Wallonia-Flanders;
- INTERREG III B - North West Europe;
- INTERREG III B - North Sea Region;
- INTERREG III C - West Zone.

### 3 IMPACTS ON SPATIAL DEVELOPMENT

#### 3.1 POLYCENTRIC DEVELOPMENT

The following section focuses primarily on the Province of Hainaut. The Province's relative importance, in terms of the level of the Structural Spending it has received over both the previous and current programming period, justifies special attention.

##### 3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM

The Objective 1 SPD for Wallonia covered the whole of the Province of Hainaut. Projects funded by the programme were based across the whole Province. Nevertheless, not all areas have benefited equally from the programme's measures. This is best illustrated using as an example the subsidies that were awarded under Measures 1.1.1. and 1.1.2., i.e. the ACE and AIDE schemes, which represented a very large share of the programme's budget.

The first years of the programme saw most applications for subsidies come from the north western part of the Province (Mouscron and Thournai). This was the most dynamic zone, with faster creation and extension of companies. However, with the programme's advancement, other areas in the Province succeeded in their reorientation towards new activities. This was, for instance, the case of the Charleroi region.

Charleroi and Mons benefited relatively from those measures relating to R&D, the centres of excellence, the rehabilitation of industrial sites and urban regeneration. For instance, in the city of Charleroi, a new Telecom centre was created, as well as a special 'cell' to stimulate the transfer of R&D from the UCL university to companies in the area. In the city of Mons, an organisation was set up to act as an interface between academia and business.

#### Measures and projects in sectors relevant for ESPON

##### Economic base

GDP per inhabitant in Hainaut amounted to 73.4 percent of the EU average in 1998. Between 1993 and 1997, the ratio Hainaut / EU average decreased consistently, 1998 being the only year when a positive evolution for Hainaut was recorded.

The creation of new companies in Hainaut was close to the overall figure for Wallonia over the 1993-1999 period. Figures relating to independent workers also show a decrease in the number of people starting their own business in the Province.

**Table 3. Basic economic indicators for the Province of Hainaut 1994-1999<sup>8</sup>**

Indicator	Unit	1993	1994	1995	1996	1997	1998	1999
GDP/inhabitant	index EU=100	77.4	76.6	75.5	74.1	72.2	73.4	NA

<sup>8</sup> Source: IDEA Consul & ECOTEC Research and Consulting Ltd, *Ex Post Evaluation of Objective 1, 1994-1999, National Report*.

GDP growth Hainaut	%	-1.5	1.2	1.6	-0.1	-0.3	3.9	NA
GDP growth Belgium	%	-1.5	3.0	2.6	1.0	3.5	2.7	NA
GDP growth EU	%	-0.5	2.9	2.5	1.6	2.5	2.7	NA
<u>Distribution of workforce by sector:</u>								
Agriculture	%	2.4	2.5	2.3	2.2	2.2	2.1	2.1
Industry	%	27.9	27.2	26.4	25.7	24.8	25.1	24.7
Commercial services	%	43.4	43.8	44.6	45.4	45.8	45.4	46.1
-of which: services to firms	%	4.6	4.6	5.3	5.4	6.2	6.2	6.0
-of which: tourism	%	3.2	3.5	3.4	3.5	3.5	3.5	3.7
Non commercial services	%	26.2	26.5	26.6	26.7	27.1	27.4	27.1
Creation of new companies	Index W=100	99.0	99.8	100.0	99.7	99.9	99.3	100.1
% of independent workers	Index W=100	86.1	86.6	86.7	85.2	85.3	85.2	85.4
Industrial R&D intensity	Index W=100	113.5	NA	NA	NA	NA	NA	NA
Industrial R&D / inhabitant	Index W=100	103.5	NA	NA	NA	NA	NA	NA
Public R&D intensity	Index W=100	26.9	NA	NA	NA	NA	NA	NA
Public R&D / inhabitant	Index W=100	24.5	NA	NA	NA	NA	NA	NA

### Industry and Tourism

The economic fabric in Hainaut is still for a largely based on industry, which employed 24.7 percent of the workforce in 1999, with a strong focus in heavy industries. Commercial services, particularly services to companies (e.g. ICT services, audit, publicity, etc.) and tourism are still under represented in Hainaut.

Between 1997 and 1999, the number of overnight stays in the Province of Hainaut increased. However, this was not translated into increased turnover or the creation of more jobs.

Industrial investments rose over the previous programming period but still fall under the Walloon average. Besides, the total investment figures did not show a positive evolution either, due to the absence of increased investments in the services sector.

### Table 4. Indicators relating to the economic attractiveness of the Hainaut Province<sup>9</sup>

<sup>9</sup> Source: IDEA Consul & ECOTEC Research and Consulting Ltd, *Ex Post Evaluation of Objective 1, 1994-1999, National Report*.

Indicator	Unit	1993	1994	1995	1996	1997	1998	1999
Turnover in tourism	% Belgium	7.0	6.9	6.9	6.6	6.4	6.3	6.5
Jobs in tourism	Index W=100	107.9	104.9	107.7	105.7	105.5	104.6	104.7

#### **Knowledge / Higher education institutions**

Up to date statistics on R&D and technology are not available at the provincial level. Indicators from 1993 show that industrial R&D intensity was higher in Hainaut than the Walloon average but much lower than the Belgian and European levels. In terms of public R&D, Hainaut has lower values than both Wallonia as a whole, Belgium and the EU.

The only available statistic covering the whole previous programming period for Hainaut is the number of technological innovations. These statistics show an increase in 1994 but this positive evolution does not continue in the following years. Only in 1997 was another increase recorded.

#### **Transport / Accessibility / IT infrastructure**

The transport and energy infrastructure is sufficiently developed in Hainaut, as can be read from the following table. Both road and rail density are much higher than the Walloon average. Air transport of goods also gradually increased.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>Tourism</b>			Development of accommodation facilities. Attractiveness of natural sites and communes increased.	1
<b>Industry</b>	Weak economic fabric of the Province of Hainaut.	Job creation, combined with the training of significant numbers of unemployed, has had positive effects for job-seekers.		2
<b>Knowledge / Higher education institutions</b>	Essential R&D infrastructure was developed.	Basis now available for economic development.	Firms supported for R&D projects.	2
<b>Decision-making / Location of company HQs</b>				
<b>Administrative status</b>				
<b>Economic base</b>				

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

It is clear that the Objective 1 programme for Hainaut increased the speed and the volume of investments in the Province. The investment aid schemes were only available for a limited period of time. This acted as a trigger for potential investors to

take advantage of these opportunities. Also, the aid schemes helped to decrease the risks associated with investments. The financial contribution of the Structural Funds made the investment aid schemes attractive and, as such, constituted an element of added value. Besides, the programme had a clear leverage effect, as it required that the majority of funds invested in each project come from the private sector.

At the beginning of the programming period, the Province of Hainaut was confronted with the highest unemployment figures in Wallonia. Despite these figures, significant numbers of vacancies could not be filled because of the mismatch between new job requirements and the existing skills of the labour force. Most of the labour force was characterised by low education levels. In this context, the programme contribution to the training of significant numbers of people among the non-qualified labour force was significant.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Possible Structural Funds influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>Possible concentration trends</b>	The difference in dynamism between the sub-areas has not really been overcome.	Despite different needs, there has been more or less equal support to different areas within the Hainaut Province.		1
<b>Rural-urban status</b>	The share of the programme devoted to rural development was very limited.	Results achieved in terms of initiating a change of culture amongst farmers towards more added value production and product processing.	Strong links between the 'rural' and 'urban' Obj 2 programmes, through their joint management by the same managing authority, i.e. the Ministry for the Walloon Region	1

### 3.1.3 RELATION FUNCTION

Although trans-national co-operation was not one of the priorities of the Objective 1 programme for Hainaut, some projects did have an inter-regional or international impact. For instance, the project 'Optical Fibre Network' resulted in the creation of an optical fibre infrastructure that was not limited to the borders of the province and the country. This network was constructed along the motorways of Hainaut and was connected with other such network in the other provinces, in both Wallonia and Flanders. Moreover, interconnections with networks in France (Lille), Germany and Luxembourg were planned – although the link with Brussels is missing.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>Accessibility</b>	Few deficiencies in basic transport infrastructure.	A few missing links are being completed.	Motorways constructed or upgraded. Multimodal platforms. Cleaning of industrial areas.	1
<b>Changes in accessibility</b>	See above.	See above.	See above.	See above.
<b>Key strategic and functional networks (promoting specialization)</b>	Creation of centres of excellence and training structures in the field of telecommunication.	-	-	-

## 4 POLICY IMPACTS

### 4.1 IMPACT UPON GOVERNANCE ASPECTS

The Structural Fund programmes for Wallonia have significantly influenced governance processes within policy-making bodies and beyond. According to the ex post evaluators, more strategic linkages introduced between projects and a strengthened partnership between local operators could have increased the effectiveness of the programme. In this respect, the dynamism of local actors had changed very significantly by the end of the programming period. In the new period, a much stronger emphasis is placed upon partnership in general to improve effectiveness of the programmes. Generally, partnership between projects is higher for ESF measures, given that the same operators are often involved.

However, concerns about the absorption of resources had a strong effect on the practical implementation of the strategies into measures and projects. For instance, the fear that not all funds would be used led programme managers to organise an informal round of consultation when drafting up the development for Hainaut. The larger projects were carefully chosen on the basis of the strategy. However, additional projects were selected with a view to guarantee the absorption of available resources, the selection process being more driven by the supply of projects than by a strategic approach. Also, these absorption concerns continued in the course of the programme. They led programme managers to channel more resources to measures relating to investment aids. As a consequence, more traditional projects were favoured rather than more innovative approaches. The latter were often seen as more difficult to develop and manage, whereas projects or activities pre-existing the Objective 1 programme could be more easily implemented.

	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (0=none, 1=some influence, 2=important influence)</b>
<b>Consistency of national and European policy goals outlined in programme documents</b>	Strong coherence with EU priorities of sustainable development through the 3 programmes of the current period.	1
<b>Governance innovations</b>	Structural Fund programmes provide a leverage effect for the introduction of new management processes such as evaluation, which then feed through other policy areas in Wallonia	2
<b>Trans-national links linked to governance practices</b>	The geographical situation of the region makes it eligible under a relatively high number of INTERREG programmes	2

## 4.2 INCLUSION OF THE LISBON THEMES

The three Objective programme for the current programming period in Wallonia reveal the strong presence of themes which can be related to the priorities outlined at the recent Lisbon European Council.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>Establishing a European area of research and innovation:</b> <ul style="list-style-type: none"> <li>• Improving the efficiency and innovation and of research activities;</li> <li>• Improving the environment for research;</li> </ul>	NA	Obj 2 Meuse-Vesdre, 2000-06, Measure 2.1: Stimulating and development the technological potential of the region		1
<b>Creating a business friendly environment for SMEs:</b> <ul style="list-style-type: none"> <li>• Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	NA	Obj 2 Meuse-Vesdre, 2000-06, Measure 2.4: Providing business infrastructure which are ready for new technologies		1
<b>Education and training for living and working in the knowledge society:</b> <ul style="list-style-type: none"> <li>• Development of local learning</li> </ul>	NA	Obj 2 Meuse-Vesdre, 2000-06, Measure 3.2: Supporting job seekers through local		1

centres, • <b>Promotion of new basic skills</b>		'skills centres' linked with companies		
<b>More and better jobs:</b> • <b>Improving employability and reducing skills gaps;</b> • <b>Encouraging lifelong learning;</b> • <b>Reducing deficits in the service economy;</b> • <b>Extending equal opportunities</b>	NA	Obj 2 Meuse-Vesdre, 2000-06, Measure 2.3: Supporting the development of human resources in terms of research		1
<b>Promoting social inclusion:</b> • <b>Improvement of skills;</b> • <b>Promotion of wide access to knowledge and opportunity.</b>	NA	Obj 2 Meuse-Vesdre, 2000-06, Measure 3.3: Improving social and professional integration of the active population residing in difficult neighbourhoods		1

## **5 CONCLUSIONS**

The Structural Fund programmes implemented in Wallonia during the previous and current programming periods have had important spatial impacts on their designated areas, and beyond on the Walloon Region as a whole. However, it is very difficult to provide an accurate assessment of what this means in terms of polycentric development and territorial cohesion. On the other hand, it is possible to identify tangible elements of added value brought by the Structural Fund programmes, particularly in terms of the processes and emphases of economic development policy.

Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	ranking*	Short description	ranking*	Short description	ranking*	
<b>Aspects explicitly targeting polycentric development</b>	Direct	None	0	The strategies of current Obj 2 ‘urban’ programme stresses the importance of strengthening the ‘metropolitan character’ of the area	1	The strategies of current Obj 2 ‘urban’ programme stresses the importance of strengthening the ‘metropolitan character’ of the area	1
	Indirect	Limited.	0	See above.	1	See above.	1
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	Limited impact.	0	Limited impact.	0	Limited impact.	0
	Indirect	Limited impact.	0	Limited impact.	0	Limited impact.	0

<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	Limited impact.	0	Limited impact.	0	Limited impact.	0
	Indirect	Limited impact.	0	Limited impact.	0	Limited impact.	0
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Limited impact.	0	Limited impact.	0	Limited impact.	0
	Indirect	Limited impact.	0	Limited impact.	0	Limited impact.	0
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	Limited impact.	0	Limited impact.	0	Limited impact.	0
	Indirect	Limited impact.	0	Limited impact.	0	Limited impact.	0
<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	Limited impact.	0	Limited impact.	0	Limited impact.	0
	Indirect	Limited impact.	0	Limited impact.	0	Limited impact.	0
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct	Limited impact.	0	Limited impact.	0	Limited impact.	0
	Indirect	Limited impact.	0	Limited impact.	0	Limited impact.	0

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Jean-Claude Van Cauwenberghe, *Choisir la Wallonie*, Editions Luc Pitre, Bruxelles, 2004.

## **INTERVIEWEES**

- M. Jean Janss, Direction des Programmes Européens, Direction Générale de l'Economie et de l'Emploi, Ministère de la Région Wallonne, Namur, Wallonia, Belgium.
- M. Luc Hougardy, Direction des Programmes Européens, Direction Générale de l'Economie et de l'Emploi, Ministère de la Région Wallonne, Namur, Wallonia, Belgium.
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## **REGIONAL POLICY IN BELGIUM IN RELATION TO EUROPEAN REGIONAL POLICY**

In Belgium, the regional problem is primarily associated with the impact of industrial restructuring and decline. This is especially so in Wallonia where economic activities were previously dominated by coal, steel and other traditional heavy industries; it is also true in parts of Flanders, notably Limburg, where the textile industry was particularly important.

### **Strategies**

Regional policy is the responsibility of the regional level in Belgium – the Flemish and Wallonian regional governments. Devolution of responsibility has resulted in different policy objectives being pursued by Flanders and Wallonia. In Flanders, the emphasis has increasingly been on attracting and developing investments deemed to be of “strategic importance” to the region. The aim is to secure projects that incorporate a development dynamic such as those involving significant R&D activity, substantial export growth or the introduction of new production methods. There is also an explicit emphasis on the attraction of inward investment. In Wallonia, the policy focus is on job creation. Policy is targeted at large firms generating significant employment.

### **Instruments**

While regional economic development is a regional responsibility in Belgium, a national framework for regional aid has been provided by the 1970 Economic Expansion Law. Under this legislation, a capital grant and interest subsidy are complemented by a variety of less important measures: a State guarantee; an accelerated depreciation allowance; and exemptions from capital registration duties and real estate income tax.

Recently, the Flemish government has developed a new system of investment aid, which will gradually replace support under the 1970 Economic Expansion Law. A new framework Decree was adopted by the Flemish Parliament and sanctioned by the Flemish Government on 31 January 2003. It will be implemented via Decisions of the Flemish Government. The new framework distinguishes between tender-based aid for SMEs (available throughout the region) and discretionary large firm support (on offer only in designated aid areas).

In Wallonia, a new framework decree is also in preparation but, at present, support continues to be provided under the 1970 Law. Aid takes the form of a capital grant, with rates of award determined by ‘quantitative’ (automatic) and ‘qualitative’ (discretionary) criteria. Complementing this general or ‘classic’ aid scheme which is targeted at the designated aid areas, specific measures co-financed by the ERDF have been introduced for those firms whose new investments are located in areas eligible for Structural Fund support.

### **Spatial targeting**

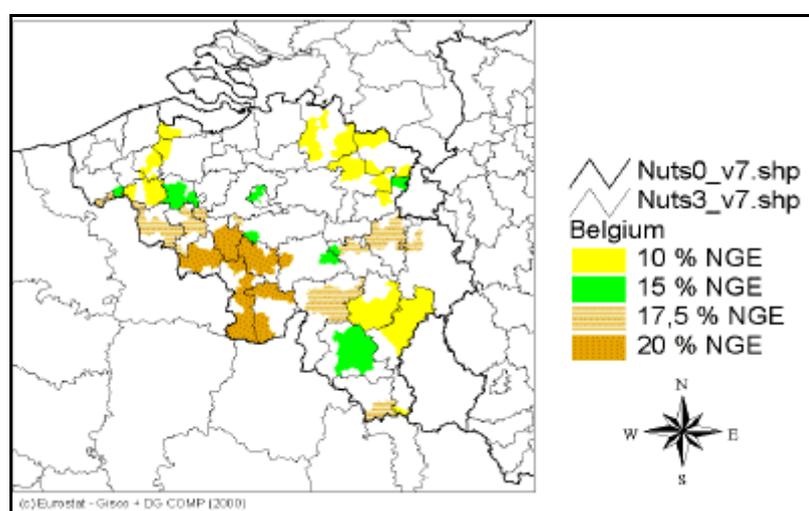
For 2000-06, the population quota allocated to Belgium for aid area purposes was reduced from 35 percent to 30.9 percent. This created a major problem for the regions of Flanders, Wallonia and Brussels which had the responsibility for preparing a map within this reduced population ceilings. In the run-up to elections in June 1999, it

proved impossible to agree reduced allocations at the regional level. As a consequence, the map submitted in May 1999 was simply the combination of non-coordinated regional designation exercises which exceeded the quota set. As a result, the map was rejected by the European Commission. Following prolonged negotiations, a revised map and associated aid maxima were approved on 20 September 2000. The new map involved not only the reduced population quota but also significantly lower aid ceilings. In Wallonia, they were 20, 17.5, 15 and 10 percent compared to 25, 20 and 15 percent previously, while in Flanders they were 15 and 10 percent compared with 20 and 15 percent previously. An overview of the population coverage of the different categories of aid area is provided in Table 3-1. A map of the designated aid areas can be found at Figure 3-1.

**Table 3-1: Population Coverage of Designated Aid Areas in Belgium (percent)**

Nge rate ceiling	20 percent	17.5 percent	15 percent	10 percent	Total
Wallonia	8.9	8.7	0.8	0.8	<b>19.3</b>
Flanders			2.4	7.1	<b>9.5</b>
Brussels			2.2		<b>2.2</b>
<b>Belgium</b>	<b>8.9</b>	<b>8.7</b>	<b>5.4</b>	<b>7.9</b>	<b>30.7</b>

**Figure 3-1: Belgian regional aid map**



Source: DG Competition website

### **Governance**

Reflecting the federal institutional structure in Belgium, responsibility for regional policy lies with the sub-national tier, the Flanders, Walloon and Brussels regional governments. Historically, the legal basis for regional policy has been provided for under national framework legislation, the 1970 Economic Expansion Law, but the

regional governments (until 2000, just Flanders and Wallonia)<sup>10</sup> have been responsible for the implementation of policy.

The 1970 Law provided a framework for regional incentive policy within which the Flanders and Walloon governments passed appropriate secondary legislation to establish the main lines and conditions of policy within their jurisdictions. This approach is now breaking down. Framework legislation for regional aid has been established in Flanders and is under development in Wallonia. This reflects the fact that regional economic development is a regional responsibility under the Belgian federal structure.

**Table 3-2: Territorial Units in Belgium**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
Regions	NUTS I	3
Provinces	NUTS II	11
Arrondissements	NUTS III	43

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<sup>10</sup> As noted, it is only since 2000 that eligible regional aid areas have been designated in the Brussels region.

## **BELGIAN REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

The Walloon Region and the Flemish Region have regional level comprehensive spatial planning frameworks, as does the Brussels-Capital Region.

In Wallonia, there is an explicit reference to the concept of territorial cohesion in the *Schéma de développement de l'espace regional* (SDER, Regional Spatial Development Plan). This provides a general framework for spatial planning in the region. The document is cross-sectoral, it addresses all divisions of the Walloon government and is flexible so to be updated to reflect mutating conditions. The SDER provides spatial guidelines for housing, the living environment, transport, the location of economic activities, the use of natural resources and others. The SDER is based on three overarching principles: (i) the common heritage and ownership of the Walloon space by its inhabitants; (ii) sustainable development; (iii) economic and social cohesion. It proposes a vision the spatial structure of Wallonia. This structure is essential based on:

- the 'Eurocorridors' that connect large European cities and metropolitan areas, and on which several 'anchor points' (secondary centres) are grafted;
- trans-national cooperation areas to be created in cooperation with the cities of Brussels, Lille and Luxembourg, as well as around Liège, Maastricht and Aix-la-Chapelle;
- supra-communal cooperation areas, initiated by the communes themselves and created through the new framework of agglomérations and pays;
- Walloon cities and towns, each of which has a specific role to play; and, lastly
- a new urban-rural partnership.

While the concept of territorial cohesion is not central to the SDER, it is explicitly introduced at the beginning in a section devoted to the 'philosophy' of the document. The sub-section elaborating on the concept of economic and social cohesion, the SDER states that territorial cohesion implies a strategy of collaboration different spatial areas, and therefore can be a source of significant efficiency and progress. The concept is then declined at different spatial scales: the communes, the sub-regions of Wallonia, and beyond, at the supra-regional level. The SDER insists on the fact that territorial cohesion requires the sharing of experience and the definition of common goals between different local authorities and administrations.

In Flanders, alongside the spatially targeted economic development policy (in areas eligible for European Structural Funds) and social policy (in all urban areas in decline) there is a strong desire to underpin Flemish policies with strategic spatial planning. The efforts so far have resulted in a Belgium, Dutch and Luxemburg joint venture for a spatial perspective for the whole of the Benelux territory, in a new Flemish planning legislation and in a strategic spatial plan for Flanders, the *Structuurplan Vlaanderen* (Ministerie van de Vlaamse Gemeenschap, 1997).

Strategic spatial planning has been pushed forward in Flanders since a new planning system was established by Flemish legislation in 1996. Shortly after the strategic spatial plan for Flanders, *Structuurplan Vlaanderen*, was published emphasising two strands of spatial development: concentrated urban development and -linked to that-

infrastructure development (notably public transport). These priorities are reflected in the concept of the Flemish Diamond, which is the urban area amalgated by the cities of Ghent, Antwerp, Brussels and Leuven (van der Lecq, 2000; de Vries, 2002).

According to the Flemish government too little attention is paid to the economic spatial structure in the Flemish spatial plan. This is considered to be lacking a clear spatial perspective on economic development (Vlaamse Regering, 2000a, p. 47). To tackle this, a studygroup was intalled by Flemish government that is working on a strategic spatial plan for the Flemish economy. This *Strategisch Plan Vlaanderen-Ruimtelijke Economie* is due in 2004. The final report of this study group should provide for a perspective for a spatially concentrated structure of economic core areas in Flanders and their infrastructure linkages (Vlaamse Regering, 2000a, 2000b).

In Flanders, the concept of territorial cohesion is high-up on the policymakers' agenda and underlies a recently developed instrument, the sub-regional platforms. These coalitions of stakeholders aim to promote the engagement of citizens and bottom-up linkages: the sub-regional platforms. The platforms spontaneously develop in the regions and its members are the so-called living forces (local politicians together with social partners and other local actors). Through a system of consultation between the sub-region, the central administration and the government, a regional charter is elaborated. This charter includes environmental factors that the region considers to be important for the economic development of the sub-region. The Flemish government then commits itself to provide support to these charters. In Flemish strategic spatial planning there is a growing emphasis on the concentration of future development on the current urban and economic strongholds of Flanders. This attempt is meant to strengthen its position as an internationally competitive location for business. The emphasis in the urban development scheme (SIF) in the NRP reflects the attempts of the Flemish government to bend the constant growth of suburban Flanders with the characteristic widespread residential use of the Flemish rural areas. A cautious change in this trend with a strengthening of some of the better wards within the cities is supported by the recent change towards building on the urban strongpoints (Stedenfonds). The return to viable, vibrant and internationally competing cities seems to be the backbone of current thinking in Flanders.

The strategic spatial plan for the Flemish economic development has not been completed yet, but a few remarks can be made of the perspective on future territorial development that will be laid down in it. There is a clear interest in strengthening the spatial concentration of economic activity in a viable urban network in Flanders, based on current core areas. This is not an aim as such, as the government policy statement for the economy of 2004 emphasises that main aim is of the planning exercise to make sure that there are a sufficient number and variety of locations for new companies available in the near future (Vlaamse Regering, 2004, p.37). Although NRP also targets the spatially concentrated social and economic problem areas, including those that are eligible for European funding, there is little reference to aims that correspond to the concept of territorial cohesion.

Brussels-Capital region has two planning instruments of relevance here: a regional development plan (Plan Regional du Développement) and a regional plan of land use (Plan Régional d'Affectation du Sol, le PRAS), both dating from 2001.

The concept of polycentrism does not explicit appear in recent policy documents published by the government for the three Belgian Regions (Wallonia, Flanders and Brussels-Capital). Nevertheless, there seems to be a high-level of interest for the

concept, particularly in Wallonia. In Flanders, with the concept of the 'Flemish Diamond' and further attempts to develop an economic-spatial development perspective on the Flemish urban network, there is a strong emphasis on polycentrism in the Flemish spatial and economic policy in general. Although the term 'polycentrism' as such is seldom used explicitly, the history of the work on the 1996 strategic plan for the Benelux area as well on the Structuurplan Vlaanderen is clearly rooted in the the recent tradition of thinking in terms of a European polycentric urban network. In the NRP this focus on the urban network that is so clearly the pivot of the renewed efforts for strategic spatial planning is reflected less specifically.

# Denmark



# **THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS**

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Denmark

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

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### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## Methodology

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## Danish data collection

The data collection for Structural Funds spending in Denmark for the period 1995-1999 was primarily based on contacts with the respective management authorities for the different funds. The following authorities provided the required data:

- *National Agency for Enterprise and Housing*  
All data concerning the European Social Fund (ESF) and the European Regional Development Fund (ERDF)
- *The Directorate for Food, Fisheries and Agri- Business*  
All data concerning the Financial Instruments for Fisheries Guidance (FIFG) and the European Agricultural Guidance and Guarantee Fund (EAGGF)

In general all data collected was on the NUTS 3 level as intended, except for objective 4, 5a and parts of 5b, which was only available at the NUTS 2 level (as Denmark itself constitutes a single NUTS 2 region). This was acceptable, as at this point in the study it was decided to leave out both objective 4 and 5a from the analysis because of general problems in collecting regional data for these programmes in most of the EU15 countries.

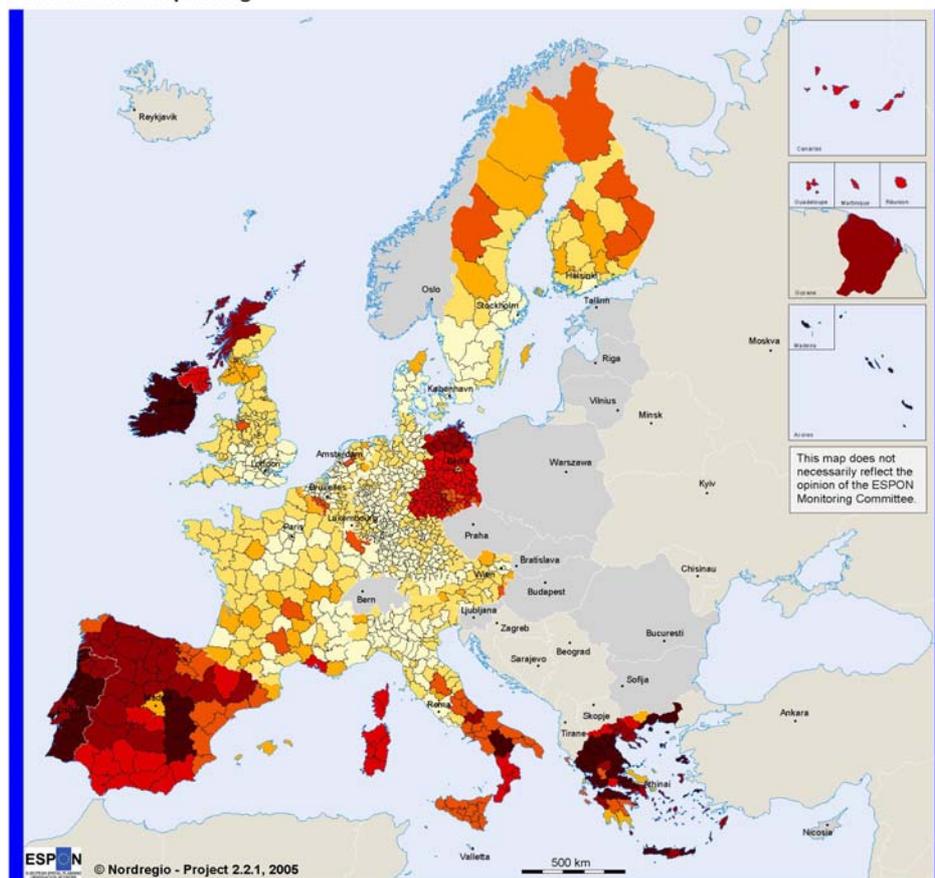
Before entering the detailed analysis of this data, we would like to use this opportunity to check the quality and clear out possible errors. Therefore, we are contacting you, as we would like to know whether the information established based on the data gathered, corresponds to your (mental) picture of how the Structural Funds monies have been spent in your country.

For this propose we will first present a European picture at the NUTS II level and then a national map at NUTS III level. Finally, we will conclude with some questions, which we would like you, if possible, to answer.

## THE STRUCTURAL FUNDS IN THE EU15

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

Structural Fund spending

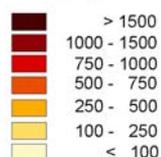


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

### **What kind of regions?**

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

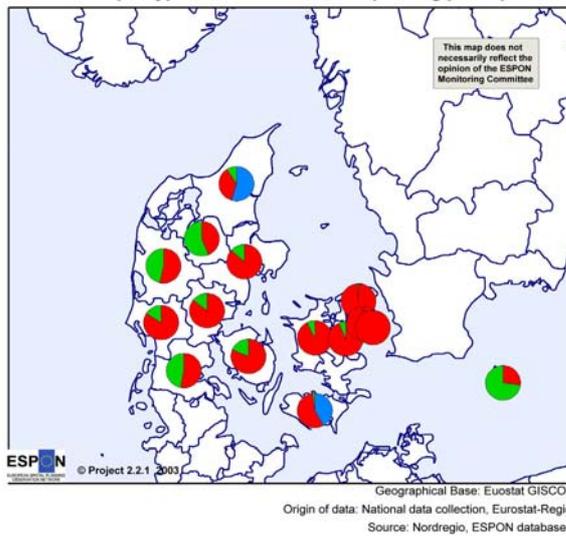
An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

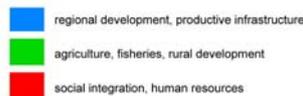
### **THE STRUCTURAL FUNDS IN DENMARK**

During the programming period 1995-1999, approximately 460 MEuro have been spent on Objective 2, 3 and 5b programmes in Denmark. The Objective 2 programmes were spatially focused on Nordjyllands and Storstrøms amt, primarily due to the closing of a number of the larger shipyards in those areas, while the 5b programmes concentrated on eligible areas within Vestsjællands, Storstrøms, Bornholms, Fyns, Sønderjyllands, Ringkøbing, Århus, Viborg, Nordjyllands and Vejle amt. The Objective 3 programmes had no geographical delimitation of eligible areas and were used to varying degree in all of the Danish regions.

Distribution per type of Structural Funds spending per capita



Distribution per type of SF spending per capita

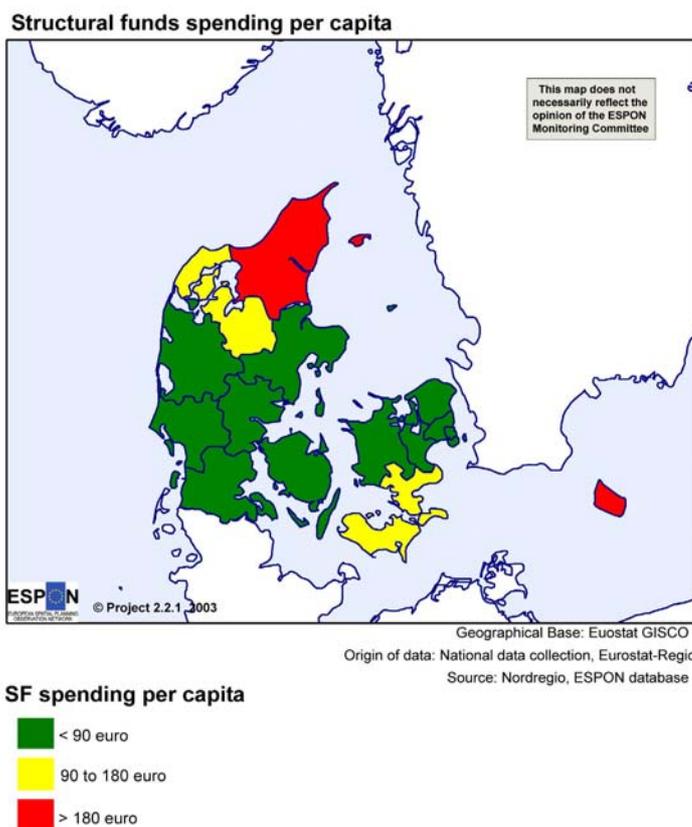


Looking at these assistance levels as regards the type of activity funded, the financing profile generally follows the European pattern in the types of spending in objective areas, as shown in the map above. The types of SF spending used offer a regionally distinguishable picture. Approximately two-thirds of the Structural Fund spending investigated was used in the field of social integration and human resources (red colour). As such, this type of spending is predominant in most regions. In particular in the regions of Zealand, i.e. Københavns and Frederiksberg kommuner, and Københavns, Frederiksborg, Roskilde and Vestsjællands amter more than 90% is spent in this field.

Approximately 18% of the funding was spent on agricultural, fisheries and rural development related programmes (green colour) with a spatial concentration on Bornholms, Viborg, Ringkøbing and Sønderjyllands amt.

Regional development and productive infrastructure related programmes accounted for some 15% of the spending in Denmark. There is, however, a clear spatial concentration of this type of spending. In Nordjyllands amt more than 50% of the spending corresponds to this type, while in Storstrøms amt it amounts to almost 50%.

## Regional Structural Funds spending



As regards the actual amount of funding, Danish regions received – in a European comparison - rather little in the way of Structural Funds assistance. Within Denmark the assistance *per capita* indicator varies slightly from region to region. Whereas most parts of the country received less than 90Euros *per inhabitant* during the previous funding period, Viborg and Storstrøms amt received about 90-180 Euros, and Nordjyllands amt and Bornholms amt more than 180 Euros *per inhabitant*.

## **REGIONAL POLICY IN DENMARK IN RELATION TO EUROPEAN REGIONAL POLICY**

There are no major regional disparities in Denmark, with (by international standards) only very limited differences in wealth between different parts of the country. Nevertheless, a new Regional Growth Strategy introduced in May 2003 identified a number of peripheral areas as eligible for an element of spatial discrimination: on the one hand, the poorest 15 travel-to-work areas measured by work-related income per capita; and, on the other, areas having taxable income per head of less than 80 percent of the national average.

### **Strategies**

As of January 1991, all central government aid schemes were terminated. Unemployment in Copenhagen reached the national average, general budgetary problems created a strain on public expenditure and the then centre-right coalition government favoured 'market-based' policies. Regional policy was subsumed under the broader heading of business support measures and developing the competitiveness of Danish firms throughout the country became the overriding policy objective.

With the demise of centrally-administered regional aid, greater emphasis was placed on regional and local initiatives to encourage economic development, through measures which aimed to improve the business environment. The role of the national level became primarily to provide a framework for such bottom-up initiatives. While the May 2003 White Paper continues to focus on the business environment and to support growth opportunities across the country, it introduced a number of initiatives targeted at localities facing particular problems. Interregional equality is highlighted as a policy goal alongside regional growth, with the aim of trying to ensure that peripheral areas are not cut off from the growth occurring in other parts of the country.

### **Instruments**

The policy focus remains on non-incentive measures. Of particular importance are so-called regional business development initiatives which aim to bring forward proposals with an inter-regional perspective that can further economic development. Examples include infrastructure projects and sectoral initiatives as well as specialist advisory services and new knowledge institutions. The aim is to enhance inter-regional collaboration and improve funding chances through existing (regional, national or European) channels. The May 2003 White Paper introduced regional growth alliances in designated peripheral areas. These operate in a similar way but at the sub-regional level. They aim to improve collaboration between the local, regional and national levels, with the NAEH, the central government agency responsible for regional development, playing a pro-active collaborative role. The White Paper also introduced a tax incentive for long-distance commuters as a way of protecting settlement structures in peripheral locations.

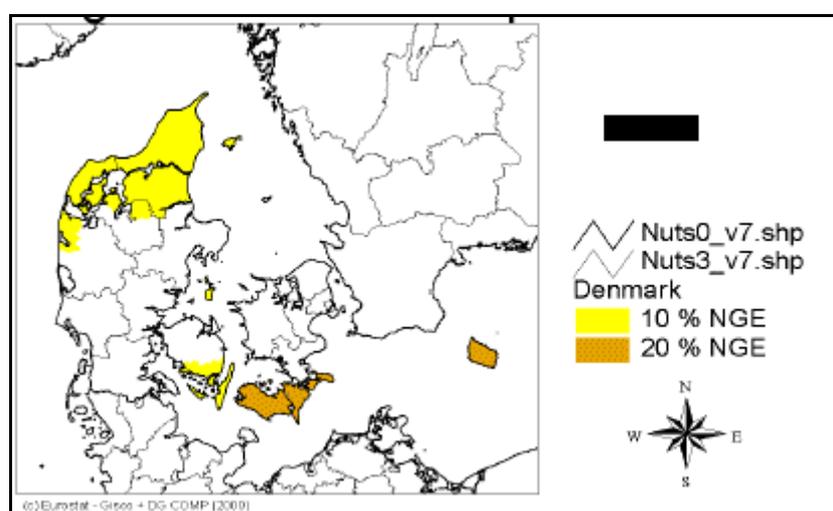
### **Spatial targeting**

The designated aid areas are of reduced significance in Denmark, there being no nationally-implemented regional aid schemes. They are of importance only in the

context of aid awarded under the Structural Funds. As a result, a key focus of the area designation exercise for the 2000-06 period was to ensure that the designated Objective 2 areas lay wholly within the regional aid boundaries. This proved to be relatively straightforward to achieve: the latter covered 17.1 percent of the national population (down from 20.2 percent over the 1994-99 period) compared to just over 10 percent under the Structural Funds.

Those peripheral areas identified in the May 2003 White Paper are not of relevance for regional aid purposes since no regional aid is involved. Instead assistance takes the form of support for regional growth alliances and tax concessions for long-distance commuters. The areas concerned overlap the regional aid map to a considerable degree, albeit with less coverage in north and north-west Jutland and more in south-west and north-east Jutland.

**Figure 2-3: Danish regional aid map**



Source: DG Competition website

## Governance

Regional policy is based on regional and local initiatives which take place within a national policy framework. Until recently, regional aspects of economic policy were developed within the Ministry of Trade and Industry and implemented through the Danish Agency for Trade and Industry (DATI). However, in 2002 the National Agency for Enterprise and Housing (NAEH) was formed by merging DATI and the National Housing Agency. At the same time the Ministries for Trade and Industry and Housing were merged into a Ministry for Economic and Business Affairs. The NAEH now plays a pro-active role in trying to organise and facilitate collaborative economic development activities, especially in relation to regional growth alliances.

**Table 2-1: Territorial Units in Denmark**

Unit Type	Designation	Number of Units
Country	NUTS I	1
Region	NUTS II	1
Amtser	NUTS III	15

# Finland



# **THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS**

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Finland

Prepared by



under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

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## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Finnish data collection**

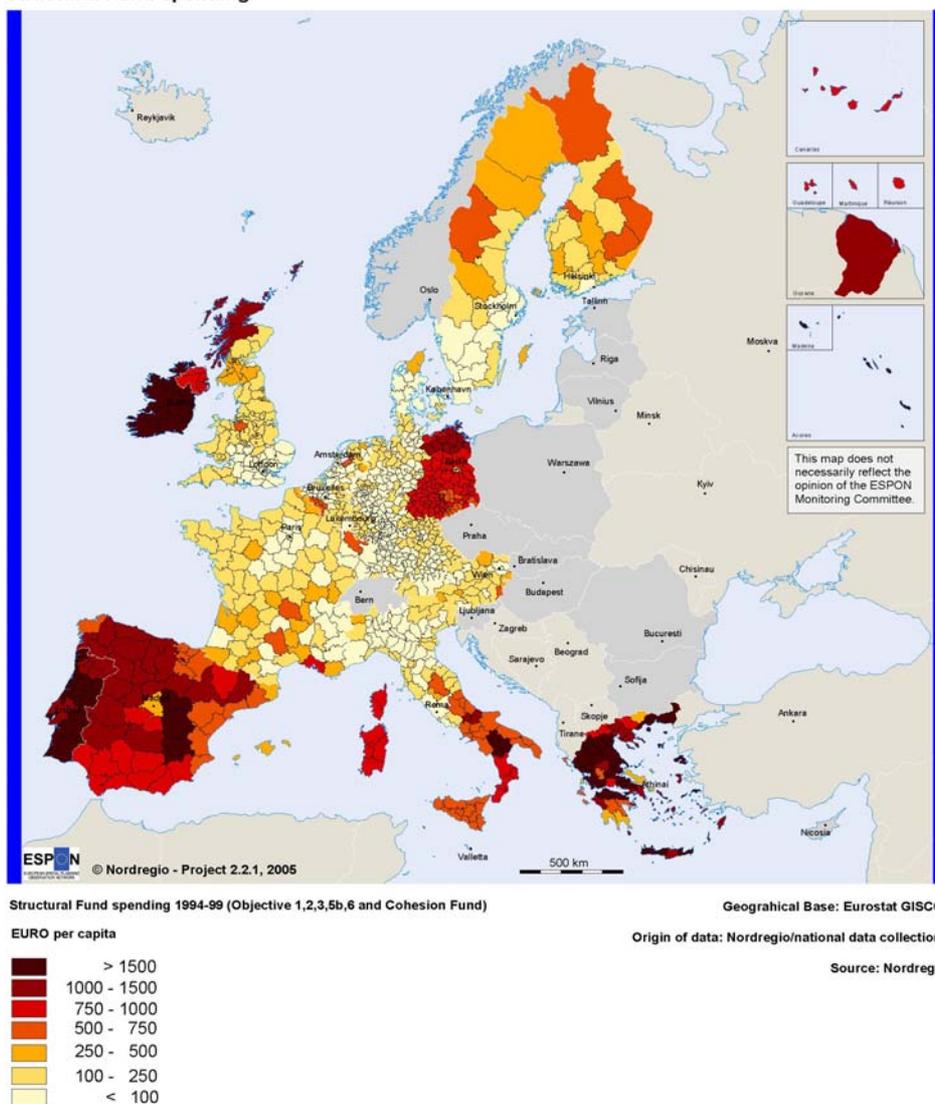
The data collection for Structural Funds spending in Finland for the period 1995-1999 was primarily based on contacts with the Ministry of the Interior, which is the management authority of European Regional Development Fund (ERDF). The ministry acted as the co-ordination point for contacts, as they subsequently contacted the Ministry of Labour, which manages the European Social Fund (ESF), and also the Ministry of Agriculture and Forestry, which manages the Financial Instruments for Fisheries Guidance (FIFG) and the European Agricultural Guidance and Guarantee Fund (EAGGF).

Most of the data received from our contact person at the Ministry of the Interior was at the NUTS 3 level as intended, with the exception of objective 3. All of objective 3, with the exception of Åland NUTS 3, was only available at the national level and to allocate the funding to NUTS 3 level the total amount was distributed between the eligible NUTS 3 regions based on population share. In the case of the other two programmes it was decided to leave them out of the analysis because of general problems in collecting regional data for these programmes in most EU15 countries.

## **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

### Structural Fund spending



### What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15%

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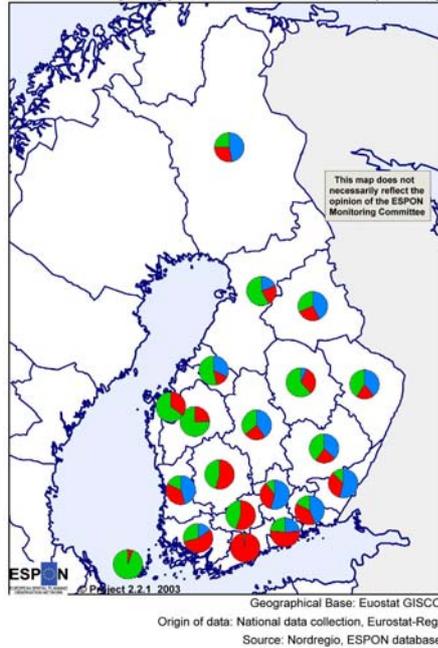
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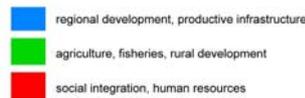
## **STRUCTURAL FUNDS IN FINLAND**

During the programming period 1995-1999 Finland received a total of 1117 Meuro Structural Fund assistance through 2, 3, 5b and 6 programmes. In addition there were 13 Community Initiative Programmes implemented. The eligible areas for Objective 2 included parts of Varsinais-Suomi, Satakunta, Päijät-Häme, Itä-Uusimaa, Kymenlaakso, Etelä-Karjala, Keski-Suomi and keski-Pohjanmaa. 5b covered most of the Finnish regions (14 out of the 19 and Åland autonomous region). Objective 6 that was drafted for the sparsely populated areas of Finland and Sweden covered the eastern- and northern- most regions of Finland, with a total area coverage being about 60% of Finnish area.

Distribution per type of Structural Funds spending per capita

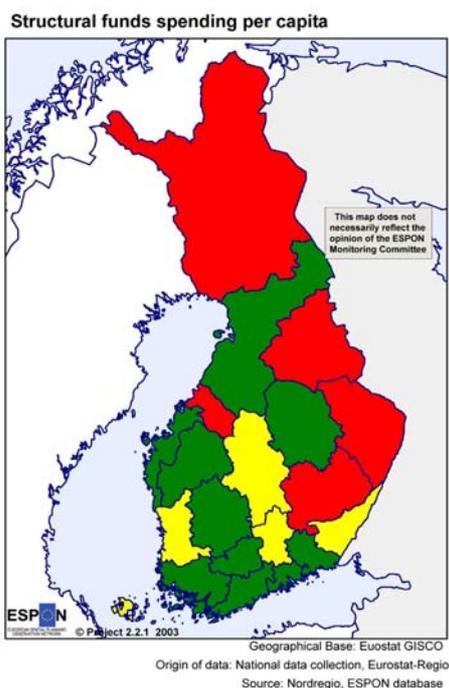


Distribution per type of SF spending per capita



The financing profile follows the European pattern in the types of spending in objective areas, as shown in the map above. The national regional policy programmes were integrated with the European ones through the co-financing system, whereby national programmes used EU as a source of co-financing in regional development (e.g. national programmes such as Competence Centre Programme, rural development and social issues and urban policy). The types of SF spending used offers a regionally distinguishable picture, where Objective 6 regions have mainly regional development and productive infrastructure spending, Objective 2 areas mainly targeting social integration and human resources in the bigger urban areas in particular and Objective 5b rural policy and agriculture (predominant type of financing for Åland in particular).

## Regional Structural Funds spending



### SF spending per capita



The only Finnish regions receiving more than 500 euros per capita were Kainuu, Pohjois-Karjala, Etelä-Savo, Lappi and Keski-Pohjanmaa (marked in red, most of the Objective 6 with the exception of Northern Ostrobothnia = Pohjois-Pohjanmaa). Majority of Finnish regions received less than 250 euros per capita (Pohjois-Pohjanmaa, Pohjois-Savo, Pohjanmaa, Etelä-Pohjanmaa, Pirkanmaa, Varsinais-Suomi, Kanta-Häme, Uusimaa, Itä-Uusimaa and Kymenlaakso). Amongst these regions it was the rural areas of Pohjois-Savo, Keski-Pohjanmaa, Pohjanmaa, Etelä-Pohjanmaa and Åland, though also the relatively low recipient of Pohjois-Pohjanmaa that received mostly financing targeted at rural development, agriculture and fisheries.

## ESPO 2.2.1

### Case study of Lapland

#### 1 FOCUS OF INTEREST/HYPOTHESIS

The Finnish region for this case study is the region of Lapland, the northernmost county of Finland and EU. Lapland is characterised by extremely sparse population, since by land area the region is considerably larger than the Benelux countries combined, yet having less than 190 000 inhabitants. Other permanent handicaps, such as cold climate and long distances are generally seen as weaknesses but can also be considered to provide some potential for regional development.

In the SPD for Finland's O6 it was stated, that in addition to the permanent handicaps, the designated area faced several socio-economic problems. Structural changes in the global and national economy led to high unemployment and eventually to strong out-migration. Furthermore the Finnish O6 regions were noticed to be dependent on economic branches that had no major growth potential. Therefore it is interesting to assess the impact of SF on the development of expertise and new businesses. Another question is whether the SF intervention has facilitated Lapland to discover growth sectors that are taking advantage of region's own characteristics? Has region's competitiveness improved? Can European regional development instruments work in extremely peripheral regions and promote territorial cohesion?

Data collection has shown that Lapland as a whole can be characterised as a "hot spot", i.e. region with a high SF funding and a positive GDP-change in the O6 programming period. There are, however remarkable differences within the region in terms of regional development trends and prospects, as it will be mentioned more precisely in the following chapters. Generally speaking, the few urban regions of Lapland have come off better than rural areas. The concentration of population into built-up areas, or rather to growth regions outside Lapland, ageing population and weak municipal economy has afflicted most the rural areas. Has SF intervention promoted rural development and thus led towards more balanced development at the regional level?

## 2 DESCRIPTION

### 2.1 CASE STUDY REGION:

Lapland is the northernmost region in Finland. It is identical with NUTS III FI 152. Lapland is also the biggest Finnish region having an area of 98 900 sq-km with only 187 000 inhabitants (year 2003). It is thus extremely sparsely populated region in Europe, in many municipalities population density is under 0,5 persons per sq-km and vast areas are totally uninhabited. The average population density is only 1,9 inhabitants per sq-km. The southwestern part of the region has a connection to the Gulf of Bothnia and Baltic Sea. In the west Lapland borders Swedish region of Norrbotten, in the north Northern Norway and in the east Northwest Russia. Thus, Lapland is one of the most distant and peripheral regions both in Finnish and European context.

The ongoing trend in urban development in Lapland has been that most municipalities are suffering of strong out-migration and population loss as well as of ageing population structure. There are only two major urban regions. The region's capital Rovaniemi (city's pop. 35 000, 56 000 with the surrounding rural municipality) is situated inland, and Kemi-Tornio on the coastline (Kemi 23 000 inh. and Tornio 22 000 inh.). Other settlement is mainly concentrated in municipal centres and by the riversides and lakes.

The basic communication infrastructure is good when considering the region's peripheral situation and extremely sparse settlement structure. Long distances and sparse settlement structure as well as harsh natural conditions add however pressure for maintaining the transport infrastructure. The maintenance of traffic is highly expensive. Road connections are best in a north-south direction, between the regional centres following mainly the regional distribution of population and along European road E4. There have been arguments of too narrow funding for the road maintenance in the peripheral areas and in the secondary road network, because the cost-benefit-analyses in the national decision-making processes direct government's investments to the areas of greater demand. Region's industry and businesses have been critical towards national decision-making, since in some parts of the region the quality of secondary road network requires improvements in order to meet the requirements from forestry.

As in road transport, also in rail traffic the main national investments have been targeted to improve connections between certain large population centres in southern parts of Finland. Case study region's main railway between Oulu and Kemijärvi is not electrified and there is a threat of closing some railway tracks because of too little volumes of traffic. Therefore northern Finland's regional authorities have launched joint counter acts in order to maintain railway traffic and for opening a new railway from Salla to North-West-Russia (connection to Murmansk – St. Petersburg railway), especially for serving the needs of forestry and other large-scale industry. Air-traffic

infrastructure has, on the contrary, improved hand in hand with the development of tourism sector. There are several flights daily all year round from Rovaniemi to Helsinki (app. 1 h 15 min) and an increasing number of tourist flights (both national and international) are operating from the four other airports in Lapland. Air-traffic does not provide connections within the region, since majority of the domestic flights are operated from Lapland to Helsinki.

The development of data communications (e.g. broadband internet connections and mobile telephone networks) has an influence on the regional system of whole society, since the significance of distance as a controlling factor in the location of activities has decreased considerably. However, the development of data communications in Lapland is particularly challenging due to low population criteria.

Lapland's GDP per capita in PPS was one fifth lower than the EU15 average in 1999. During the O6 period Lapland's GDP was increasing but not as fast as in southern Finland. Furthermore, there are notable sub-regional differences in GDP in Lapland. The industrial sub-region of Kemi-Tornio blurs the picture of region's economic situation having a GDP well above Finnish average and thus lifting the whole Lapland's GDP relatively high. The weakest and most peripheral sub-regions have only 55-80 % of EU15's GDP. (Hanell et al 2002:103; Lapin liitto 2000:7-9)

Regional disparities are one of the central problems of the region. Ageing population, migration losses and decreasing birth rates as a new threat are the central demographic problems. Migration losses were most severe in 1998, when almost 2800 inhabitants left Lapland. The Rovaniemi region was the only one to maintain its population during the Objective 1-period, where as the border areas suffered most of population losses. Ageing population will be future's challenge for the whole region, but already now the age and gender structure has become distorted in the most remote municipalities due to out-migration.

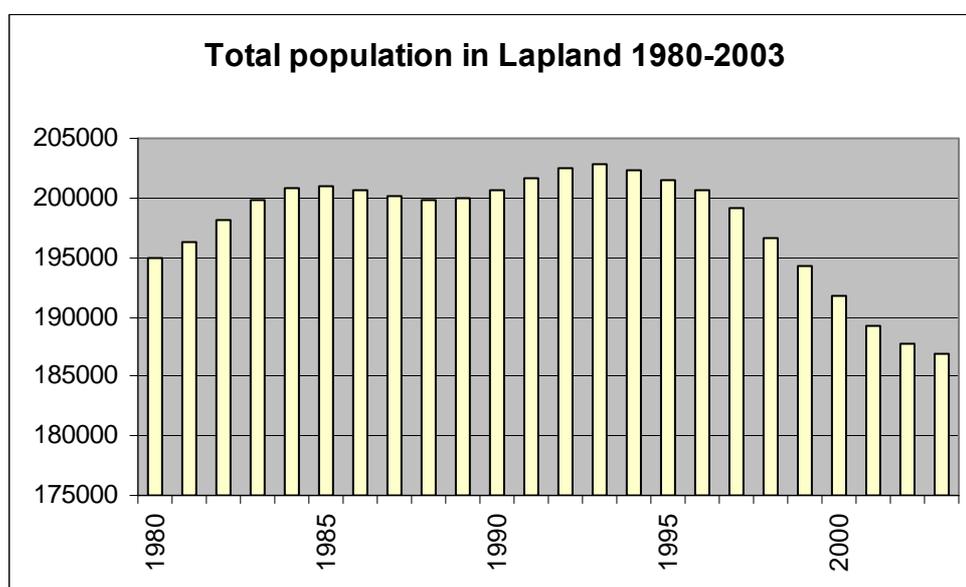


Figure x. Since 1993 Lapland's population has decreased by some 16 000 inhabitants. (Source: [www.stat.fi](http://www.stat.fi))

Out-migration is in great part a result of region's weaknesses in the economic sector. Major problems are biased economic structure, small enterprise stock, and lack of cooperation between the enterprises. Furthermore, after the previous economic downturn in the beginning of 1990's, also public services started to employ fewer people, since both the regional state administration and municipalities started to cut expenses wherever possible. Also the structural changes in agriculture and forestry have caused problems to some extent. In the past ten years the number of farms has decreased significantly, both in the national level and especially in Northern Finland, where the number of active farms have decreased more than by half. In Lapland the number of farms has decreased from 4600 to 2200 and at the same time the average size of farms has almost doubled from 10 to 20 hectares. (Statistical Yearbook of Finland 2000)

Wood processing, both chemical and mechanical, and metal industry are the strongest and long established branches of manufacturing industry in Lapland. Wood processing is connected to the natural resources and the metal cluster in Kemi-Tornio region benefits from its location on the coast. Although the productivity of large-scale manufacturing has been increasing the employment effect has decreased. More than half of the personnel in the industry are working in the four biggest companies. The development of large-scale industry is thus perhaps in a too decisive role.

Unemployment figures lowered in every sub-region in Lapland during the previous programming period (annual average being 20,9%), but Lapland is still well behind Finland's national average. During the O6 period, Lapland's unemployment decreased from 25% to 22,5% where as the national average of unemployment went down from 20% to 13,9% (Lapin liitto 2000:9). This increased regional disparity is due to overall macro-economic development in Finland, resulting in fast economic growth and job creation in few growth centres.

In the case study region the economic sectors of paper and pulp production, energy network maintenance, telecommunication and financing have started to employ less people. Brighter future can be seen for example in metal industry, production of electro technical articles, furniture production, trade and especially in the tourism sector.

Tourism has been one of the focus areas in Lapland already from the beginning of 1980's. Large-scale investments, developments of the operating environment and steadily growing demand have created new jobs in the tourism sector.

In general it is the nature that attracts tourists, although the few biggest tourism centres can also provide well functioning and high-quality services. The landscape of Lapland with its fells (rounded treeless mountains) and wilds differs greatly from the

rest of Finland. Mass tourism occurs mainly during winter but there are efforts to reinforce also summer tourism, for example the marketing of the “mid-night sun”.

Tourism is seen as a strongly developing sector. National parks and nature centres, ski resorts, spas, theme parks and recreational attractions have been developed in the past decades. The growing tourism sector is considered as one answer to region’s unemployment, but one disadvantage of Lapland’s tourism has been that its employment effect is dependent on seasons. Nevertheless, tourism has created new job opportunities and is nowadays an important source of incomes and will, according to the interviewees, be one of the backbones in the businesses. Tourism offers jobs to people who are ready to be of service. It means that local people should be better educated to service trade. More favourable effects to local economy could be reached by creating linkages between local culture, nature, primary production, education and tourism.

Educational level of Lapland’s inhabitants is lower than in the rest of the country. Low educational level is problematic especially in the region’s rural municipalities. Therefore considerable efforts have been taken in order to improve access to knowledge and education. Still, it is only the university town of Rovaniemi that has a higher share of persons with higher degree examination than the national average. University of Lapland, the most northern university in Finland and in the European Union, focuses in questions of the north, particularly with research into welfare and that associated with minorities, international relations and research into international jurisprudence and applied environmental research in the north. The research areas emphasised are, in addition to Northern Finland: the North Calotte, Northern Europe, the Barents Region and the Circumpolar Area. Furthermore the university aims to be a leading expert in Europe of northern know-how, especially in service and experience know-how and a reformer of the structure of livelihoods in Lapland and the creator of new livelihoods. (See [www.urova.fi](http://www.urova.fi))

## 2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999)

During the previous programming period Lapland belonged to the Objective 6 Region in Finland. The criteria for choosing regions and municipalities to the Objective 6 Programme were low population density, negative demographic development and severe difficulties in employment issues. In the past three decades only a small number of regional and sub-regional centres had increased or maintained their population during that period, where as rural municipalities had lost almost one third of their population. Unemployment was a difficult problem in all municipalities, striking middle-aged and less educated people in particular. Remoteness, both in relation to main market places in southern parts of Finland and also internally was experienced also as a major constrain for a positive regional development. Furthermore, due to the low population density, the local markets for private services are very narrow. (Vaino & Laurila 2002:12)

The SPD for Finland's Objective 6 was built to fight problems of unemployment, out-migration as well as the lack of expertise and entrepreneurial tradition. The strategic aims of the Objective 6 Programme for Finland were "to create new businesses in private services, to support new companies using or producing new technologies and to encourage farms to diversify their production and activities in the direction of, for example, rural tourism. The objective was also to open up new avenues for development in order to create growth, jobs and welfare and through these means to fight problems of unemployment, social exclusion and out-migration." (Vaino & Laurila 2002:20). The strategic aims of Lapland's O1 are following roughly the same focus areas. Its objective is to increase region's economic growth, create new jobs and entrepreneurship and by doing so decrease unemployment. The strategy is primarily targeted to expand the existing business activity and to facilitate the creation of new businesses. One central objective is to halt population decrease by creating possibilities for livelihood. (Lapin liitto 2000:18).

### General spending information

During the period of O6 (1995-1999) Lapland received 107 M€ in support from the Structural Funds, constituting 552€ per capita (Nordregio database). Table below provides information of the distribution of EU funding<sup>11</sup> between the different priorities of the programme. In terms of EU funds allocation, the main priority was given to the creation of new business activity, development of the operating environment for businesses, improvement of employment and to the compensation for farms in less-favoured areas.

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<sup>11</sup> NB Data source: unpublished information from the Regional Council of Lapland. There is a considerable gap between Nordregio's (107 M€) and Regional council's figures (118 M€) regarding the total amount of EU funding. It was decided to work with Regional Council's data, since it was the only source available illustrating O6 -funding at the NUTS III level

## Type of spending

According to the typology developed within ESPON 2.2.1, almost half of the O6 Structural Funds spending in Lapland was categorized as regional development, followed by social integration and agriculture (see the following figure).

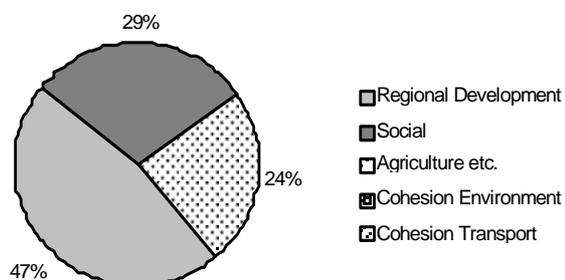


Figure: Type of Structural funds spending.

Table: Distribution of EU funding between the different measures of the O6 programme (Data source: Regional council of Lapland).

Objective 6 Lapland, 1995-99		EU-Table	
Priority		M euro	%
<b>1. Business development and company competitiveness</b>		<b>47,8</b>	<b>40,6</b>
1.1 The creation of new business activity to develop and diversify region's economic structure	1.1 and 1.2	23,5	19,9
1.2 Development and investments of existing companies and of businesses newly located in the area			
1.3 Improvement in the operating environment for business		15,4	13,1
1.4 Promoting the establishment of companies and entrepreneurship	1.4 and 1.5	5,8	4,9
1.5 Personnel development to underpin the competitiveness of SMEs in key sectors and support investment of key importance for the region			
1.6 Development of telecommunications network services		2,3	2,0
1.7 Encouraging the use of bioenergy and other renewable sources of energy and development of energy infrastructure and networks		0,8	0,7
<b>2. Development of human resources and expertise</b>		<b>30,4</b>	<b>25,8</b>
2.1 Investments in higher education and training establishments and R&D activities required to develop expertise		6,9	5,9
2.2 Research, technology and training supporting development of key sectors	2.2 and 2.3	5,0	4,2
2.3 Development of co-operation and networking to promote expertise			
2.4 Pathways to employment and prevention of exclusion	2.4 and 2.5	15,1	12,8
2.5 Integration of young people into the labour market			
2.6 Vocational training and retraining, guidance and advise	2.6 and 2.7	2,1	1,8
2.7 Anticipation of changes in labour markets and the development of expertise systems			
2.8 Human resources action aimed at the development of the information society and distance working		1,3	1,1
<b>3. Agriculture, forestry, rural development and the environment</b>		<b>39,6</b>	<b>33,6</b>
3.1 Improvement of the efficiency of agriculture		3,0	2,5

3.2 Establishment aid for young farmers		1,2	1,0
3.3 Compensatory allowances and hill farming in less-favoured areas		14,5	12,3
3.4 Development of processing and marketing for agricultural products		0,9	0,8
3.5 Establishing producer groups for agricultural groups			
3.6 Training to encourage structural adjustment in agriculture	3.6 and 3.9	3,9	3,3
3.7 Development of the structure of the fisheries sector		0,8	0,7
3.8 Rural development package: ERDF measure		2,5	2,1
3.9 Rural development package: ESF measure			
3.10 Rural development package: EAGGF measure		9,3	7,9
3.11 Management and protection of the environment		3,5	3,0
<b>Total</b>		<b>117,8</b>	<b>100,0</b>

## Results in brief

The ex-post evaluation of O6 programme in Finland for the period 1995-1999 notes, that the measures taken in the programme were to a large extent appropriate and targeted at the groups of people or companies in need of the support and in general they were also managed appropriately. The evaluators however point out, that "overall macro-economic development was a far greater factor than the Objective 6 Programme" since the O6 regions were affected by "enormous structural changes at the time". Therefore one can argue, that the achieved results can be regarded as rather ineffective to successfully deal with problems of the area. For example, the O6 did not manage to halt the severe out-migration. Nevertheless, as it was mentioned also in the case study interviews, the situation would have worsened dramatically without the programme intervention. From future's regional development point of view the results of the SF implementation are most likely very positive, since regional planning itself was reinforced considerably.

When measuring the quantitative impacts of O6 in Lapland, the Regional council of Lapland has estimated that some 3200 new permanent jobs were created, 9500 maintained and more than 700 new firms were established. One should however have in mind the data and methodological problems on the Fimos database. It has been assessed, that a 15% estimation rate should be set for the "true figures" (Vaino & Laurila 2002:52). By doing so, some one hundred new firms were established, 500 permanent jobs were created and some 1400 jobs were maintained. Notwithstanding, there are some areas and sectors that have been successful in job creation, but it is difficult to reveal a direct causality between these developments and SF intervention.

### *Objective 1 in Lapland 2000-2006*

The strategic aim of the O1 programme in Lapland is to strengthen region's economic growth, create new jobs and enhance entrepreneurial activity. The programme comprises three priorities according to which the projects are awarded funding. Table

x. illustrates that the largest amount of the EU funding is targeted to the development of business activities, clusters and structures. The main aim within the priority of expertise is to assure a professional labour force and proficient business management for the expertise centres, clusters and rural production chains. Promotion of expertise receives app. 29% of EU-funding and some one fourth of the funds are allocated to rural areas development.

Table: Distribution of EU funding between the different measures of the O1 programme.  
(Source: Lapin liitto 2000)

Priority	EU-Table		
	M fim	M euro	%
<b>Objective 1 Lapland, 2000-2006</b>			
<b>1. Business development</b>	436,0	75,2	<b>44,2</b>
1.1 Development of business activities, clusters and business structures	246,0	42,4	25,0
1.2 Improvement in the operating environment for business	115,3	19,9	11,7
1.3 Personnel development and promotion of entrepreneurship	74,7	12,9	7,6
<b>2. Rural areas</b>	249,1	42,9	<b>25,3</b>
2.1 Investments in farms			
2.2 Establishment aid for young farmers			
2.3 Education	13,3	2,3	1,3
2.4 Forestry	24,4	4,2	2,5
2.5 Development and adaptation of rural areas	101,5	17,5	10,3
2.6 Development of expertise in rural areas	34,6	6,0	3,5
2.7 Development of operating environment in rural areas	75,3	13,0	7,6
2.8 Improvement of the profitability, operating conditions and structure of the fisheries sector			
<b>3. Expertise</b>	285,0	49,1	<b>28,9</b>
3.1 Development of structures of expertise and information society	82,2	14,2	8,3
3.2 Promotion of expertise and key sectors	78,0	13,4	7,9
3.3 Promotion of employment and prevention of unemployment	78,0	13,4	7,9
3.4 Prevention of exclusion from the labour markets	46,8	8,1	4,7
Technical assistance	15,8	2,7	1,6
<b>Total</b>	985,9	169,9	100

### *Community initiatives*

As a border region (bordered in the west by Sweden, in the north by Norway and in the east by Russia) Lapland takes part in numerous Interreg programmes (following list is from [www.intermin.fi](http://www.intermin.fi)):

1995-1999

Interreg North Calotte Region

Interreg II A Barents  
Interreg II C Baltic Sea Region

2000-2006

Interreg IIIA Nord (with sub-programmes: North Calotte, Kolartic and Sápmi)  
Interreg IIIB Baltic Sea Region  
Interreg IIIB Northern Periphery  
Interreg IIIC North Zone

Central aims of the Interreg programmes in the current period are to strengthen the living conditions and the unification of the programme region using cross-border cooperation. In the case study interviews the importance of Interreg programmes for the development of international relations was often mentioned. For example, Interreg programmes were perceived as an instructor for large-scale international cooperation.

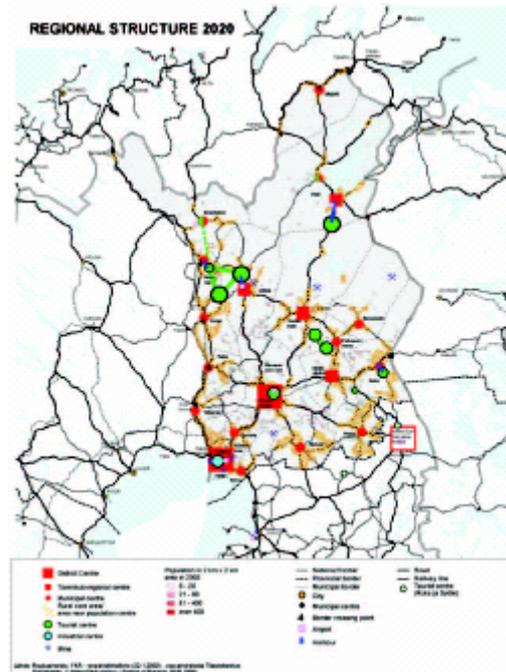
### **3 IMPACTS ON SPATIAL DEVELOPMENT**

#### **3.1 POLYCENTRIC DEVELOPMENT**

Although polycentrism was not, according to the interviews, explicitly expressed in the SPD's for O6 or O1, different interpretations of polycentric development at the regional level can be identified. During the previous Objective 6 period the development of the region was based more or less on regional centres. Two urban regions, Rovaniemi and Kemi-Tornio, were seen as the engines for regional growth. When Objective 6 period was launched in 1995, programme-based regional policy was a totally new approach for every regional actor in Lapland. Furthermore, the beginning of O6 was characterised by acute development measures trying to slow down severe out-migration from Lapland to the fast growing centres in southern parts of the country. The primary focus was to develop urban regions of Rovaniemi and Kemi-Tornio in order to "put brakes on total depopulation". The main emphasis of the O6 was however in the development of businesses and certain key areas of expertise, without a clear connection to polycentric development.

More polycentric and balanced aim for Lapland's regional development was introduced in the O1 period. The preparation of Lapland regional plan 2020 (illustration below) had an influence also on the Objective 1 introducing a clearer sift towards polycentrism, still chiefly at the regional level. Of the four alternatives for regional structure, the model based on municipal centres was seen as attainable and realistic. In this more balanced regional development model, the regional centres of Rovaniemi and Kemi-Tornio and region's five strongest tourist centres have notable roles, thus supplementing to the vitality of municipal centres. Regional centres are still considered as nodes for competitive business and expertise. Their development is

not seen as a threat to region's rural areas but as a tool secure the Lapland competitiveness in the wider spatial system. Some of the rural municipalities will benefit from tourism and mining activities; other will lose their population to the centres. (Lapin liitto 2003a:28-30)



It is expected that the five biggest tourism centres will generate economic development also to their surrounding areas by interacting with villages and utilising their programme services and other products. Tourism centres will in turn provide services and housing.

### 3.1.1 SPECIALISATION AND ROLE OF LAPLAND IN THE WIDER SPATIAL SYSTEM

Specialisation at the regional level has become more evident during the O1 period. There is a growing impression that the two regional centres of Rovaniemi and Kemi-Tornio are Lapland's centres for enterprise networking, specialisation and R&D activities. Some interviewees argued that during the previous O6 period "such strategic choices" were not dared to make. Lapland can now be seen as a network of regions, consisted of regional centres, sub-regions, municipal centres and tourism centres.

Besides physical regional structure, polycentrism can also be understood as fields of businesses. Cluster thinking has become more common in Lapland in the current programming period. While in the beginning of O6 period decisions were made one by one and entities were difficult to give form, more systematic and strategic cooperation models have been learned in the O1 period. Lapland's O1 supports the

creation of networks for enterprises by emphasising the following innovative and cross-sectoral clusters:

- Experience cluster, including tourism, new media and ICT, cultural industry, entertainment and design,
- Natural resources cluster, including mechanic wood processing, food manufacturing, natural products, mining and production of minerals,
- Cluster for northern expertise, including aviation, cold climate businesses, environment, logistics and
- Welfare cluster, including social and health care, tourism, culture, leisure, motion and recreation.

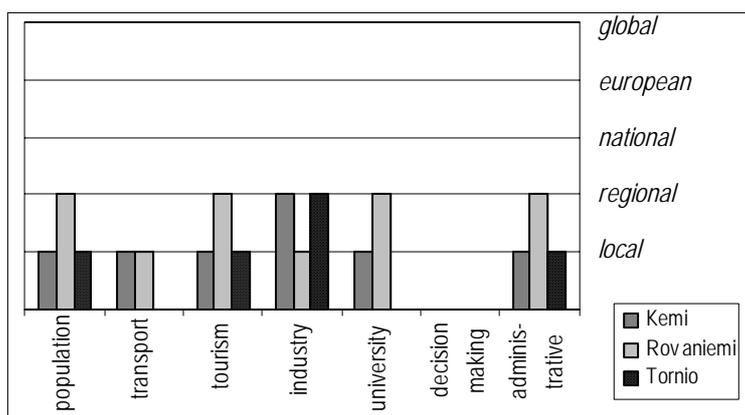
It has been acknowledged that without networking and close interaction between key enterprises, sub-contractors, raw material suppliers and public sector it is difficult to improve know-how, increase value added of production and to promote international competitiveness. The O1 period continues the development of business parks and incubators in order to provide sufficient scale and mass for different clusters.

The O1 for Lapland aims at developing high quality centres of expertise within certain clusters and thus continues the work started during the O6 period. In the beginning of O1 the goal was to carry on the development of four areas of expertise and to create centres of expertise that would be competitive even in global markets. These niche branches were:

- Space technology in Sodankylä: Astropolis
- Power source technology in Kemijärvi
- New media technology in Tornio and Rovaniemi
- Measurement technology in Kemi.

There are examples of success stories and failures on the implementation of O6 regarding two centres of expertise mentioned above. During the previous SF period almost 50 high technology posts were established in close connection to the Sodankylä Geophysical Observatory, which was supported by the O6 programme.

An opposite example is the case of power source technology in Kemijärvi. With SF assistance Lapland attempted to safeguard the availability of well-educated personnel for the needs of a world-leading manufacturer of linear and switch mode chargers and power supplies for mobile terminals and other electronic handheld devices. In order to do so, so-called POWERIA-programme was launched. Although the programme increased the interaction between Lapland's educational institutes and the University of Oulu, the programme failed to recruit top professionals to Kemijärvi. Bigger counter strike against public intervention in regional development was however the transfer of manufacturing to China, leaving approximately 300 persons unemployed in Kemijärvi. The strongly growing Asian market and profitable cost structure of China led to the decision to centralise the company's manufacturing in China. As one interviewee put it: "Although SF programmes are big and remarkable, in the global development perspective they are insignificant".



In Espo 1.1.1 polycentricity typology, Lapland's functional urban areas of Kemi, Tornio and Rovaniemi are presented as having importance only at local or regional spatial levels. The figure does not, however, display neither the specialisation potential of tourism in the wider spatial system nor the role of tourism centres outside functional urban areas.

## Tourism

Tourism is conceived as a natural development sector for Lapland and considered to be the sector with a strongest potential for Lapland's specialization at the international level. It has also significant impacts on region's economy and employment, since in the year 2000 direct incomes from tourism were at least 334 M€ of which 34% belonged to hotels and restaurants and 9% to retail trade. Other sectors benefiting from tourism were personal transportation services, tourist agencies and road service stations. The lines of businesses having most employment through tourism were hotels and restaurants, transportation, retail trade and recreation, culture and sport services. Tourism has in Lapland greater importance as a source of incomes and employment compared to the rest of the country. Tourism creates opportunities for other businesses but it is at the same time clearly dependent of their development. Therefore tourism development will be carried out in close cooperation with region's overall social and economic activities. This will beam synergy potential also between tourism and "traditional" sources of livelihood, for example forestry and reindeer husbandry, fishing and handicrafts.

(Lapin liitto 2003b:4-6)

Policy interventions have been aimed at supporting tourism, and other fields of businesses in relation, in both SF periods. Majority of SF investments has been targeted to the development of tourism infrastructure and equipment, marketing and strategic plan making (Lapin liitto 2003b:12). For example, the efforts for tourism marketing in the O6 period have already been successful, resulting in a longer tourism season. Also a remarkable share of ESF-funding (22% in O6 years 1995-1999 and 15% in O1 years 2000-2003) was targeted to tourism. Special attention has been paid to employ especially women and young people in tourism.

In the tourism sector Rovaniemi region is specializing in congress and in Christmas tourism where as the downhill skiing centres have been developing distinctive products. Especially in the O1 period the development of skiing centres and their surrounding rural areas has become more prominent. Some skiing centres, for example Levi, have already started to attract private investments. Thus, the aim for profitable business has been achieved at least in some parts of the region. The positive impact of structural funds in the tourism sector is, without controversy, increased cooperation. Previously different centres were competing with each other but recently they have started e.g. joint marketing projects. It has been understood that with out joint action visibility in the European and global markets is an impossible mission. International marketing and visibility are of great importance since the growth of tourism in Lapland lies in tourist flows from overseas (Lapin liitto 2003a:10)

Problematic issues in the development of tourism have been the lack of sufficient transport communications and capacity restrictions especially in air traffic. Therefore structural funds have been targeted to the development of airport facilities in Rovaniemi and Kittilä. Some interviewees even argued that tourism is the sector that helps Lapland to maintain its traffic infrastructure and to improve its accessibility. Without strong tourism there would less flight and even train connections to the region.

The development activities within the tourism sector have supported also the progress of cold climate testing industry. The direct interventions of SF programmes or national regional development policies to promote cold climate testing operation in Lapland have been of little significance. Businesses in this branch have however benefited indirectly from the improvements in tourism sector. The developments of “tourism” roads, airport facilities, well educated tourism personnel and good quality services have attracted various international actors to operate their testing activities in Lapland. This development is somewhat different compared to Northern Sweden, where SF interventions have had a direct impact on car testing.

Tourism is also considered to have a positive impact on region’s social environment. International contacts as well as improved private services, for example restaurants and cultural events are creating a more positive image of Lapland.

## **Industry**

Lapland’s forest and steel industry are the backbones of region’s economic life. However, a small number of strong companies are dominating the industry sector and therefore the biggest challenge is to develop and encourage SMEs to grow.

In the O1 period the emphasis is greater than before on the development of businesses. Programme’s central objective is to support especially the existing

businesses activity. Economic growth is expected to improve employment and to slow down problematic out-migration.

The role of Structural Funds in regional development has also raised some criticism among the actors in commerce and industry, despite the fact the region has gained some good results by employing EU's Structural Funds. Some interviewees saw that SF programs are emphasising too much Lapland's role as a "wild life reserve" and underestimating industry's importance in the regional development. Stressing environmental values are considered to be in favour for tourism but in some cases it can be harmful for the development of industry.

### **Knowledge / Higher education institutions**

In both SF periods the pursuit has been to promote high knowledge and expertise, R&D and increase the level of education. In the O6 period higher education institutions (University of Rovaniemi, Rovaniemi Polytechnic and Kemi-Tornio Polytechnic) were the biggest actors in Lapland. Their strategy was to develop suitable environments for expertise, knowledge and R&D. Emphasis on the substance was laid to new media, design and the faculty of arts. Specialisation on the media led to active cooperation between region's educational establishments and it resulted as a foundation for future's activities. In the O1 period the focus has been in settling education by taken advantage of the foundations created in the previous SF period.

The development of information society has been a long-term objective in Lapland and it has been pain an important role in both SF periods. Although the objective to create new jobs in the ICT sector in the O6 period was only partly met, the measures to develop information society have created value added by arousing new businesses in interface of ICT development.

The development of information society in Lapland is a bigger challenge compared to the rest of Finland due to region's sparse population. Therefore Lapland has tried to concentrate on user-friendly information society. Higher education institutions have been practicing applying research, which is closely connected to distant working and distant learning. New systems will also be developed to secure welfare services also in the most remote areas. Some interviewees thought that Lapland is already at the moment most advanced region in Finland in terms of distant and virtual education. Also the regional academy (more in chapter 4.2) is closely connected to the measures under the development of information society.

### **Economic base**

The O6 period was characterized more or less as a learning period in the field of economic base development. In terms of business support SF did not bring new blueprints since former policies were continued with different funding resources. The

nubs of the business development were under search in the first SF period. In the O1 period the targeting of resources have become clearly more upright and the development work is done in more systematic manners. This is partly due to cluster thinking and programming agreements that have been compiled for different economic branches. The following box illustrates shortly main contents of Lapland's tourism strategy and programming agreement 2003-2006.

Lapland's tourism strategy 2003-2006 was an often-recurring example as a tool for sharpening regional development. The compilation of the strategy can be described as a comprehensive and collaborative process, including active participation from the entrepreneurs as well as sub-regional meetings and a tourism parliament for different stakeholders.

Structural Funds resources (ERDF and ESF funding) are allocated to the development of tourism in order to deliver wellbeing to the whole region and to facilitate regionally balanced development. The point of departure is to catalyse endogenous growth using tourism centres as the engines of growth. The challenge is to integrate, for example by using local production/supply networks, the companies of the surrounding areas to the development of tourism centres. Strategy's main goals are to increase incomes and employment in the tourism sector, enhance sustainability and safety and to develop tourism to an all-year business. Better accessibility and increasing internationalisation are also among the headline objectives.

The tourism programming agreement (Lapin liitto 2003c) is an implementing tool for the strategy, defining agreement parties (authorities, sub-regional bodies, educational co-operation establishment and other actors, such as University of Lapland, Lapland's Marketing Ltd, Lapland Chamber of Commerce and Lapland's Centre of Expertise for Experience Industry), main goals and objectives as well as quantitative targets and funding tables.

In the targeting of ESF-funds Lapland was able to take advantage of ADAPT-initiative by networking with Irish, Danish and Portuguese partners. A concept for training programme was developed in the O6 period and it has been active also in the current SF period.

It is nevertheless difficult to assess the impacts of Structural Funds on economic base, since a ten-year period is relatively short time in the development of businesses. Many interviewees stated however that during the O1 period substantial business clusters have been created around the region. O1 has enabled Lapland to practice regional policy that the region itself considers to be important.

### Specialisation aspects of polycentricity: summary table

	Status during 1995-1999	Current status	Possible SF influence	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Tourism	<p>Potential growth area, sector for specialisation in the wider spatial context.</p> <p>Lack of transport communication (capacity restrictions especially in air traffic) limiting tourism development.</p>	<p>One of the strongest developing sectors, sector for specialisation in the wider spatial context</p>	<p>Tourism strategy and tourism programming agreement.</p> <p>Compilation of comprehensive development plans for Lapland's tourism centres.</p> <p>Establishment of centre of expertise for experience industry, in which tourism is combined with entertainment and design.</p> <p>Development of region's airports and "tourism roads."</p>	2
Industry	<p>Large-scale industry has decisive importance in region's economic structure, very modest increase in the employment between 1994-1998.</p> <p>Strong dependence on few large companies.</p>	<p>Growing industries: manufacturing of basic metals, furniture and electrical devices. Declining industries: pulp and paper products.</p> <p>Strong dependence on few large companies.</p>	<p>Support for natural resource cluster (mechanic wood processing, food industry, mining and mineral refinement)</p> <p>Programming agreement for wood industry</p> <p>Large companies as target groups, if they are partners in project that promote (a) technology transfer into SMEs, (b) making of clusters, (c) regional development or employment.</p>	1
Knowledge / Higher education institutions	<p>Building of infrastructure, foundations and suitable environment for expertise, knowledge and R&amp;D.</p>	<p>Utilisation of the infrastructure created in the previous SF period: settling education.</p> <p>Access to knowledge: central aim to establish high-speed data</p>	<p>Regional academy</p> <p>Lapland's information society strategy</p> <p>Laboratories for</p>	2

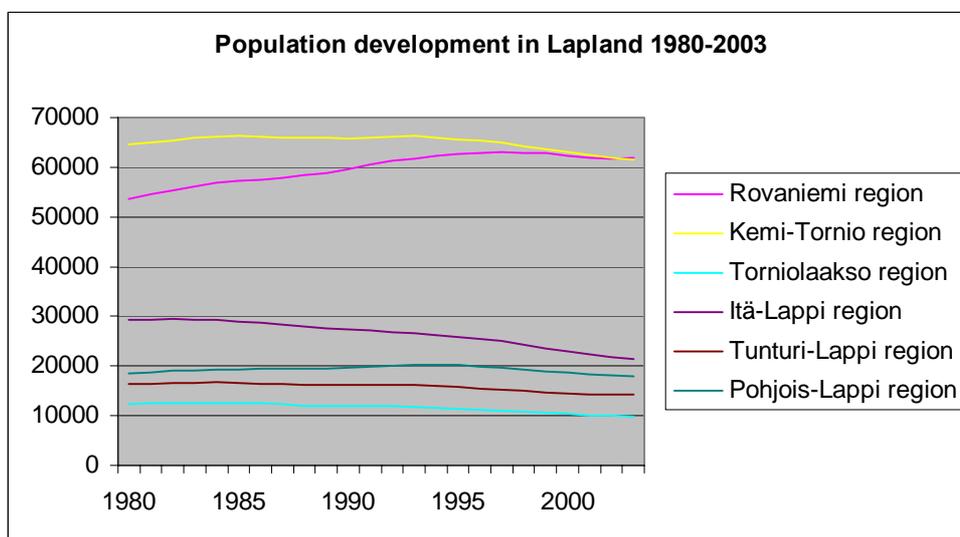
		connection and geographically wide distributed network.	new media, higher education institutions in close operations with companies within established incubators	
Decision-making / Location of company HQs	Not relevant	Not relevant	Not relevant	Not relevant
Administrative status	Local / regional	Local / regional	Local / regional	Local / regional
Economic base	Structural changes in the economy: decreasing number of jobs in primary sector, increasing employment in services sector.  Some 20% of EU-funding targeted to diversify region's economic structure. Main emphasis on tourism, mechanic wood processing, metal industry, mining activities, media, electronics and hi-tech.  New companies established in Rovaniemi and Tunturi-Lappi regions.	Better employment situation in tourism and other key branches, supported by O6.  O1 continues the development of selected key sectors, aim is also to specialise in the international level.	O1 supporting the formulation of clusters and development programmes for each cluster. Some cluster will be further developed to centres of expertise.	2

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

As Lapland is a sparsely populated region, mass criterion is not relevant to be assessed as a prerequisite for region's positive economic development. The three largest urban centres have only a regional role in the wider spatial system in terms of population density, since in ESPON 1.1.2 urban-rural density typology Lapland is described as "peripheral-rural, not densely populated but high urban integration". It is however appropriate to describe the recent demographic development and urban-rural relations from a regional perspective.

The concentration of population into the built-up areas, distorting age structure and weakened municipal economy have afflicted above all Lapland's rural areas. Due to geographical vastness of the region the rural areas are extremely heterogeneous and their development needs and possibilities are very diverse. In the O6 period only the

Rovaniemi region managed to maintain its demographic base, whereas remote areas in particular were hit by job losses and out-migration. Region's total population change has remained relatively small due to young population but continuing out-migration of fertile age groups has already led to a situation where the negative excess of births over deaths contributes more to population change.



The evaluation of the impact of O6 on population concentration is an awkward task. During that period Lapland lost jobs not least in the public sector and many inhabitants moved to southern Finland's growth centres. As one interviewee put it: "Afterwards one can say that O6 did not succeed. It was conceived that the region could be developed equally but even Rovaniemi started to face out-migration, it wasn't a centre of expertise that could have managed to hinder migration. Southern Finland's pull was so strong". As a conclusion it can be stated, that O6 had only marginal impacts on migration.

Although the significance of SF programs in regional development in general is widely recognised, the elimination of population concentration by SF intervention was seen as a difficult task. The interviewees estimated that "the region has perhaps succeeded in slowing down out-migration by creating anchor points in the southern parts of the region (regional centres) and in strongest tourism centres." In order to prevent depopulation the forthcoming development of business environments should be based on Lapland's own special characteristics.

During the O6 period the region tried to examine whether high technology businesses activities could take place apart from nationally or internationally significant research institutions. In that period there was a strong trust that some totally new branches of high technology could have been established in Lapland. However, it has become clearer that research-intensive businesses do not have similar development and growth potential in Lapland than in bigger centres. Therefore, during the O1 period, the aim has been to seek Lapland's natural strengths and areas of expertise. Strategic choices have been made to develop for example experience industry in connection to high

technology, new media and tourism. The programme of the Lapland Centre of Expertise for the Experience Industry covers know-how in the fields of tourism, new media, design and entertainment. The programme has been compiled to disseminate regional expertise and existing knowledge in order to promote and develop the economy of Lapland.

Where as the O6 period was more or less missing an explicit spatial dimension (the development of rural areas was approached from the field of economic activities) the current O1 period has more focus on urban-rural dimension: “Balanced regional development in Lapland is based on division of labour and cooperation between different spatial levels. Towns, municipal centres and rural areas have specific roles in regional development. Centres, where educational and research institutions and key enterprises are located, act as core areas for the concentration of expertise defined in regional development strategies. The purpose is that centres will transmit latest knowledge and expertise to the whole region, also for the needs of inhabitants and enterprises”. (Lapin liitto 2000)

	Status during 1995-1999	Current status	Possible Structural Funds influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Population density	Extremely low	Extremely low		0
Possible concentration trends	Only the regional centre of Rovaniemi able to maintain its population basis. Out-migration from rural areas into region's towns and growth centres outside Lapland.	Out-migration still a problem for the whole region.	Investment in the tourism sector has created new jobs and led to in-migration in some rural municipalities (although small-scale)	1
Promotion of rural-urban interaction	No explicit spatial dimension	Division of labour and cooperation between different spatial levels seen as tools for more balanced regional development	Compilation of sub-regional development programmes in the O1 period.  Regional academy supporting sub-regional development and promoting expertise in rural areas.	1

### 3.1.3 RELATION FUNCTION

International cooperation is especially important to Lapland because of region's specific geographical location. Traditionally the fields of tourism, higher education and large-scale industry have had "natural" activities at the global level. The impact of the SF has been that international cooperation, e.g. partnerships (both with other Finnish regions and foreign partners) in the supervision of EU's northern policies, has increased significantly. Implementation of SF has improved the knowledge of working in international projects but Interreg programmes are considered to have stronger influence at this level.

During the O6 period the objectives of international cooperation were to create jobs, expand markets, develop expertise and increase economic resources. Most of the international cooperation realises in the North Calotte and Northwest Russia (with along-term perspective), i.e. with the neighbouring regions. Most important measures facilitating international networking are Interreg and Tacis programmes. In the current SF period the aim is to further strengthen Lapland's role at the European and global level, particularly in the sectors of businesses and expertise.

European North Lapland – Oulu office was established in Brussels in 2002 in order to promote interaction and communication between EU, actors at the European level and the regions of Northern Finland. It is also brought out that cooperation with neighbouring countries, Sweden, Norway and Russia continually creates new development possibilities. The common development measures of North European regions are not included in the O1 period but they are presented in Interreg and Northern Periphery projects.

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Accessibility or in accessibility	Relatively good infrastructure, five airports with scheduled flights: Enontekiö (winter season), Ivalo, Kemi-Tornio, Kittilä and Rovaniemi.  Capacity restrictions in air traffic in the tourism high	Relatively good infrastructure, five airports with scheduled flights: Enontekiö (winter season), Ivalo, Kemi-Tornio, Kittilä and Rovaniemi.	O6: Investments in Rovaniemi airport and frontier crossings.  O1: Investments in Kittilä airport.  Improvements on tourism roads at the local level.	1

	season.			
Key strategic and functional networks (promoting specialization)	Bothnian Arc and cooperation between Kemi-Tornio and Haparanda (Sweden).	North Calotte cooperation, active in promoting northern dimension in EU's regional policy.	Interreg programmes in more important role in terms of international cooperation.  Future's important international development zones: Bothnian arc, Barents Corridore, border regions, Inari-Kirknäs-Murmansk-region for tourism, trade and industry development.	1

## 4 POLICY IMPACTS

### 4.1 IMPACT UPON GOVERNANCE ASPECTS

The EU approach has had significant qualitative influences upon governance aspects. Value added of the O6 can largely be attributed to the governance aspect especially through the introduction of programming methodology. The introduction of SF brought also about a new form of relations between the state and the region. Program based regional development policies have evolved regional governance by transferring the focus from the state to the regions. The new Finnish regional development legislation (2003) requires more cooperation between local and regional authorities and extends the partnership model of cooperation between authorities in regional development. Respectively, national legislation has borrowed policy practices from SF area, such as the programming agreement in the tourism sector.

The increased independence of regional decision-making is more visible in O1 period than in the previous one. The O6 was a learning process and the period was characterised by newness in terms of mode of action. Subsequently the regional authorities have achieved confidence, which can be perceived as a precondition for long-span cooperation. Resources can be allocated in more flexible manners due to mutual trust.

Procedure of the regional cooperation document is a new issue in the O1 period. The document is a yearly plan of action including the finding of strategic focus areas. It defines project entities and the targeting of resources. The valued added of this procedure is that regional development has become more systematic and it facilitates the preparation of large cross-sectoral projects. The compilation of the regional cooperation document was carried out with GOPP-method (Goal Orientated Planning Process). According to the interviewees, the latest document for regional cooperation represents region's development policies "in a concise and distinct way".

Regional Management Committee was a quite new actor in the Finnish administration procedures in the beginning of O6 programme implementation. Lapland's Regional Management Committee consists of social partners, municipal representatives and authorities. It meets every two months in order to coordinate region's SF-programme activities and other regional development measures. The secretary (regional state authorities) for Regional Management Committee congregates once a month for the supervision of resource allocation. The ex-post evaluation of Finland's O6 brings up that the Regional Management Committees were "the first inter-ministry organisations to function properly, providing forums for decision making on the most important goals for regional development." As the Committee was established simultaneously with launch of O6, they did not have previous experience of this kind of inter-administrative cooperation. Many interviewees stated that the first SF period was a learning process and that the quality of regional development work has improved clearly during the O1.

In the interviews it was commonly acknowledged, that the implementation of SF has promoted a strategic dimension in regional development policymaking. Regional development policy has become more coherent and integrated through multi-sectoral approach of SF programmes. Multi-annual programming periods have provided a more stable policy environment, allowing longer term planning. For example, in the beginning of O1 the region had information of usable resources for the whole programming period 2000-2006. Regional authorities are now themselves enabled to make decisions on the targeting of resources on a yearly basis.

Albeit the impacts upon governance were considered mostly positive, the implementation of SF programs faced also some criticism, especially among the field of regional actors. Despite the fact that the further developed regional governance enables more actors to participate in the SF programs, the changes in governance culture have created a new profession for the preparation of project applications. In order to come along in the SF programs "a common language" with the financiers has to be commanded. Also the increased bureaucracy and exacting project management were considered as negative governance impacts. The actors saw that "to too great a degree of resources are spent on management on the costs of operational activities". Another important message from business actor's viewpoint was that the increased bureaucracy has damped enterprises' keenness to participate in SF projects.

***Governance aspects of polycentricity: summary table***

	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Consistency of national and European policy goals outlined in programme documents	<p>Consistency between policy goals and at the programme level (the Regional Centre Programme and Centre of Expertise), although some criticism at the actor level towards national technology policies. Structural fund programme and regional development plan compiled using same methodology.</p> <p>The use of SF have made the EU more visible to citizens, communities, businesses and public authorities, since SF action is perceived to be closer to regional actors than what for example European framework programs are.</p>	2
Examples of promoting learning	<p>Procedure of regional development document facilitated more systematic regional development, enables larger cross-sectoral projects.</p> <p>Attempts to more comprehensive thinking for Northern Finland as a whole (e.g. Northern Finland's innovative actions)</p> <p>Programming agreements resulting also in better inter-municipal co-operation: e.g. in tourism the regional centres are marketing and specialising together instead of competing with each other.</p>	2
Governance innovations	<p>Partnership approach and the implementation of inter-administrative cooperation</p> <p>Procedure of regional cooperation document (O1 period)</p>	2
Trans-national links linked to governance practices	Partnerships within Interreg, APAPT cooperation	1

Inclusion of new actors and organisation in partnerships	Not mentioned	-
Links to traditional democratic decision-making	Municipalities included in the regional management committees	1
Financial practices enabling enlargement of partnerships	Burdensome project management restricting companies interests to participate in SF	0
Ways of avoiding the technocratic elite pluralism	New profession for project application procedures "established"	0

## 4.2 INCLUSION OF THE LISBON THEMES

Majority of the Lisbon themes have been addressed in Lapland's SF programmes. According to the interviews the most central themes have been information society, creating a business friendly environment for SMEs as well as education and training.

Within the theme of information society the emphasis on the O6 period was on the accessibility to education and distant/virtual learning. In the O1 period a strategy for information society has been prepared, belonging to the priority of development of human resources and expertise. The achievement of information society in Lapland requires especially the enhancement of expertise not only in enterprises but also among all segments of population. The aim is to increase the utilization of ICT in every priority's projects so that the ability to use ICT and networks improves, network services will match better with the needs of the end-users and that the access to communication networks becomes easier. Even though the region has high expectations for the information society strategy, for example in the development of service provision in the sparsely populated region, the challenge of its development is well acknowledged.

In the O6 period recourses were targeted to distant working and distant education in particular. In Lapland's information society strategy 2010 it is mentioned, that most important financial instrument for information society projects is O1 programme. Some 10-15% of total budget is targeted for this purpose by the year 2006. Central objectives are to increase the amount of public services that are provided through data portals and networks and to develop an international centre of ICT in connection to tourism and experience industry.

Majority of Lapland's population is living in areas where broadband connections are obtainable. Region's aim is to have 90% of the inhabitants connected to Internet via broadband connections. At the moment less than 40% of the households have access to the Internet. The promotion of access to information is problematic outside the built-up areas due small number of users splitting high expenses. The development of information society requires initiative development measures and influencing on national decision-making. Implementation of SF in the O6 period supported the establishment of some sub-regional data-portals but there is a further need to create a common data-portal for Lapland. This, together with the development programme for improving the preparedness of the citizens to better utilize ICT is one of the central projects in Lapland's information society strategy.

Establishing polytechnics to Rovaniemi and Kemi-Tornio, centre of expertise programme for the experience industry and the active role of Lapland's university in SF programmes have supported the establishment of a European area of research and innovation. However, it was argued in the interviews that Lapland, as a peripheral region with small population, is a minor actor at the European level of R&D and that this Lisbon theme does not fit that well in the region. The creation of a business

friendly environment for SMEs has been supported by establishing technology and innovation centres for enterprises. Higher educational institutions have been active in increasing interaction between R&D actors and innovative SMEs.

Case study region has been active in the development of local educational/learning services. The aim has been to continually develop the supply of education to respond to the local needs of the region. For instance, the Levi institute (educational establishment specialising in tourism) was an often-recurring example in this respect. However, the impact of SF programs on education was considered to be rather modest, since Finnish national policies are strong in the education sector. SF resources can be targeted to pilot projects and in that sense Lapland has been quite active. Successful master programs have been implemented within the region's main businesses branches, such as media and software as well as wood processing. Success has been facilitated by the participation of local enterprises in the definition of educational requirements.

Regional academy is a national pilot project supported by the Ministry of Education. The aim of the regional academy is to safeguard every Laplanders learning possibilities, respond to sub-regional development challenges and needs, and to take business policies better into account. SF intervention has facilitated the creation of Regional academy by increasing dialogue and cooperation between higher educational institutes and research. Sub-regional modes of operation for the regional academy are under preparation linking the strategies of expertise more closely to regional development and sub-regional identity (Lapin liitto 2003d:12)

The Lisbon theme of “more and better jobs” has been a central objective in Lapland. For example ESF resources have been targeted to educational purposes and to large-scale projects in order to prevent social exclusion. There is a strong confidence that tourism sector will employ youngsters and women better than what traditional industry would do. Although employment opportunities in tourism, wooden house industry, metal industry, testing activities in cold climate and in R&D in food industry have become better, the unemployment caused by the previous economic recession in the beginning of 1990's makes the achievement of this Lisbon theme more difficult in Lapland.

The promotion of social inclusion was regarded in close connection to the development of information society and “more and better jobs”.

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)

<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>High status</p> <p>Distant working, education and learning as focus areas.</p> <p>Matters included within the measures of Development of telecommunications networks services and Human resources action aimed at the development of information society and distance working.</p> <p>Actual development has taken place in centres, but the results are expected to be utilised in whole region.</p>	<p>High status</p> <p>Development of the structures of expertise and information society received the biggest share of funding within the priority of expertise.</p> <p>More emphasis laid to better accessibility and equality. O6 as a starting shot for the development, O1 continues the work. Coverage of broadband network however rather modest.</p> <p>Aims to develop eServices</p>	<p>Lapland's strategy of information society</p>	<p>2</p>
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	<p>High status</p> <p>RTD in a central position within Priority 1 Business development and company competitiveness and within Priority 2 Development of Human resources and expertise</p>	<p>High status</p> <p>RTD in a central position within Priority 1 Business development</p>	<p>Creation of cluster programmes and plans.</p> <p>Development of business incubators and innovative activities.</p> <p>Development of networks between companies, educational establishments and research institutes.</p>	<p>2</p>
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>High status</p> <p>SME development an extremely important goal and it was set parallel with the aims of job creation, diversification of the regional economy and</p>	<p>High status</p> <p>Improvement in the operating environment for business mainly targeted to SMEs.</p>	<p>During the O6 period Digipolis (incubator for electronics and software programming) in Kemi was established.</p> <p>Dynamic concentrations of</p>	<p>2</p>

	company competitiveness.		SMEs created also in tourism sector.  Campus Borealis and Santa's technology Park in Rovaniemi another examples of successful interaction between region's higher education units and enterprises.	
Education and training for living and working in the knowledge society:  <ul style="list-style-type: none"> <li>• Development of local learning centres,</li> <li>• Promotion of new basic skills</li> </ul>	High status  Human resources action aimed at the development of information society and distance working. Projects implemented were targeted at increasing participants' capabilities of using modern forms of communication.  Capacity building projects of educational institutions.	High status  Measures taken under the Priority 3 Expertise: Promotion of expertise and key sectors. Increasing the preparedness for the needs of knowledge society among all segments of population.	Establishment of regional academy partly supported by SF.  Development of virtual learning system.  Levi-institute  Good experiences in media sector, where local companies have been defining needs for master programmes.  Training projects for the improvement of participants' abilities to use modern information technologies.	2
More and better jobs:  <ul style="list-style-type: none"> <li>• Improving employability and reducing skills gaps;</li> <li>• Encouraging lifelong learning;</li> <li>• Reducing deficits in the service economy;</li> <li>• Extending equal opportunities</li> </ul>	High status  Pathways to employment and prevention of exclusion, integration of young people into the labour market  The region did not reach the national level in terms of employment	High status  Promotion of employment and prevention of unemployment under Priority 3 Expertise	Improvement in employment in key sectors but difficult to achieve lasting impacts due to over all macro-economic development  The region did not reach the national level in terms of employment in O6 period	1

<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and opportunity.</li> </ul>	<p>Social inclusion promoted mainly by information society measures and creating new job opportunities</p> <p>Special measures for integrating young people into the labour market and for finding pathways to employment and prevention of exclusion.</p>	<p>Social inclusion promoted mainly by information society measures and creating new job opportunities.</p> <p>Special measures for preventing the exclusion from the labour markets.</p> <p>Tourism seen as an employer of women and youngsters.</p>	<p>Large project implemented to establish a centre for Samí heritage</p>	<p>1</p>
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## 5 CONCLUSIONS

The territorial impact of the Structural Funds was in this case study mostly difficult to identify, since it is extremely challenging to assess what elements of regional development are results precisely of Objective 6 intervention. The main impacts of the SF were perceived to include aspects of learning and governance in the field of regional development.

Regarding the impacts of SF on territorial cohesion, there is evidence at regional and local level that SF intervention has enabled additional economic activity to take place. SMEs have been assisted, RTD-activities facilitated and new firms have been created. Notwithstanding, the ex-post evaluation of Objective 6 programmes in Finland (Vainio & Laurila 2002) concludes that the designated area was not able to reduce economic backwardness compared to other regions in Finland. Reason to this failure was not the weakness of Objective 6 but the overall macro-economic development in Finland. "Rapid growth outside the Objective 6 region and the on-going structural changes in the economy together with the present circumstances of low population density and a relatively low educational level did not allow much better results with this type of development actions. The programme was not therefore able to stop the negative development, but it successfully decreased the impact".

In the case of Lapland, it was often mentioned in the interviewees that SF has enabled the region to secure the development of certain functions, irrespective of global changes. It is also notable the SF intervention will generate results also afterwards. Where as the O6 period was characterised as a learning period, O1 has continued consistently the work started in the first SF period and improved the quality of regional development activities.

Perhaps the most significant impact of implementing O6 in Lapland is the qualitative added value. Objective 6 brought about a new programme based regional development model and it has proved to be beneficial by increasing co-operation between the central regional actors. Co-operational mode of action has decreased overlaps and respectively increased synergy benefits. Despite the criticism of growing bureaucracy, the new cooperation model, with actor networking, can be regarded as a credit of SF intervention. Furthermore, it has been evaluated, that SF intervention has reinforced the position of regional policy on national political agenda, giving better positions to the regions to influence their development.

**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		MICRO: regional level – i.e. effects within the case study region		MESO: national, trans-national level – i.e. effects regarding the status of the region in a wider context		MACRO: European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<i>Type of influence/ effect</i>							
<b>Aspects explicitly targeting polycentric development</b>	Direct	-					
	Indirect	Clearer roles for different sub-regions given in O1 period, division of labour and specialisation	0		0		0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	0	0	0	0	0	0
	Indirect	0	0	0	0	0	0
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct						
	Indirect	Cluster thinking in O1 period and centres of expertise established in different parts of the region.  Tourism centres as innovative localities.	2	Foundations been built for future's trans-national cooperation particularly in the Barents corridor and in Bothnian Arc	1	Selected clusters, specialisation in Northern expertise.  Experience tourism is a new niche leading to increased competitiveness	2
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct		0		0		0
	Indirect	Building of tourism roads	1	Development of airport services in Rovaniemi and in Kittilä.  Tourism development "helping" to maintain railroad and air traffic connections at the national level	1	Development of airport services in Rovaniemi and in Kittilä	1
<b>Strengthening of international co-</b>	Direct						

<p><b>operation</b> (e.g. co-operations between public sector agents, private business co-operations)</p>	Indirect	<p>International cooperation traditionally strong in industry and tourism, increasingly also in higher education. SF implementation increased the number of new EU partners.</p>	1	<p>Strengthening of existing Nordic cooperation mainly through Interreg programmes, establishing potential cooperation with northwest Russia and Barents area</p>	1	<p>European North Lapland – Oulu office established in Brussels in O1 period in order to promote interaction and communication between EU, actors at the European level and the regions of Northern Finland.</p>	1
<p><b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)</p>	Direct		0		0		0
	Indirect	<p>Difficult aim to achieve due to over all macro-economic development.</p> <p>Positive development in few rural municipalities with a dynamic tourism centre in O1 period, however difficult to assess whether the changes are attributable to the SF intervention</p>	1	<p>Key business sectors had positive development in the beginning of O1 period, however difficult to assess whether the changes are attributable to the SF intervention</p>	1		
<p><b>Overall assessment</b> and personal</p>	Direct		0		0		0

impressions (e.g. your “final Indirect verdict”)	Period of O6 described often as a learning process and a phase of foundation building.  Clear shift from incremental approach (O6) towards more comprehensive planning (O1).  Regional development planning has sharpened and it is based more on region’s own development potential and starting points. Decision-making at the regional level has strengthened; cooperation between regional actors (also business participation) has increased. International relations increased their importance.	2	Networking in international arena gained importance, Interreg programmes as main tools. Supervision of the interests of LFA’s with other peripheral regions. Strong need to secure the sources for funding and investments after 2006.	1	Global perspective relevant only for selected key sectors / clusters and areas of expertise, tourism and experience in particular. SF implementation facilitated region’s specialisation in the wider spatial context.	1
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Interviewed persons:

- Esko Lotvonen, Executive Director, Regional Council of Lapland
- Pirkko Saarela, Director, Lapland's Employment and Economic Development Centre
- Terho Liikamaa, Head of unit for enterprise services, Lapland's Employment and Economic Development Centre
- Jouko Jussila, EU expert in unit for employment services, Lapland's Employment and Economic Development Centre
- Tiina Keränen, special planner in unit for employment services, Lapland's Employment and Economic Development Centre
- Tarja Särkkä, Director of Administration, University of Lapland
- Jouko Tiirola, Rovaniemi Polytechnic, Director of development and services
- Timo Rautajoki, CEO, Lapland chamber of commerce

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[www.intermin.fi](http://www.intermin.fi) Finnish Ministry of Interior

[www.stat.fi](http://www.stat.fi) Statistic Central Finland

[www.urova.fi](http://www.urova.fi) University of Lapland

## **REGIONAL POLICY IN FINLAND IN RELATION TO EUROPEAN REGIONAL POLICY**

The south-west core regions are areas of economic and population concentration; the rest of Finland consists of sparsely-settled rural areas. The key regional problems of northern and eastern Finland are rural unemployment and fragile settlement structures. The main policy challenge in these areas has been to improve employment opportunities by promoting the diversification of rural industries and to prevent depopulation, thereby maintaining settlement patterns. In the more densely-populated south, the problems have been principally related to industrial restructuring and unemployment, though urban migration remains an issue, with flows into the Helsinki-Tampere-Turku triangle, which is flourishing, as are IT clusters such as Oulo and Jyväskylä.

### **Strategies**

Over the last few years, there has been a renewed emphasis on regional policy in Finland. The aim of the 2003 Regional Development Act is to provide a framework for regional development, based on interplay between the central government and the Regional Councils (joint boards of municipalities within each region). The new Act reinforces an ongoing policy shift away from issues of territorial balance (though they are still mentioned as secondary policy objectives) and towards the stimulation of regional competitiveness across the country. The intention under the Act is to provide a framework for developing the varying potential of regions across the country rather than to focus support on narrowly-defined areas of need.

### **Instruments**

Historically, regional policy instruments in Finland mainly comprised business aid schemes operated by the Ministry of Trade and Industry through their regional offices. The main regional incentives were Regional Investment Aid (now subsumed within Investment Aid under the 1999 Aid to Business Act), a Transport Subsidy and Development Aid for SMEs, though only Regional Investment Aid and the Transport Subsidy were restricted to designated aid areas. In addition, several horizontal measures co-financed by the Structural Funds have a regional dimension, including aid available from other public bodies such as Tekes (R&D aid), Sitra (R&D support) and Finnvera (risk financing and guarantees).

Alongside business aid, there are a number of special national programmes that aim to contribute to regional policy goals:

- the *Regional Centre Development Programme* – to develop a growing network of regional centres covering all Finnish regions by strengthening the competitiveness of regional centres and encouraging them to organise and intensify cooperation between municipalities and the public and private sectors within any given region;
- the *Rural Policy Programme* – to revitalise and diversify economic activity and safeguard and develop services in rural areas by coordinating measures in various administrative sectors that have an impact on these areas.

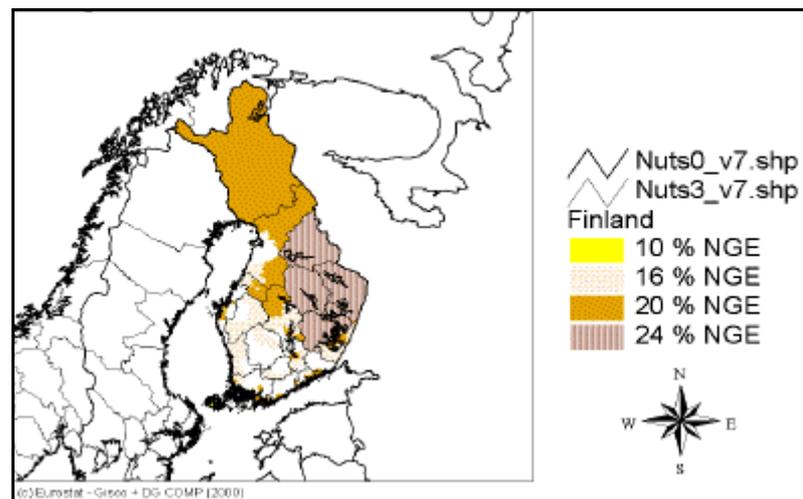
- the *Centre of Expertise Programme* – to improve the preconditions for the establishment and development of internationally competitive business and research groupings calling for a high level of expertise;
- the *Island Development Programme* – to diversify and utilise island areas more effectively, especially rural island areas.

In addition, each Regional Council draws up a four-year regional strategic programme, which aims to pull together the various potential funding sources, available within each region. It also produces an annual implementation plan developed in cooperation with the State authorities, municipalities and other parties involved in financing the regional strategic programmes.

### Spatial targeting

The 2000-06 regional aid map holds 42.3 percent of the national population (up from 41.6 percent, 1995-99) and has three grades of problem region. The highest award ceilings are available in Development Area 1, the Objective 1 area in the eastern part of Finland (13.4 percent of the population). Development Area 2 consists of the former Objective 6 area in Lapland (6.9 percent of the population). The remaining aid areas form Development Area 3 (22 percent of Finnish population). They include all of Finland's Objective 2 areas. Separate award rates apply in the Åland islands.

**Figure 3-4: Finnish regional aid map**



Source: DG Competition website

### Governance

EU membership, and the consequent access to the Structural Funds, resulted in a reorganisation of Finnish regional policy. From 1994, regional development activities became co-ordinated within a framework of time-limited programmes closely based on EU structural policies. This programme-based approach expanded the scope of Finnish regional policy beyond its traditional focus on business support.

The Ministry of the Interior has overall responsibility for regional development in cooperation with other ministries and the Regional Councils. The Ministry determines the content of policy and is responsible for: the preparation of regional policy legislation; the designation of the aid area map; the formulation of national regional

policy targets; the promotion of regional policy across government; and the co-ordination of regional policy administration at the regional and local levels.

Together with relevant stakeholders, the Regional Councils are responsible for drawing up Structural Fund programmes for their areas. They are also responsible for developing four-year regional development programmes and the associated annual implementation plans.

In terms of regional policy implementation, responsibility is divided between the national and regional levels. The Ministry of the Interior is responsible for the implementation of the special national programmes. The Regional Councils are responsible (in cooperation with State authorities and municipalities in the region and other parties involved in financing the regional strategic programmes) for drafting the annual implementation plans.

Regional Management Committees have an important co-ordinating function. They coordinate the implementation and financing of the regional strategic programme and the special national programmes. They have been established in all the Finnish regions (with the exception of Ahvenanmaa/Åland, which has special status as an autonomous region). They are tripartite bodies with equal representation from the Regional Council and its constituent municipalities, the representatives of State bodies in the region and the social partners. Within each region, the Regional Management Committee does not implement the strategic programme (that is the task of the Regional Council) but it does discuss it and tries to create a regional consensus around it. This mirrors the approach adopted under the Structural Funds; in effect, the EU programming structure is now being used for national regional policy purposes.

Administratively, Finland is divided into 12 historical provinces (*Laani*), 19 regions and 455 municipalities. Under the NUTS classification scheme Finland has been divided up as shown in Table 3-1.

**Table 3-1: Territorial Units in Finland**

Unit Type	Designation	Number of Units
	NUTS I	2
	NUTS II	5
	NUTS III	20

## **FINNISH REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

As discussed in the first part of this report, national regional policy in Finland is based on the idea of polycentricity, even though this is not outlined in explicit terms. Urban and rural areas, as well as island areas with special needs are indirectly identified as priority areas, as they are the targets of “special programmes” described above. The closest connection to the polycentricity theme is apparent in the Regional Centre Programme, which has the aim of furthering the strengths and specializations of regional centres and cooperation between them so as to reinforce the network covering all the regions, as well as within the Centre of Expertise, where the aim was outlined as the improvement of preconditions for the establishment and development of internationally competitive business and research operations calling for a high level of expertise and supporting regional specializations. Regional specialisation and connectivity are thus the main dimensions of polycentricity in the Finnish policy context.

In the current governmental programme regional policy goals include regional balance, specialisation (based on the promotion of expertise built on endogenous development and regional strengths) and connectivity. (These themes will be further specified in the “Objective Programme” specifying further the regional development targets of the current government, which was supposed to be published during the autumn 2003, delayed until early 2004.) It is argued in the governmental programme for instance that...

The Government will pursue a policy of social and regional balance. Disparities in development potential between regions will be reduced. The aim is to balance migration and the population structure and to ensure adequate services nationwide.

...Regional success supports growth of the national economy and is reflected throughout the country. Regional expertise, entrepreneurship and employment will be strengthened, thus boosting growth and creating potential for maintaining the basic infrastructure of the welfare society. Better regional competitiveness will be invested in by enhancing regional expertise, strengths and development initiative. Regional government and sub-regional cooperation will be developed with a view to supporting these aims.

...In order to enhance regional centres, the Regional Centre Programme will be developed and its implementation enhanced on the basis of evaluations carried out. The Programme will also support the development of areas around regional centres.

...The competitiveness of urban regions and their potential for socially equitable development will be furthered through urban policy means. The urban network will be developed in a comprehensive way, taking into account the needs of different-sized urban areas. Mutual support between urban and rural policy will be increased.

...In order to safeguard regional development, the maintenance of transport routes and links and the availability of reasonably priced broadband connections nationwide will be ensured. (The Government Programme of Prime Minister Matti Vanhanen's Government of 24 June 2003).

Territorial cohesion and regional balance are a strong feature of domestic regional policy and are mostly addressed on inter-regional national level, though also in some cases beyond this, as for instance in the case of the Centre of Expertise, where “international competitiveness” is equally addressed.

Strictly speaking, polycentrism is not explicitly addressed, as the policies are largely based on longer processes and traditions pre-dating the emergence of this European discourse in Finland (post-1999). There is implicit acknowledgement of the theme as a key policy objective however, as indicated for instance by the language used in defining the policy goals and content of Regional Centre Programme and the Centre of Expertise programme (i.e. promoting endogenous growth and regional specialization of regional centres, i.e. functional areas and urban centres). National regional policy is premised on promoting the functional urban areas (“growth centres” or “regional centres”) and polycentrism is apparent in the policy documents and national legislation, though it is not explicitly outlined in these terms. In fact polycentrism in its main dimensions (population, specialisation and connectivity) is included from the outset, as it is stated in the Section 1 of the Regional Development Act that...

In achieving the purposes of the Act, attention shall be paid to regions’ varying potential and need to develop their population, business and industry, and the regional structure. The objectives of the European Community’s regional and structural policies shall also be taken into account.

Similar goals and definitions are formulated in other governmental reports and documents (e.g. Council of the State 2001), which start from the assumption that in order to deal with the problem of over-concentration in only a few (largest) regional centres, regional policy needs to be developed in a way that also promoted smaller regional centres as engines of growth and thus ensures that basic services and welfare are available in the whole country.

# France



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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France

Prepared by



under the framework of ESPON 2.2.1

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and humans resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

### **French data collection**

With regard to the ESPON 2.2.1 country study of France, the analysis attempted to gather final Structural Fund expenditure information and to obtain the data for the NUTS III level. As a result of a first feasibility check, latest available data (from the accountancy sheets dated 05.05.2003) for the Objective 1, 2, 3, 4 and 5b programmes and the Community Initiatives Adapt, Leader II, Rechar, Resider, Retex, Konver, SME and Urban was tracked by fund and then allocated to each NUTS II region (this was done on the basis of eligible 1999 population for the programmes managed nationally). The allocation of expenditure data by NUTS III area was also done pro-quota on the basis of the total 1999 population, eligible for each programme.

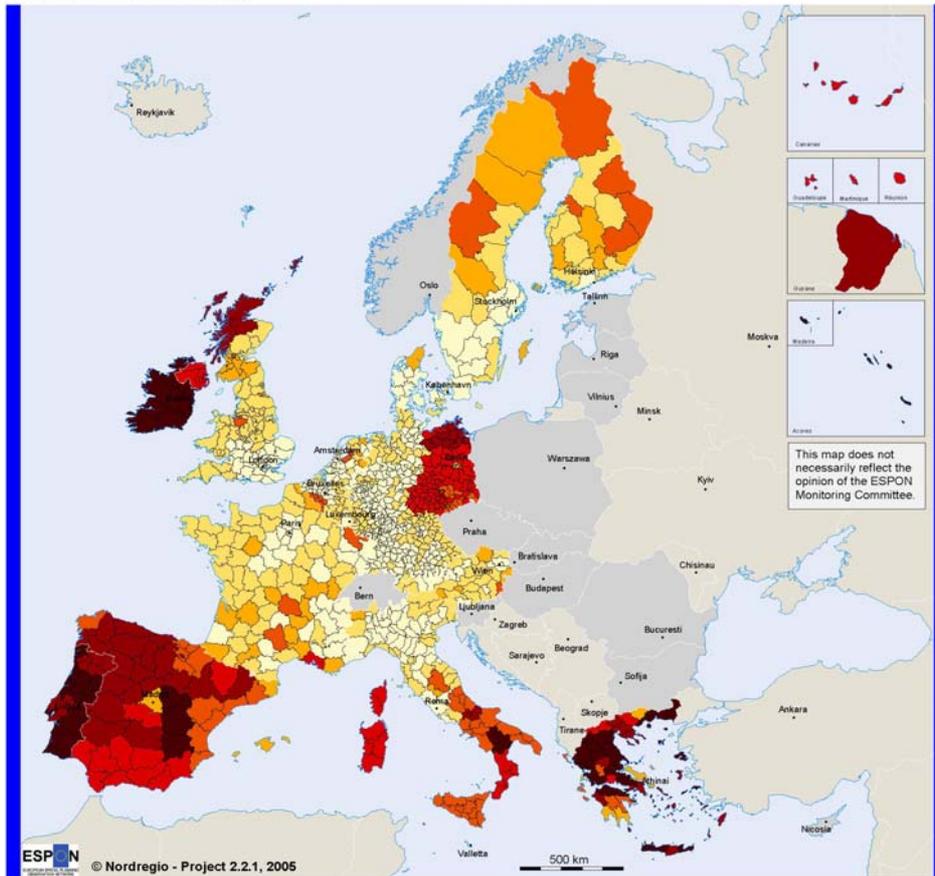
The data tracked relates to the Structural Funds only. Since such information was available in Francs, a standard exchange rate was used to convert Francs into Euro (1€ = 6.55957). This method presents clear shortcuts, for example, in consideration of the fluctuations in the exchange rates during the 1994-99 period, however this was felt to be a viable solution.

Following to the data collection, the classification of expenditure was undertaken accordingly to the methodology devised by INFYDE/Nordregio which is based on the predominant funds involved (ERDF, ESF, EAGGF, FIFG, Cohesion), and also the predominant character of the SF programme (Objective 5b – rural development, Objective 3 – social integration and humans resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fishery, rural development, (S) social integration, human resources, (CE) basic infra-structure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

### Structural Fund spending

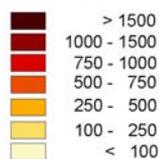


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

### What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15%

went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

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. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

## STRUCTURAL FUNDS IN FRANCE

Between 1994 and 1999, the regionalised support from structural funds (Objectives 1, 2 and 5b) covered 46% of the French population.<sup>12</sup>

They were distributed as shown in the following table:

FRANCE	Total Structural Funds for regionalised support	
	in €million	in %
Objective 1	2,190	16%
Objective 2	3,769	46%
Obj. 5b	2,236	27%
Total regionalized support	8,195	100%

### Regional Structural Funds spending

The map below provides an overview on the different levels of per capita Structural Fund expenditure across France for the 1994-1999 programming period.

<sup>12</sup> Source: Ex Post Evaluation of Objective 1 1994-1999 National Report- France, 28 February 2003, Ecotec, Reverdy Associés, European Commission.

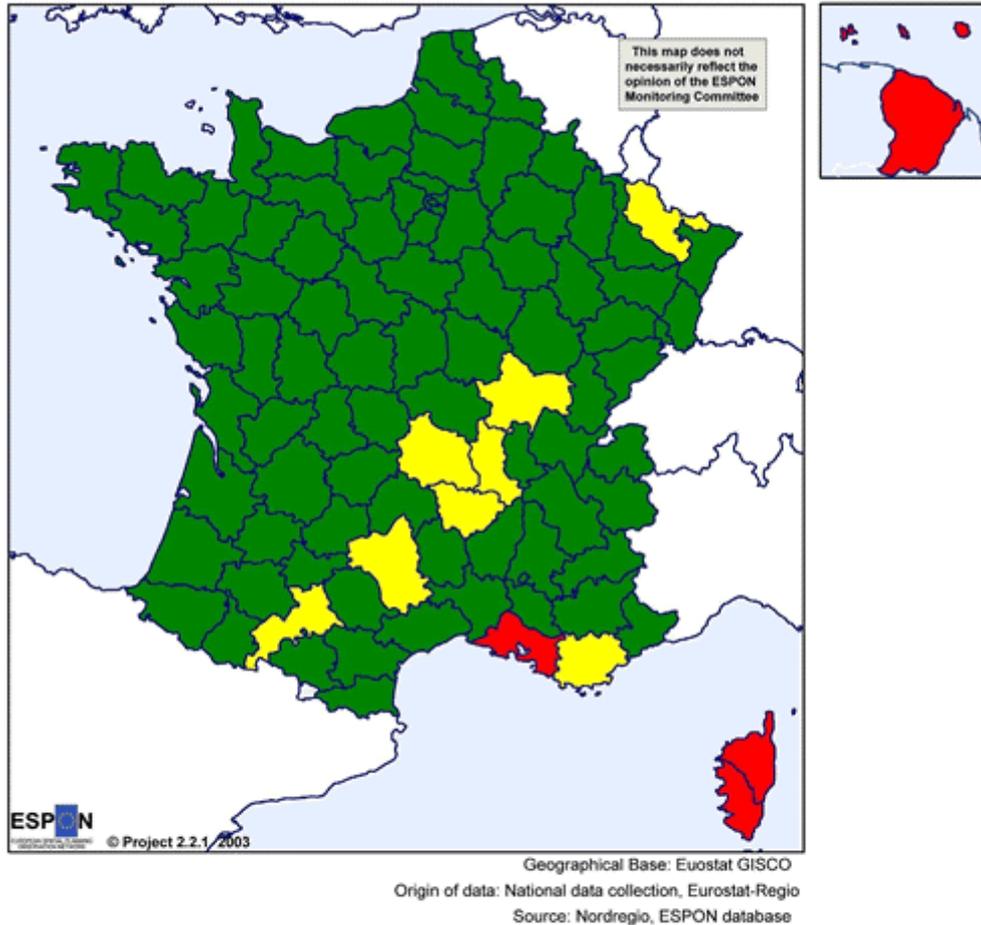
The thresholds retained for the three different ranges of per capita spending (< €350 per head, €350 to 700 per head, > €700 euro per head) do not allow a nuanced analysis, as most areas are included in the < €350 category.

Unsurprisingly, the map reveals that Structural Fund expenditure per capita is highest in those regions which benefited from Objective 1 funding, namely Corsica and the French overseas *départments*. However, according to the map this > €700 category does not include the French Hainaut in the Nord Pas-de-Calais Region, although this area was also eligible under the Objective 1. Besides, the maps include in this category the Bouches-du-Rhône *département* in the Provence-Alpes-Côte d'Azur Region, although this area only qualified for Objective 2 funding.

A number of French *départments* are categorised on the map as in receipt of between €350 and €700 per head over the 1994-1999 programming period. These include: the Haute Garonne and Aveyron *départments* in the Midi-Pyrénées Region, the Loire *département* in the Rhône-Alpes Region, the Haute Loire and Puy-de-Dôme *département* in the Auvergne Region, the Saône-et-Loire *department* in the Bourgogne (Burgundy) Region, the Var *département* in the Provence-Alpes-Côte d'Azur Region and the Moselle *département* in the Lorraine Region.

The remainder of France falls into the lowest spending category, under €350 per head. This probably does not reveal a very accurate picture, as the spending levels chosen result in regions receiving no funding being indistinguishable from those receiving low levels. However, it is also true that virtually all French regions were eligible for some kind of Objective 1, 2 or 5b spending during the 1994-1999 programming period.

### Structural funds spending per capita



#### SF spending per capita



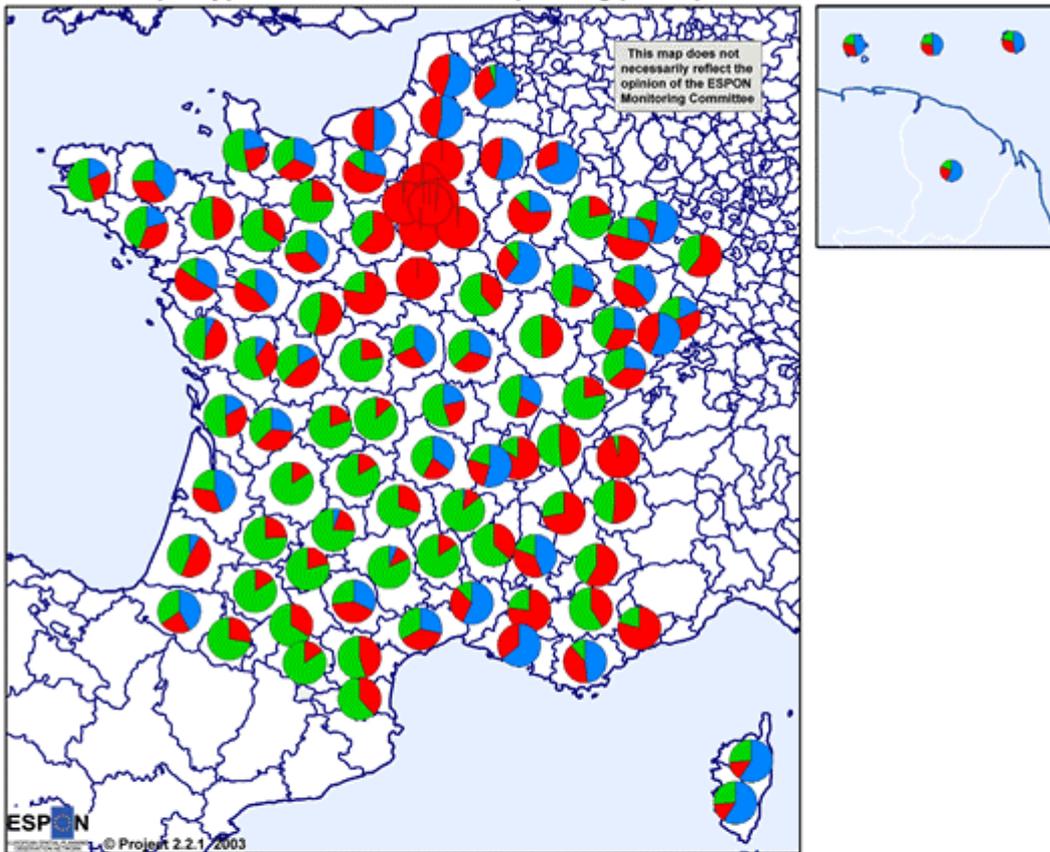
When the French position is examined on the Europe-wide map of Structural Fund spending per capital, a slightly more differentiated picture can be seen. The first map on Structural Fund spending above shows two regions as being in receipt of slightly higher levels of funding, namely between €200 and €400. These are the Nord-Pas-de-Calais and the Limousin Regions. In addition, the second map above on Structural Fund spending and change of regional performance seems to indicate that the Regions of Aquitaine, Midi-Pyrénées, Poitou-Charentes and Franche-Comté were also in receipt of higher levels of expenditure.

The next map (see below) shows the different types of Structural Fund expenditure that have been spent across France. As the map show, regional development and productive infrastructure expenditure were particularly important in the traditional industrial regions of Northern France (Nord-Pas-de-Calais, Picardie, Lorraine and Franche-Comté) as well as in the Puy-de-Dôme *département* of the Auvergne Region, the Gard *département* of the Languedoc-Roussillon Region and the Bouches-du-Rhône and Var *départements* of the Provence-Alpes-Côte-d'Azur Region. This also applies to Corsica which qualified under Objective 1.

The map also reveals a strong, if not exclusive, dominance of social-related expenditure in the Ile-de-France Region and in the Alps (parts of Rhône-Alpes and Provence-Alpes-Côte-d'Azur Region). This reflects the fact that these regions were only eligible under the national Objective 3 and 4 programmes but not under the regional Objective 1, 2 or 5b programmes. Approximately 14 percent of the total Structural Fund expenditure in the UK during the period was made up of Objective 3 and 4 programmes.

In the remaining areas, the emerging picture shows a dominance of 'Objective 5b'-type expenditure. This is particularly clear in traditional rural regions with lower population densities in the western half of France, most clearly in the south western quarter (parts or all of the Midi-Pyrénées, Aquitaine, Poitou-Charentes and Limousin Regions) but also in the North West (part of Brittany and Pays-de-la-Loire Regions). Approximately 16 percent of the total Structural Fund expenditure in France during the period was under the Objective 5b.

### Distribution per type of Structural Funds spending per capita



Geographical Base: Euostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

### Distribution per type of SF spending per capita

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources



## **Case Study of Centre**

ESPON 2.2.1: Work package 6

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## ESPON 2.2.1

### CASE STUDY ON RÉGION CENTRE

#### **Introduction**

The case studies in the framework of Espon 2.2.1 are undertaken in order to answer the following research questions:

- “What (if any) can be seen to be the territorial impact of Structural Funds implemented in 1994-1999 in the chosen case region in question?”<sup>13</sup>
- “What (if any) has been the relationship between this impact and territorial cohesion / polycentricity?”<sup>14</sup>

As outlined in the 2<sup>nd</sup> Interim Report, the main focus of the case studies will be on explanatory factors for the relation between spatial performance of a region and the type of Structural Funds investments as well as the overall amount of funding. Moreover, the case studies are intended to highlight the constancies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework. Both of these issues are considered in relation to territorial cohesion and polycentricity.<sup>15</sup>

The case study consists of the following sections: after this introduction, a first section deals with first tentative hypotheses as to the impact of the Structural Funds in the region (both direct or indirect impacts on endowment factors, governance structure, centrality of cohesion issues in regional programming, key trends in national policy development and others. Section 2 describes the region and the programmes covered by the case study (the Objective 2 programmes 1994-99 and 2000-06). This is followed by Sections 3 and 4 that deal respectively with spatial and policy impacts. The case study report concludes by highlighting some considerations deriving from the analysis conducted (Section 5).

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<sup>13</sup> Looking to identify changes in temporal perspective from the previous programming period to the current one. When necessary, you can also relate these to the current programming period by using concrete examples from the programming documents, evaluations and project examples.

<sup>14</sup> Looking to identify causality – when the template refers to “identifiable changes”, this relates to changes that are at least in part attributable to the SF intervention; For an elaboration of how polycentricity is defined and operationalized in this project see the methodological note on polycentricity attached.

<sup>15</sup> As has been argued in the 2<sup>nd</sup> interim report, there is a close connection between territorial cohesion and polycentricity. Territorial cohesion is used more as an umbrella concept covering the territorial aspects of cohesion expressed in polycentric development and equally including the objectives of balanced and sustainable development.

## 1 FOCUS OF INTEREST/HYPOTHESIS

The région Centre was selected for this case study for a number of factors. A more detailed description of the region is provided in Section 2 of this case study.

The two maps presented in the Second Interim Report on Structural Fund Spending and change of regional performance ranking (page 95) show that région Centre is one of only three regions with both a relatively low level of Structural Fund spending and a negative change in GDP ranking vis-à-vis other European regions.

Also, in terms of functional specialisation of the region, the région Centre shows a strong contrast between the relative wealth of its northern area, where high performance economic sectors are concentrated, and the fragility of the two southern *départements*, which suffer from the decline of rural areas.

Analysis undertaken under ESPON 1.1.1 shows that région Centre has 13 different Functional Urban Areas (FUAs).

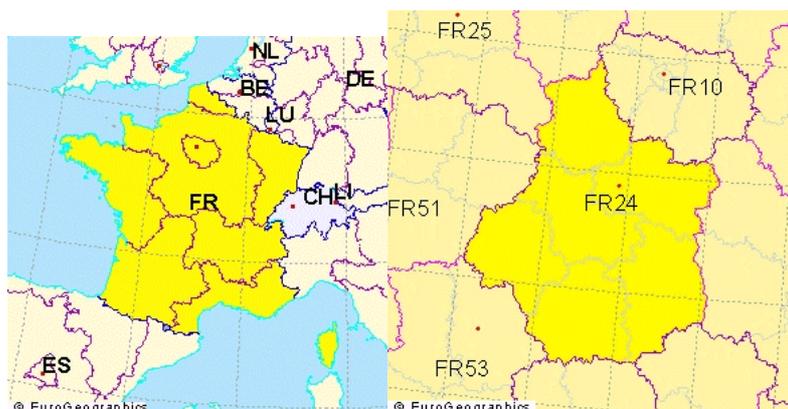
In addition, research undertaken under ESPON 2.1.1. shows that région Centre can be considered as 'peripheral' to 'intermediate' in terms of multimodal accessibility at NUTS III level (2 NUTS III areas qualify as 'intermediate' and 4 as 'peripheral').

## 2 DESCRIPTION

### 2.1 CASE STUDY REGION

The région Centre (code NUTS II: FR24) is one of 22 French metropolitan regions. According to the last available 1999 census, the region has a population of 2;440;329, representing 4.1 percent of the French population and making it the ninth most populated region. The region covers an area of 39,151 square kilometres, representing 7 percent of the surface of the whole country. The average population density is 62 inhabitants per square kilometres. There are 999,962 households in the region and the active population amounts to 1,109,279 inhabitants.

**Figure 5. Case study map**



The region includes 6 *départements* which are of NUTS III level, 198 *cantons*, 20 *arrondissements* and 1,842 *communes*. The maps below provide an overview of the key administrative divisions.

**Figure 6. Administrative boundaries within the Région Centre (limits of *arrondissements*)<sup>16</sup>**



#### *Sub-regional demographic disparities*

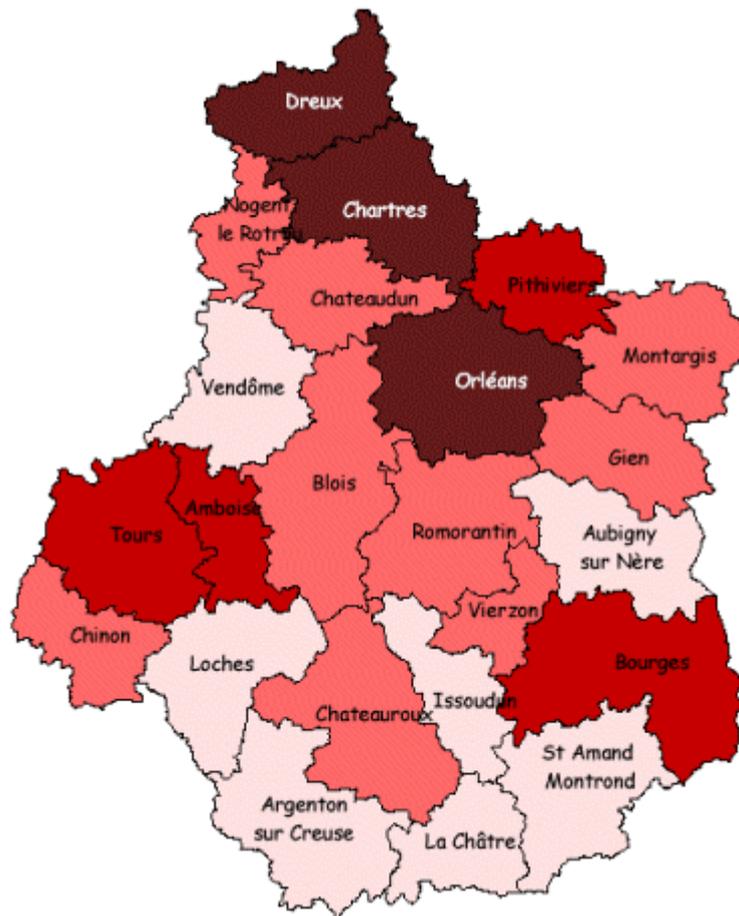
One of the main characteristics of the population of the region is its ageing demographic profile. The share of the population under the age of 20 has decreased from 26.3 percent in 1990 to 24.1 percent in 1999, representing approximately 622,000 people. At the same time, the proportion of older people increased from 21.8 percent in 1990 to 23.3 percent in 1999, representing 550,000 people. As such, the region is the 11<sup>th</sup> ‘most aged’ region in France with an average age of 40.

In spatial terms, the 6 *départements* which make up the region are marked by strong demographic disparities. For instance, in the Indre and in the Cher, the proportion of under 20-year olds is lower than at the national level and is decreasing, whilst the proportion of population above 60 years is higher than the national average and is increasing. On the other hand, the Indre-et-Loire, the Loiret, the Eure-et-Loir and the Loir-et-Cher show: a decreasing proportion of people under 20 although it is still above the regional average; an increase in the share of the population between 40- and 54-year old; and an increase in the proportion of people above 60. The map below provides an interesting spatial representation of this position.

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<sup>16</sup> Source: web site of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

**Figure 7. 'Youth index' in the région Centre (proportion of population below the age of 20 vis-à-vis population above 60)<sup>17</sup>**



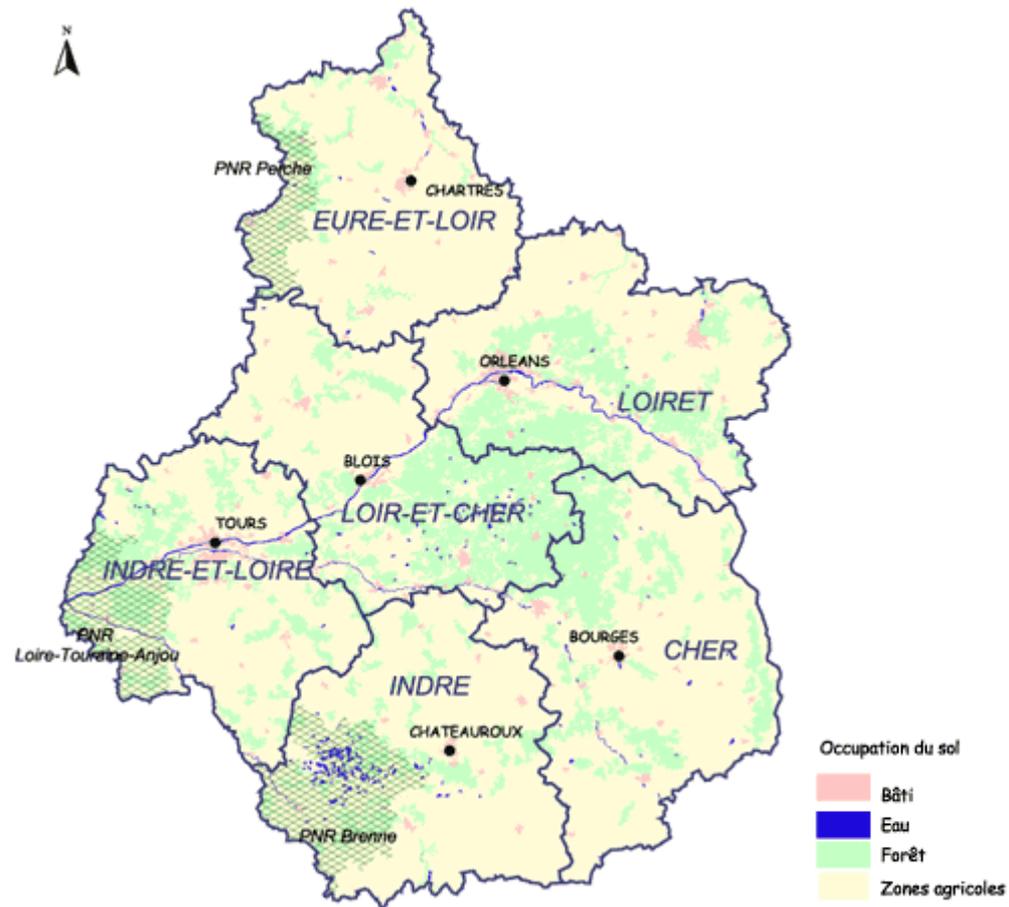
Indice de jeunesse (1)



(1) l'indice de jeunesse est le rapport entre la part des moins de 20 ans et celle des 60ans ou plus.

<sup>17</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

Figure 8. Land use in the région Centre (built areas, water, woods and farming areas)<sup>18</sup>



<sup>18</sup> Source: web site of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

**Figure 9. Local employment areas in the région Centre<sup>19</sup>**



## **2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999 AND 2000-2006)<sup>20</sup>**

In the previous programming period, the région Centre only benefited to a limited extent from European structural policies. The Objective 2 programme covered only one designated area: the local labour area of Bourges-Vierzon. Similarly, the Objective 5b programme only covered the southern fringe of the region as well as the fringes of the Perce area and the Sancerrois hills.

Conversely, the région Centre is one of very few regions in the current programming period (including the specific case of Île-de-France) which did not suffer from a decrease in the demographic quotas allocated by DATAR to each region, designed to respect the concentration criterion imposed by the European Commission.

### ***Objective programmes for 1994-1999 period***

#### ***Objective 2 programme 1994-1996***

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<sup>19</sup> Source: web site of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

<sup>20</sup> Source: European Commission Directorate General for Regional Policy web site ([http://europa.eu.int/comm/regional\\_policy](http://europa.eu.int/comm/regional_policy))

The Objective 2 programme for the 1994-96 period represented a Community Structural Fund allocation of ECU 24.20 million.

Eligible areas included the employment areas of Vierzon and Bourges. Together, they number 207,000 inhabitants, or 8.7% of the total population of the region. The two areas then accounted for 82% of the unemployed population of the Cher département. The decline in employment was a consequence of the crisis affecting the large local industrial concerns, in particular those dependent on the defence sector. The SME fabric remained fragile. However, the area was perceived to have tourist potential, represented by the two towns' cultural and industrial heritage.

The strategy was to promote industrial redeployment through the diversification and the development of local potential, particularly in the tourist sector. The two tables below provide an outline of the programme's strategy and key financial allocations.

**Table 2. Strategy structure for Objective 2 programme 1994-96**

<p>Priority 1. Employment and business competitiveness.</p> <p>The central objective was to diversify industrial production, then dependent on the military sector, by developing the region's considerable potential in terms of know-how and technology.</p>	<p>1.1. Aid for capital investment. Investment in property and equipment for business creation, expansion and relocation.</p> <p>1.2. Aid for intangible investment. Advice on technology, the secondment of managers, and company transfers.</p> <p>1.3. Aid for business financing. Establishment of or participation in a finance corporation, and a loan guarantee fund.</p> <p>1.4. Measures to promote and stimulate economic activity</p> <p>1.5. Continuing training to adapt workers to new jobs</p> <p>1.6. Guidance and integration measures for people at risk of unemployment</p> <p>1.7. Training for trainers</p> <p>1.8. Improvement of employment services</p> <p>1.9. Employment support</p>
<p>Priority 2. Physical development</p> <p>The aim was to increase the power of the eligible areas to attract new investment and activities.</p>	<p>2.1. Environmental protection, including: incentives for business investment to cut down on pollutant waste, river development under projects for the tourist industry, and measures to encourage the selective recycling of industrial waste.</p>

	<p>2.2. Development of tourist potential and the cultural heritage.</p> <p>Design of a programme for tourist development and facilities; preservation of the natural and architectural heritage; and improvement of tourist accommodation and amenities.</p> <p>2.3. Improvement of communications infrastructure essential for economic development</p> <p>Electrification of the Bourges-Vierzon link and construction of a line serving the industrial estate at Bourges-Est.</p> <p>2.4. Rehabilitation of industrial sites and development of business parks</p> <p>2.5. Development of the urban environment</p> <p>Redevelopment of urban wasteland and workers' housing in manufacturing areas.</p>
<p>Priority 3. University and research facilities</p> <p>The aim was to strengthen ties between universities and businesses by improving training, research and technology transfer structures.</p>	<p>3.1. Support for technology transfer</p> <p>3.2. and 3.3. Cooperation between universities and businesses on continuing training, R&amp;D and technology transfer</p> <p>3.4. Training for the managers and technical staff of research establishments</p> <p>3.5. Development of Vierzon as a centre for higher education and research</p>
<p>Priority 4. Technical assistance</p>	<p>Two technical assistance schemes are planned for the monitoring and assessment of measures.</p>

**Table 3. Financial structure for Objective 2 programme 1994-96**

<b>Priorities</b>	<b>Total cost (in €millions)</b>	<b>EC contribution (in €millions)</b>
1. Employment and business competitiveness	18.110	9.055
2. Physical development	75.638	10.482
3. University and research facilities	14.449	4.548
4. Technical assistance	0.230	0.115
<b>TOTAL</b>	<b>108.427</b>	<b>24.200</b>

*Objective 2 programme 1997-99*

The Objective 2 programme for the 1997-99 period represented a Community Structural Fund allocation of ECU 37.987 million, resulting in a planned total expenditure of ECU 126.067 million.

Eligible areas included the industrial regions in decline in the Centre region and the employment basins of Bourges and Vierzon in the département of Cher. In 1996, unemployment in Bourges reached 12.5% and in Vierzon 16.1%, of which 37.8% and 42.4% respectively were long-term unemployed. The national unemployment average at this time was 11.9%, of which 34.3% were long-term unemployed. The two employment basins had a combined population of 233,800 or 72% of the population in the département of Cher.

The programme's strategy aimed to maximise the endogenous potential of the eligible areas and to diversify their activities while creating a proper foundation for enterprises in an environment which favours their development. The programme aims to make the most of the recognised assets of the two employment basins (industrial expertise, the presence of large companies in Bourges and SMEs in Vierzon) while at the same time helping them to overcome their handicaps (weak innovative capacity among SMEs, restructuring in the defence sector, negative image).

The two tables below provide an outline of the programme's strategy and key financial allocations.

**Table 4. Strategy structure for Objective 2 programme 1997-99**

Measure 1. Strengthening research and the diffusion of technology; promoting scientific research.	Measure 1. Strengthening research and the diffusion of technology; promoting scientific research.  Measure 2. Boosting research through training and employment measures.
Priority 2. Promoting economic development (45.42% of the Community contribution).	Measure 3. Improving the economic fabric. Assisting industrial enterprises undergoing conversion and measures to promote local development through aid to craft industries, commerce and tourism.  Measure 4. Economic development measures: aid for human resources and employment.
Priority 3. Increasing the attractiveness of the eligible areas (37.65% of the Community contribution).	Measure 5. Improving the image of the Objective 2 areas through the rehabilitation and redevelopment of sites and by improving quality of life.  Measure 6. Training activities and job creation in conjunction with Measure 5.
Priority 4. Technical assistance (1.08% of the Community contribution).	Measures 7 and 8. Management, monitoring and evaluation of the programme, promotion of activities among all the socio-economic players.

**Table 5. Financial structure for Objective 2 programme 1997-99**

<b>Priorities</b>	<b>Total cost (in €millions)</b>	<b>EC contribution (in €millions)</b>
1. Training and research	12.042	6.021
2. Promoting economic development	79.020	17.255
3. Increasing the attractiveness of the eligible areas	34.187	14.302
4. Technical assistance	0.818	0.409
<b>TOTAL</b>	<b>126.067</b>	<b>37.987</b>

*Objective 5b programme 1994-99*

The Objective 5b programme for the 1994-99 period represented a Community Structural Fund allocation of ECU 84.1 million.

Eligible areas included 540 municipalities in the north-west of the region, spread across the departments of the Cher, Eure-et-Loire, Indre-et-Loire and Loir-et-Cher. The total population covered is 385,181.

The programme's strategy aimed to promote economic development and the development of the tourist industry and to launch integrated actions designed to preserve and create jobs and to upgrade human resources by improving qualifications. The environment will also be protected as a potential source of development.

The two tables below provide an outline of the programme's strategy and key financial allocations.

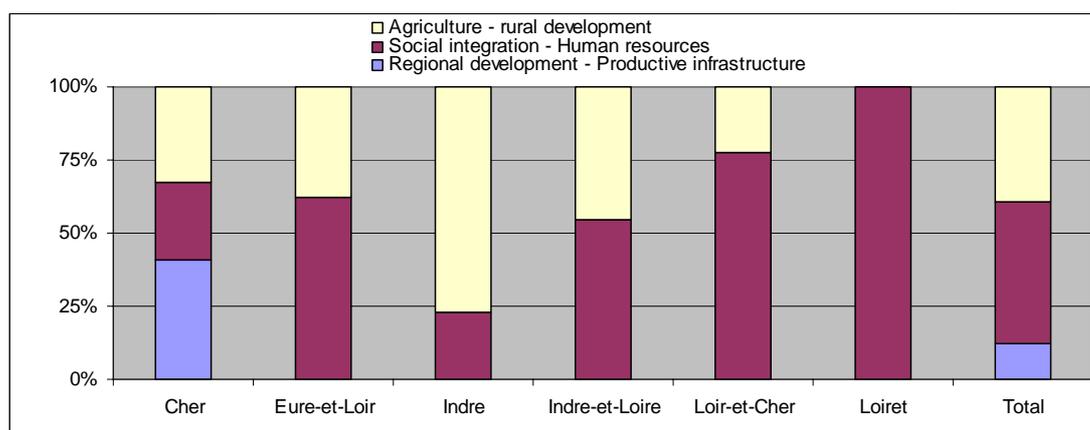
**Table 6. Strategy structure for Objective 5b programme 1994-99**

<b>Priority</b>	<b>Description</b>
1. Strengthening basic development tools.	The planned actions will develop agriculture and forestry sectors, strengthening secondary and tertiary activities by creating a positive environment for development.
2. Strengthening the agricultural and forestry economy, stimulating diversification by investment in equipment and know-how.	Strengthening the secondary and tertiary economy through training and job assistance.
3. Improving quality of life.	The accent will be on maintaining a high quality environment through protection and promotion of the natural environment and protection of rural heritage
4. The implementation, monitoring and evaluation of the programme.	

**Table 7. Financial structure for the Objective 5b programme 1994-99**

Priorities	Total cost (in €millions)	EC contribution (in €millions)
Strengthening basic development tools	72.019	26.523
Strengthening the agricultural and forestry economy	127.930	36.850
Improving quality of life	54.286	18.004
Implementation, monitoring and evaluation	5.446	2.723
Total	259.681	84.100

**Table 8. Type of Structural Fund spending per *départements* for all Objective programmes over the 1994-1999 programming period**



***Objective programmes for the 2000-2006 period***

***Objective 2 Programme for the Centre Region, 2000-2006***

This programme is eligible for an EC contribution of €199.3 million, out of a total budget of €334.5 million.

The eligible areas under Objective 2 and transitional support for 2000-2006 are the southern areas of the region which are in danger of decline. These include towns such as Bourges and Châteauroux, and rural areas that have long been suffering from recession. Eligible areas cover 750,000 inhabitants representing nearly 30% of the population of the region.

The two tables below provide an outline of the programme's strategy and key financial allocations.

**Table 9. Strategy structure for the Objective 2 Programme for the Centre Region, 2000-2006**

Priority	Description
Priority 1 : Support for the conversion of economic activities and bolster competitiveness	The main objective to encourage endogenous development will be implemented through a set of measures ranging from support on an individual or group basis for the strategic development of businesses to the anticipation of industrial changes, the promotion of total quality and the improvement of business support infrastructure and the operating environment. Emphasis will also be placed on strengthening human resources.
Priority 2 : Make the territories more attractive	Various measures will aim to improve the region's reputation in symbolic areas such as its heritage, culture and sports. Particular effort will be put into the creation of high-skills development centres and the introduction of the information society in the public sector and businesses.
Priority 3 : Encourage the conditions for quality development matched with solidarity	Cohesion between urban and rural areas will be stepped up through measures that give weight to the whole of the territory. Local development, improved quality of life through investments in social and leisure activity facilities, and the promotion of development that is not harmful to the environment are also on the agenda.
Priority 4 : Further rural development	To increase the added value of agriculture by promoting improved product processing and marketing is one of the key objectives. Rural areas will be made more appealing through actions such as the conservation and protection of rural resources, the modernisation of infrastructure and diversification into tourism. Environment-friendly forms of agriculture will also be encouraged.
Technical Assistance	Measures will be equally provided to assist with the management, implementation , control and evaluation of all aspects of the programme.

**Table 10. Financial structure for the Objective 2 Programme for the Centre Region, 2000-2006**

<b>Priorities</b>	<b>Total cost (in €millions)</b>	<b>EC contribution (in €millions)</b>	<b>Public aid (EC + others)</b>
1 Support for the conversion of economic activities and bolster competitiveness	210.603	58.01	132.458
2 Make the territories more attractive	195.45	59.309	188.368
3 Encourage the conditions for quality development matched with solidarity	216.483	75.965	197.79
4 Further rural development	0	0	0
5 Technical Assistance	11.936	5.969	11.936
<b>Total</b>	<b>634.472</b>	<b>199.253</b>	<b>530.552</b>

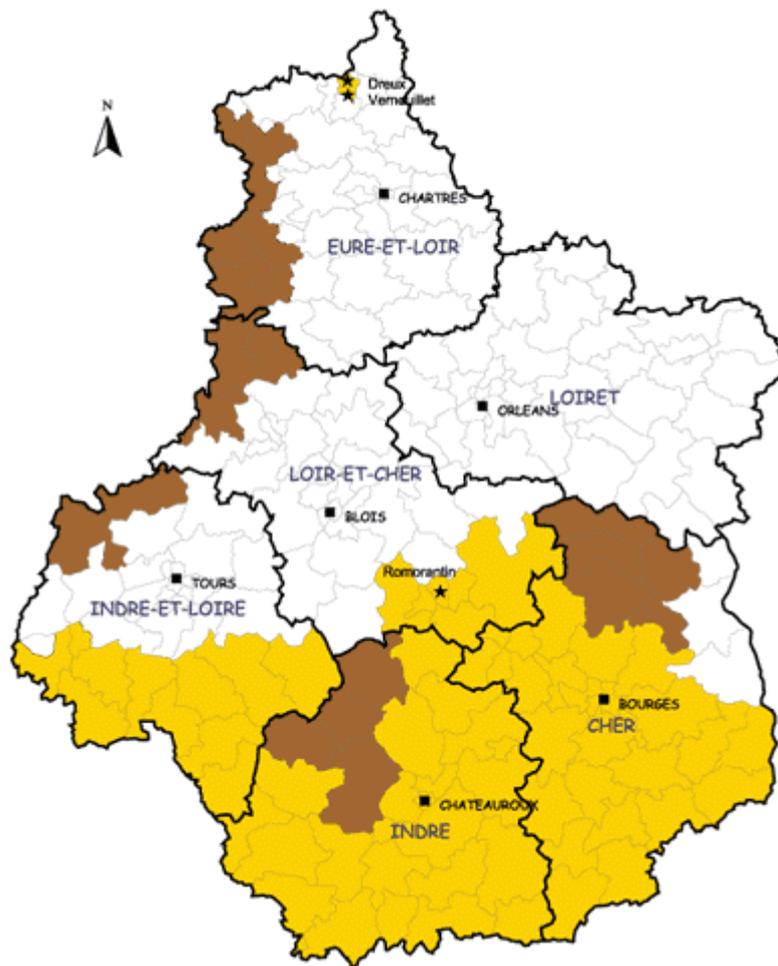
***Community Initiatives***

In addition to the programmes described above, the région Centre has been eligible for several Community Initiatives.

In the previous programming period, the region received funding under KONVER II (€1.151 million EC contribution) from 1995 to 1997 and INTERREG II Germany / France / Switzerland Upper Rhine-Centre/South (€24.579 million EC contribution) from 1994 to 1999.

In the current programming period, the region is eligible for funding under LEADER +, EQUAL, INTERREG III B - North West Europe, INTERREG III B - Atlantic Rim and INTERREG IIIC – West.

Figure 10. Objective 2 area designation for the région Centre<sup>21</sup>



<sup>21</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

### 3 Impacts on spatial development

#### 3.1 POLYCENTRIC DEVELOPMENT

Contrary to other French regions such as Midi-Pyrénées or Nord-Pas-de-Calais, the région Centre is not polarised by a metropolitan area towards which most flows of goods and people converge. Neither are regional space dynamics organised around several metropolitan poles. The urban structure of the région Centre is dominated by two cities of equivalent size, Tours and Orléans, but neither has the status of a metropolitan area. As a result, these two urban concentrations must be studied both separately but also in terms of their relationships as a potential intermediary metropolitan area located between the major urban poles represented by the cities of Paris, Nantes and Bordeaux.

The French spatial planning agency DATAR has promoted the image of an urban network bringing together the cities of Orléans, Blois and Tours as a structuring element for the future development of the region. However, this virtuous image may not be an accurate representation of the reality on the ground. The following investigates whether Orléans and Tours have different but complementary socio-economic profiles. Also, we explore whether the development of the wider Val de Loire area is a regional priority.

#### *A prosperous region but with strong disparities*

As described above, the région Centre is stretched over 300 kilometres from north to south and 250 kilometres from east to west. The région Centre presents strong demographic, economic and urban disparities between the north and south on the one hand, and the east and west on the other. The population has increased by nearly 40 percent since the 1950s. However, this demographic renewal is not a consequence of internal growth but results from migrations into the regions, with most migrants coming from neighbouring regions, particularly the Île-de-France.

**Table 11. Demographic trends in the région Centre from 1954 and 1999<sup>22</sup>**

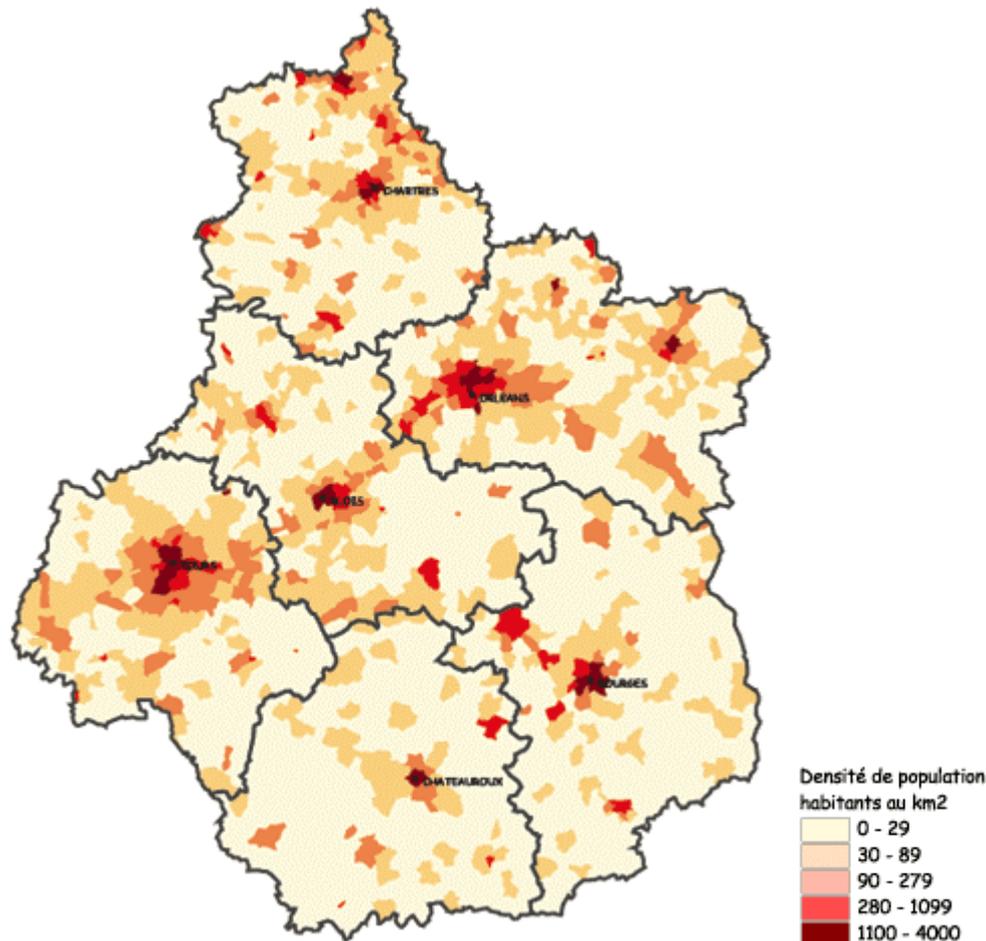
	Population (1,000 inhabitants)		Total net variation between 1954 and 1999 (in %)
	1954	1999	
<b>Cher</b>	284	314	+10
<b>Eure-et-Loire</b>	261	408	+56
<b>Indre</b>	247	231	-9
<b>Indre-et-Loire</b>	365	554	+52
<b>Loir-et-Cher</b>	240	315	+31
<b>Loiret</b>	361	618	+71
<b>TOTAL</b>	1758	2440	+39

As can be seen in the table above and from the figure below, the northernmost *départements*, closest to Paris and/or the most urbanised have benefited from this demographic growth. On the other hand, the southern *départements* have not been

<sup>22</sup> Source: INSEE (French national statistical office), 1999.

involved in this process. These areas are subject to both outward migrations and the ageing of their population. Such variation represents a threat to regional cohesion, particularly as it overlaps the disparities observed in wealth creation.

**Figure 11. Population densities in the région Centre<sup>23</sup>**



In broad terms, the région Centre was only industrialised in the last fifty years. From 1954 to 1980, it benefited from 23 percent of all industrial decentralisation operations in France, and accounted for 15 percent of jobs created as a result. 800 Parisian companies, representing 95,000 jobs, located in the region over a period of less than 30 years. However, these decentralised activities primarily consisted in low-level implementation and manufacturing activities. Company headquarters are located outside the region along important economic or residential geographical axes, such as the Val de Loire. Consequently, the linear structure of the region, along valleys and motorways, was reinforced. The setting up of new businesses in the service sector, be they from French or foreign companies, have strengthened this movement towards the Val de Loire and the northern parts of the region.

*Tours and Orléans, two urban areas of similar socio-economic weight and profile*

The axis formed by the three cities of Tours, Blois and Orléans is pivotal to the région Centre and it has been so for a very long time. Until the middle of the 19<sup>th</sup> century, the traffic of goods on waterways on the river Loire and its tributaries connected the three

<sup>23</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

provinces of Orléanais, Berry and Touraine. The creation of the railways and motorway systems did not weaken the intra- and extra-regional transport function provided by the Loire valley. On the contrary, the axis formed by the river Loire (shown on the map of the region with its main rivers below) is still nowadays the most populated and urbanised area in the region. However, the economic unity and the community of interests symbolised by the activities of the Loire river are not the same today. Orléans benefits from its status of regional capital but, more importantly, from the proximity of the Île-de-France region whose demographic and economic dynamism expands beyond its boundaries. Tours also dominates the areas surrounding the city but it is oriented towards western France, particularly the Anjou and Poitou regions.



### **3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM**

The evolution of socio-economic conditions recorded over the period 1990-1999 show that the local employment areas of Bourges and Vierzon are still confronted with a decrease of their total population and a loss in the numbers of jobs. The specialisation of these local employment areas in industry has persisted. These activities are linked primarily with the defence and armaments sectors, whose activities have been in crisis for a many years.

In this context, a relevant spatial development strategy should be based on:

- adapting and redirecting the network of PME's to provide products and services to sectors other than the armament industry and towards recognised centres of excellence. For instance, the creation of the first school of engineers in Bourges (ENSIB) has allowed the development of new projects in the field of technology transfers, particularly in relation to industrial risks;
- improving and promoting the cultural infrastructure of the city of Bourges, as these have a direct impact on the numbers of tourists visiting the region. By way of example, the choice of the cathedral of Bourges as a UNESCO World Heritage site and the range of activities undertaken on key sites in Bourges (Palais Jacques Cœur, Hôtel Lallemand and the installation of floodlighting equipment in the old streets of the city) have had a direct beneficial impact on tourist numbers.

The evaluation of the Objective 2 programme for 1994-96 and its analysis of socio-economic changes in the region, resulted in the 1997-99 programme's focusing more particularly on economic development measures, including the transfer of technology to centres of excellence and measures aimed at increasing the attractiveness of the designated areas.

#### **Measures and project in sectors relevant for ESPON**

##### **Economic base and Industry**

The industrial restructuring policy in the areas of Bourges and Vierzon has consisted primarily in maintaining and creating jobs. This priority has been translated into measures to support, strengthen and diversify the economic fabric. Important financial contributions have been attributed to these measures in the previous and current programming period. These represent a total of 380 million francs invested by both public and private actors over the 1994-99 period, and focused on improving the competitiveness of companies, facilitating their restructuring as well as the emergence of new activities.

However, these measures have been confronted with a number of implementation challenges over the previous programming period. As a result, only 57 percent of the funds allocated had been committed by the end of the period. These difficulties can be attributed to the lack of efforts invested to stimulate a demand for subsidies, as well as the lack of national funding counterparts for SMEs. More seriously, the evaluators note a persisting weak propensity to invest among economic actors.

##### **Tourism**

The tourism sector has benefited from the Structural Fund programmes. The amount of aids granted to craft industries and tourism (for which figures are often aggregated) has more than doubled between 1994-96 and 1997-99. Overall, 10 operations were funded to develop and promote the supply of services for tourism. Particular efforts

were made to promote thematic tourist activities based on the specificities of the designated areas. This included the 'route of porcelain' and the development of radio astronomy.

In the current period, the Loire Valley is consolidating its position, whereas the more scattered heritage of the southern areas are not sufficiently developed.

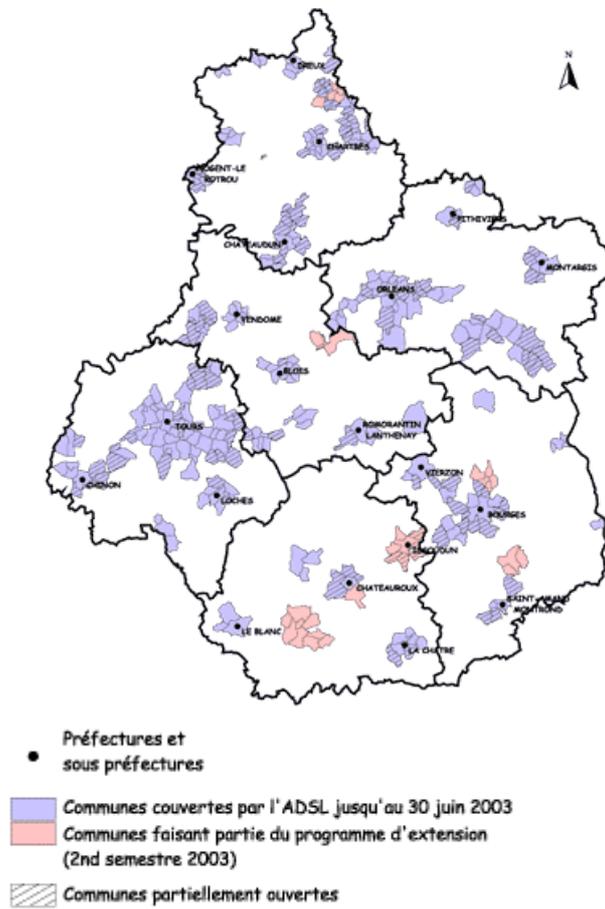
### **Knowledge / Higher education institutions**

Over the previous and current programming periods, a number of measures were introduced to support investments in the fields of research, innovation and technology transfers. The main objective here has been to regenerate the economic fabric which has been struck by the decline of traditional activities, for instance in the Vierzon area. This has been translated into the promotion of innovating activities in those areas.

The total value of funds allocated to R&D measures has increased over successive programming periods, as well as the proportion of funding allocated in comparison to other priority areas. Total public spending on those measures amounted to 144 million francs, including 63 million francs of ERDF contribution, over the 1994-99 programming period. These measures received a renewed emphasis during the second phase of the previous programming period, from 1997 to 1999, when significant additional national funds – an increase of 250 percent vis-à-vis the previous phase – were allocated to them. This amounted to 12 percent of total expenditure of the Objective 2 programme in 1997-99, against only 5 percent in 1994-96.

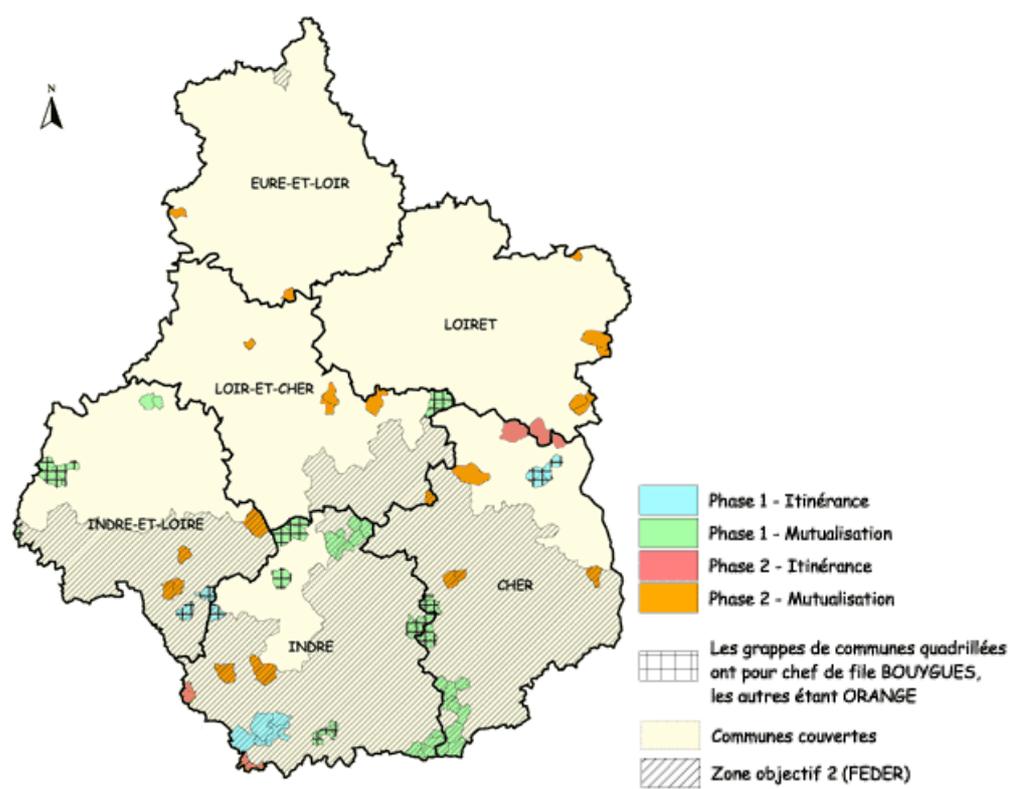
The impact of R&D measures is twofold, as these activities have had both a quantitative and qualitative leverage effect on the supply of services to the innovation field. Academic research has been facilitated through the creation of new laboratories and partnerships between labs and companies have been forged. The supply of services for innovative companies has also been improved as the links between academic research and training services.

Figure 14. IT infrastructure in the région Centre (municipalities covered by broadband services)<sup>26</sup>



<sup>26</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

**Figure 15. Mobile telephony services in the région Centre<sup>27</sup>**



### Decision-making / Location of company HQs

Traditional activities located in the région Centre primarily consisted of low-level implementation and manufacturing activities. These depended upon company headquarters located outside the region on important economic or residential geographical axes, such as the Val de Loire. The Structural Fund programmes do not seem to have had a significant impact on this situation.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important)</b>

<sup>27</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

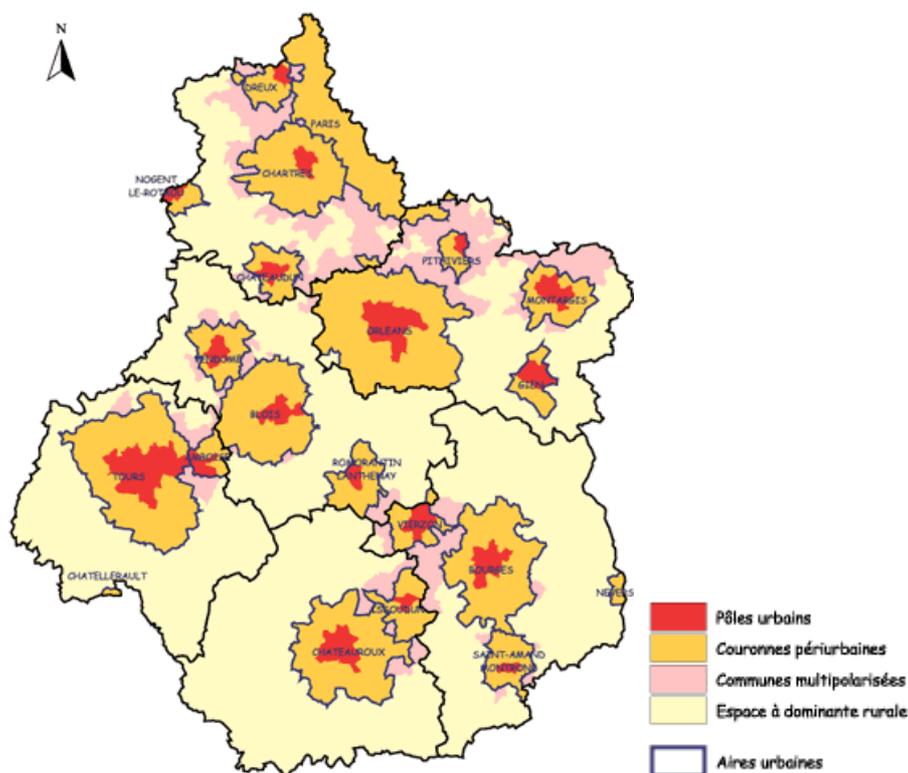
				influence)
<b>Tourism</b>	Amount of aids granted to craft industries and tourism more than doubled between 1994-96 and 1997-99	The Loire Valley is consolidating its position, whereas the more scattered heritage of the southern areas mean that they are not sufficiently developed.	Tourism activities benefit from high award rate.	2
<b>Knowledge / Higher education institutions</b>	The programme's R&D measure performed particularly well in terms of financial commitment, exceeding its financial forecast.	However, the pace of realisation has been slow, as the vast majority of projects were committed in 1999.	Creation of a Centre for industrial research within the new engineering school. Radioastronomy centre in Nançay. Research centre on ceramics.	2
<b>Decision-making / Location of company HQs</b>	Traditional activities located in the région Centre depend upon company headquarters located outside the region.	The programmes do not seem to have had a significant impact on this situation	NA	0
<b>Economic base and industry</b>	Low commitment levels over the previous programming period.	Also, low levels of realisation of projects.	Strong support to craft industries	1

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

While the north of the Centre region, with its dynamic cities such as Orleans, Chartres and Tours, benefits from its proximity to Paris, its southern areas are in danger of decline. Employment and the percentage of working people are decreasing in these areas and industrial activity is suffering from the consequences of restructuring of the

armament and motor industries as well as the pronounced decline of the clothing and ready-to-wear sector. These trends are best illustrated by the map below.

**Figure 16. Urban areas and their peripheries in the région Centre<sup>28</sup>**



The diverse nature of the Centre region is also reflected in its rural areas and the agricultural sector – large cereal crops in Beauce and the Berry area of Champagne, mixed crop/livestock farming in outlying areas, dairy farms bordering the Massif Central and other specialised productions (vineyards, tree cultivation, etc.).

	Status during 1995-1999	Current status	Possible Structural Funds influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
<b>Population</b>	Limited	Continuation	Very limited	0 to 1

<sup>28</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

<b>density</b>	growth, only due to inward migrations.	of this trend, with aggravated ageing of the rural population, particularly in the south of the region.	impact of the Funds in this area.	
<b>Possible concentration trends</b>	Concentration of the population in the northern parts of the region.	Continuation of this trend.	Very limited impact of the Funds in this area.	0 to 1
<b>Rural-urban status</b>	Agricultural sector suffering from lack of income, with difficulties to maintain and renew farming businesses.	Stronger focus on project engineering.	Priority 4 of current programme: increasing the added value of agricultural productions and their respect for the environment.  Priority 3 of current programme: regenerating city centres and improving the urban milieu.	1
<b>Promotion of rural-urban interaction And “Best practices” of promoting rural-urban interaction</b>	Long-term domestic regional policy promoting the organisation of the region.	Promotion of better interaction between urban and rural areas through the implementation of the 1999 law on spatial planning and sustainable development.	Structural Funds used as leverage to promote and support the creation of ‘pays’, a new legal framework designed to bring institutions and actors together across administrative	2

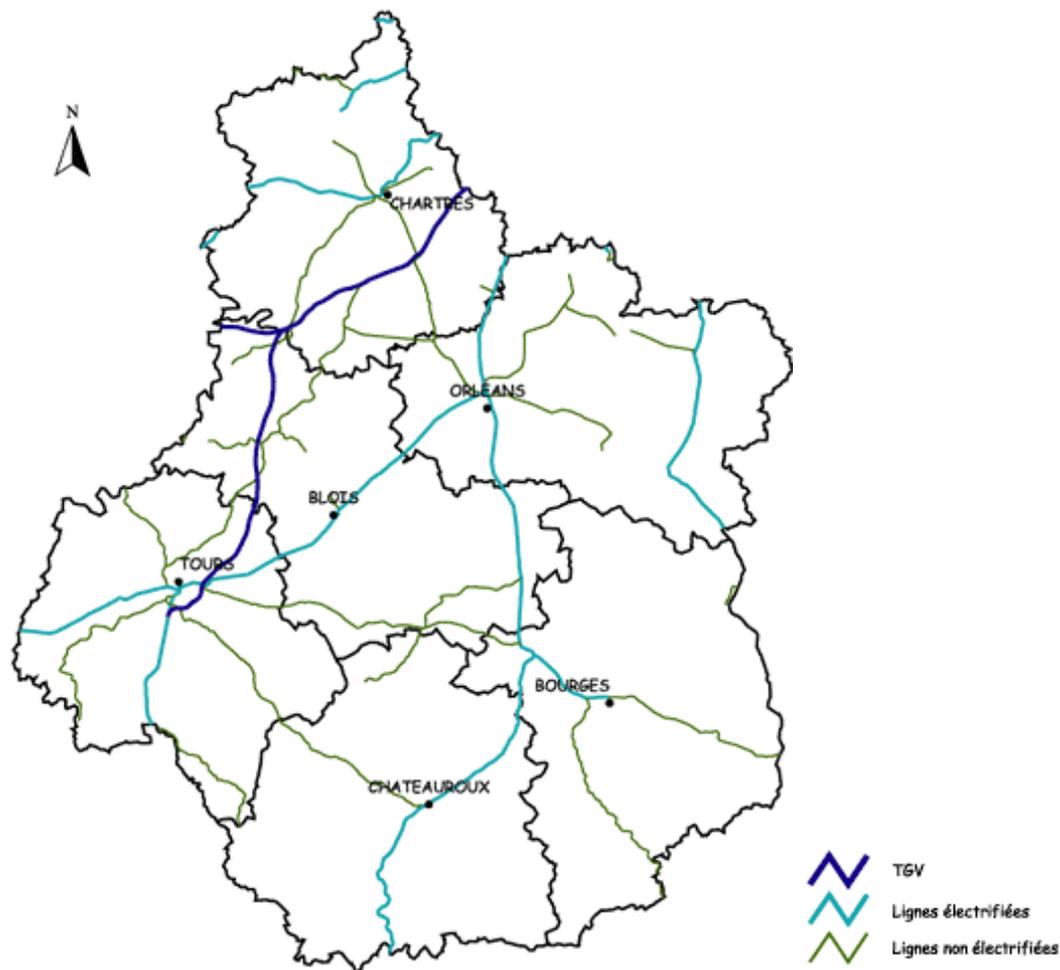
			boundaries.	
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### 3.1.3 RELATION FUNCTION

In terms of accessibility, the region is strongly influenced by its proximity to Île-de-France and the radial structure of its road and railway network. The region is crossed by important north-south flows which are part of national and internal transit.

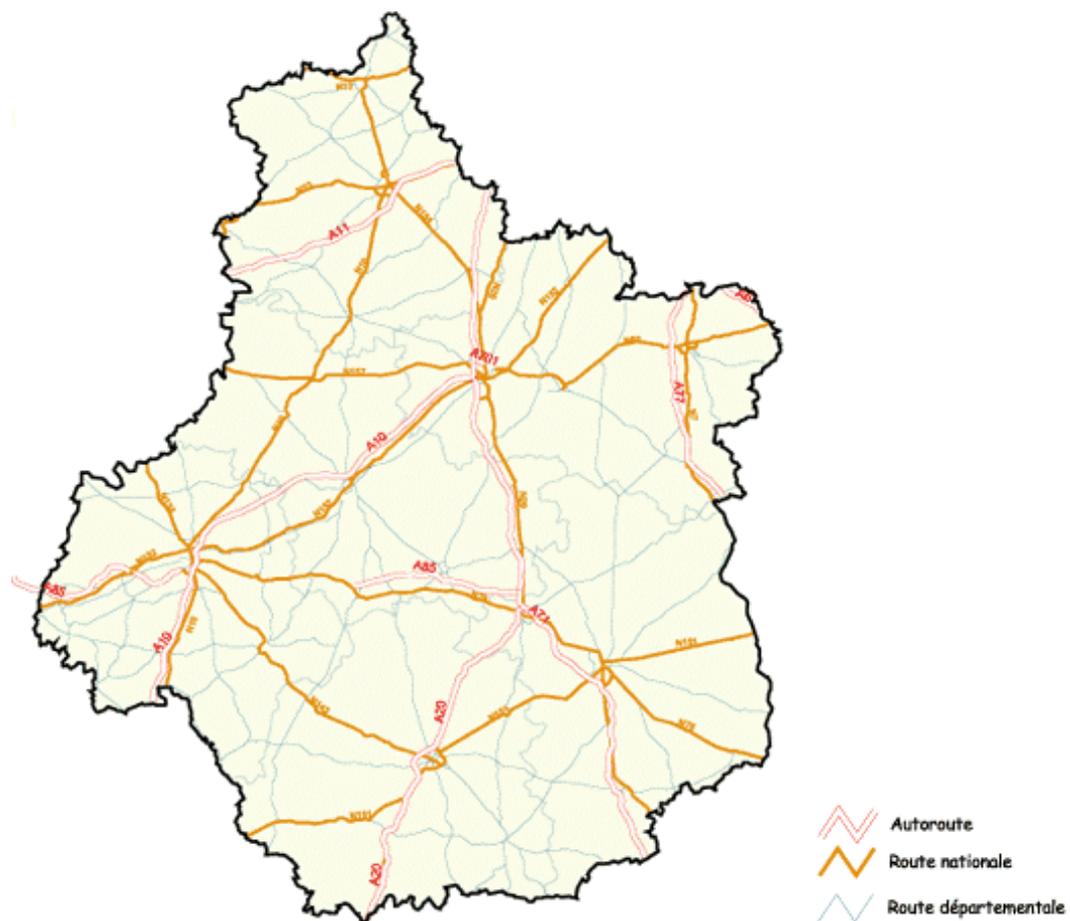
The more remote character of the southern part of the region was for a long time perceived as a major handicap for the economic development of these areas. This is now less of an obstacle as important words have been carried on both the road and rail networks. However, some weaknesses persist. The two maps below provide an outline of the key axes for both the road and rail network in the region.

**Figure 17. Railway infrastructure in the région Centre<sup>29</sup>**



<sup>29</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

Figure 18. Road infrastructure in the région Centre<sup>30</sup>



<sup>30</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>Accessibility and changes</b>	Good rail and road infrastructure for North-South liaison, but situation more difficult for East-West links.	The road network is dense but suffers from traffic congestion around urban areas.	Noticeable improvement of interregional rail connections.	1
<b>Key strategic and functional networks (promoting specialization)</b>	NA	NA	NA	NA

## 4 POLICY IMPACTS

### 4.1 IMPACT UPON GOVERNANCE ASPECTS

In terms of the impact of Structural Fund programmes upon governance, it is interesting to note that the implementation of the Objective 2 programme in the current programming period is informed by the French domestic spatial policy based on the *espaces de projets* or 'project areas'. In other words, the key objective pursued is the performance of spatial areas, by building upon their resources and supporting real spatial development strategies tailored to the specific areas to which they apply.

In this context, new policy tools, such as the *pays*, are not meant to be a new institutional layer. Their objective is to provide a framework for institutional actors to come together to share their approach and perception of their areas and develop a global *projet* for their area, i.e. a perspective for its future. The maps below provide an outline of areas of the *pays* created in the région Centre, as well as of areas designated under French national urban policy schemes in the région Centre.

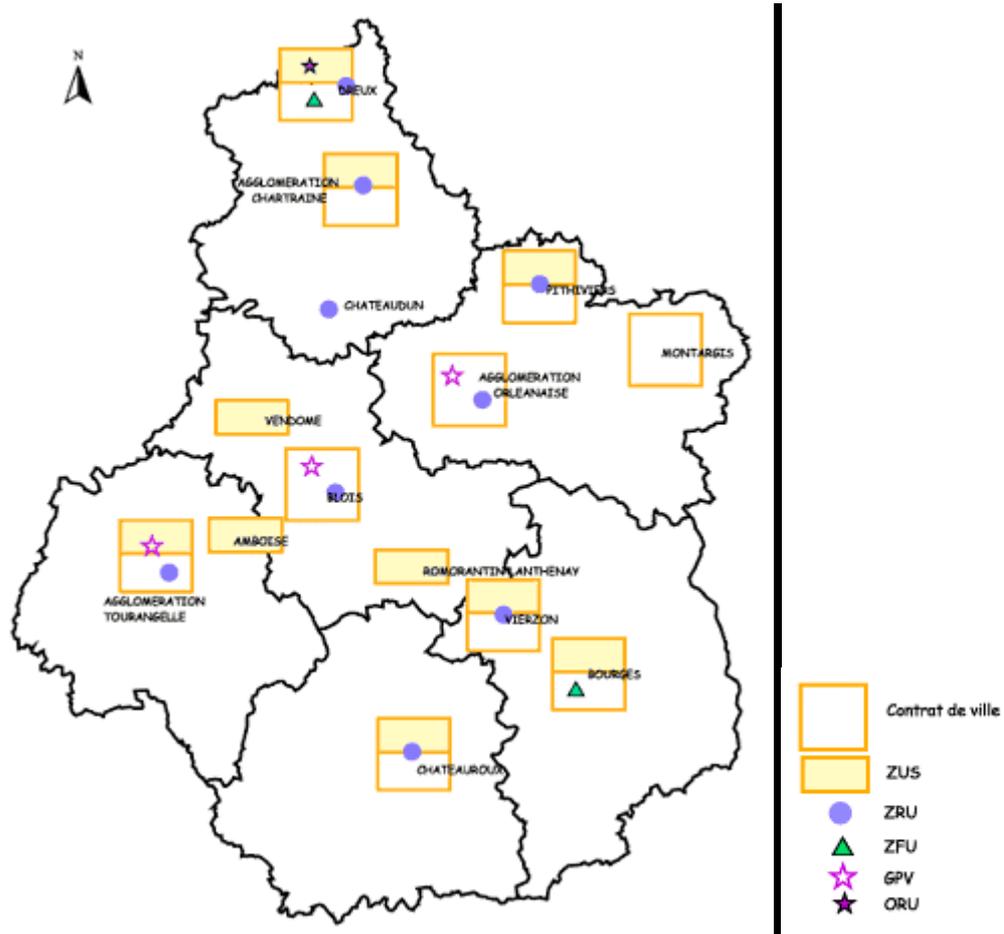
More generally, project managers stress the time required by agents and project managers to grasp the working of Structural Fund programmes. This explains, to some extent, the initial slow take-up of the current programme. On the other hand, the partnerships that pre-existed between institutional and economic actors have been strengthened during the current period. In this regard, the information days organised by the programme managing authority to bring together all parties concerned have been particularly useful, since the management of the programme is largely de-concentrated to the *départements* level where the *prefectures* are the key interlocutors for project applicants.

Figure 19. Areas covered by the *pays*<sup>31</sup>



<sup>31</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

Figure 20. Areas designated under French national urban policy schemes in the région Centre<sup>32</sup>



<sup>32</sup> Source: website of Préfecture de la région Centre (<http://www.centre.pref.gouv.fr>)

	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>Consistency of national and European policy goals outlined in programme documents</b>	The current programme conforms with EU orientations. It contributes to the economic and social conversion of the designated areas.	2
<b>Governance innovations</b>	<p>The partnership has become entrenched among institutional actors, including through the co-presidency (SGAR and Regional Council) of the managing committee.</p> <p>The programmes are also used by national policy-making bodies such as DATAR, to promote a 'culture of evaluation' throughout policy-making bodies and their administration.</p>	2
<b>Inclusion of new actors and organisation in partnerships</b>	See developments above on the <i>pays</i> .	2
<b>Links to traditional democratic decision-making</b>	NA	NA
<b>Financial practices enabling enlargement of partnerships</b>	NA	NA
<b>Ways of avoiding the technocratic elite pluralism</b>	NA	NA

## 4.2 INCLUSION OF THE LISBON THEMES

According to the fieldwork undertaken among programme managers in the region, there has been no specific thinking or actions undertaken to include the economic development themes emphasised in the Lisbon European Council. However, there is a strong resonance between these themes and the Structural Fund programmes in both the previous and current programming period, as outlined in the table below.

The strategy of the current Objective 2 programme, in particular, put a strong emphasis on competitiveness. Measure 3 of Priority 1 focuses on ‘increasing the competitiveness of companies’, and measure 4 on ‘facilitating the conversion of economic activities by improving competitiveness through training and employment’.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
<b>An information society for all:</b> <ul style="list-style-type: none"> <li>• <b>Improving access to communications infrastructure, especially among excluded groups;</b></li> <li>• <b>Using information technologies to renew urban and regional development and promote sustainable development</b></li> </ul>	Obj 2 97-99, Priority 1, Measure 2: Supporting the dissemination of information technologies through training activities	Priority 2, Measure 7: Improving the accessibility of the region through the development of its transport infrastructure		1
<b>Establishing a European area of research and innovation:</b> <ul style="list-style-type: none"> <li>• <b>Improving the efficiency and innovation of research activities;</b></li> <li>• <b>Improving the environment for research;</b></li> </ul>	Obj 2 97-99, Priority 1, Measure 1: Strengthening research and technological dissemination	Priority 2, Measure 5: Developing centres of excellence and networks for technology and information dissemination		1
<b>Creating a business friendly environment</b>	Obj 2 97-99, Priority 2,	Priority 1, Measure 2:		1

<p><b>for SMEs:</b></p> <ul style="list-style-type: none"> <li>• Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>Measure 3: Modernising the economic fabric of the region</p>	<p>Reinforcing the region's capacity to attract and welcome new business activities.</p>		
<p><b>Education and training for living and working in the knowledge society:</b></p> <ul style="list-style-type: none"> <li>• Development of local learning centres,</li> <li>• Promotion of new basic skills</li> </ul>	<p>Obj 2 97-99, Priority 2, Measure 4: Supporting economic development through training and employment</p>	<p>Priority 2, Measure 8: Encouraging innovation through training and employment</p>		1
<p><b>More and better jobs:</b></p> <ul style="list-style-type: none"> <li>• Improving employability and reducing skills gaps;</li> <li>• Encouraging lifelong learning;</li> <li>• Reducing deficits in the service economy;</li> <li>• Extending equal opportunities</li> </ul>	<p>See above and <i>in passim</i> throughout the programme.</p>	<p>See above and <i>in passim</i> throughout the programme.</p>		
<p><b>Promoting social inclusion:</b></p> <ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and opportunity.</li> </ul>	<p><i>In passim</i> throughout the programme.</p>	<p><i>In passim</i> throughout the programme.</p>		

## 5 CONCLUSIONS

The spatial evolution of the région Centre can be situated somewhere between a form of polycentrism and the predominance of two major cities. It is possible to imagine a parallel and separate development of the two main cities, where each one would polarise a portion of the regional space. In a first scenario, limited relationships between the two urban poles with the same broad functions would go with a relative under-development of exchanges between the remaining urban areas of the région Centre. However, another option for the région is to build upon the links between the northern part of the region and the Île-de-France, on the one hand, and upon the orientation of Tours to the south of the region and western France, on the other hand. Orléans and Tours could then act as relays for the development of other urban poles in the region, particularly the towns of Dreux, Chartres, Châteauroux and Bourges.

A polycentric scenario would imply the development of complementarities and exchanges between the two main urban areas, so as to contribute to the development of the region as a whole. On the basis of current trends, turning the axis formed by the Loire river into a metropolitan area is not yet real but it remains plausible.

<i>Geographical level of influence/effect</i>	<i>Type of influence/ effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<b>Aspects explicitly targeting polycentric development</b>	Direct	None	0	None	0	None	0
	Indirect	Focus of the imbalance of the regional areas through the designation of its southern areas where difficulties are concentrated.	1	None	0	None	0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	None	0	None	0	None	0
	Indirect	Pre-existing demographic trends not directly influenced by the programme.	0	None	0	None	0
<b>Functional/economic specialisation</b>	Direct	None	0	None	0	None	0

(e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Indirect	None	0	None	0	None	0
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Improvement of infrastructure transport	1	Improvement of infrastructure transport	1	Improvement of infrastructure transport	1
	Indirect	See above	1	See above	1	See above	1
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	The programmes act as a catalyst to bring institutions and economic actors together.	2	The programme act as a catalyst to bring institutions and economic actors together.	2	Same impact as for micro and meso level through participation in INTERREG	1
	Indirect	See above	2	See above	2	See above	1
<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	See below	0	See below	0	See below	0
	Indirect	Very limited impact.	0	Very limited impact.	0	Very limited impact.	0
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct	See below	0	See below	0	See below	0
	Indirect	Very limited impact.	0	Very limited impact.	0	Very limited impact.	0

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## INTERVIEWEES

- Marc Challéat, Secrétaire Général pour les affaires régionales, Secrétariat Général pour les affaires régionales, Préfecture de la région Centre, Orléans, France.
- Sonia Boudet, Chargée de mission, Secrétariat Général pour les affaires régionales, Préfecture de la région Centre, Orléans, France.
- Marc Gastambide, Conseiller, Mission Europe, Délégation à l'aménagement du territoire et à l'action régionale, Paris, France.
- Myriam Aflalo, Chargée de mission, Mission Europe, Délégation à l'aménagement du territoire et à l'action régionale, Paris, France.
- Marion Lefeu, Chargée de mission, Mission Europe, Délégation à l'aménagement du territoire et à l'action régionale, Paris, France.

## REGIONAL POLICY IN FRANCE IN RELATION TO EUROPEAN REGIONAL POLICY

Over the post-war period, French regional problems have tended to involve: the predominance of Paris over the provinces; the effects of agricultural change and the rural exodus; and the impact of industrial developments, notably the decline in traditional heavy industry. In recent years, the situation has become more complicated. New types of urban problem have emerged – for instance, the social and employment problems associated with high-rise housing on the fringes of the large cities, often with large immigrant populations. There is also concern at the effect of major out-of-town shopping and commercial developments on the centres of smaller towns.

### Strategies

The Framework Law for Sustainable Regional Development (*Loi d'orientation pour l'aménagement et le développement durable du territoire*, LOADDT) was passed in June 1999. It emphasised the provision of demand-led services at the regional level on the basis of equity rather than equality. The emphasis was on projects that exploited resources rather than compensated handicaps. Also key was the emphasis on urban centres. Partnership was also stressed, as was the notion that projects should emerge from a “bottom up” expression of need. Central to this approach, a “redrawing” or blurring of borders was proposed to encourage the emergence of “*pays*” and agglomerations that cut across administrative boundaries but reflected commonalities of interest or areas with an economic, cultural, social or geographical cohesion.

Following the election of a new government in 2002, a revised strategy was announced. It emphasised: the need to encourage the international and European dimension of French regions and to develop the ‘motor’ role of large towns; the importance of *all* regions participating in national development; the idea that regional policy should contribute to new wealth creation and should no longer just be redistributive in nature; the role of policy in targeting equality of opportunity rather than equality of situation; and the need to develop new State-region agreements that respected the identity of different territories and clarified the respective roles of central government and local authorities.

### Instruments

Regional policy in France comprises a wide range of instruments, reflecting the broad concept of *aménagement du territoire*. These fall into a number of different categories.

First, there are long-term planning measures provided for directly by the LOADDT, notably the *schémas de services collectifs*. These aim to relate local service provision to need by providing a long-term frame of reference for public service provision in nine key policy areas: higher education and research; culture; health; information and communication; passenger transport; goods transport; energy; natural and rural areas; and sport. The *schémas* provide a long-term frame of reference for medium-term sub-national planning, notably the *contrats de plan*, as well as for the activities of decentralised public authorities (as agreed in the SRADT).

Second, there are the *contrats de plan État-régions* (CPER). These formal State-region planning contracts provide a medium-term framework for economic development policy and create formal mechanisms of interaction, coordination and negotiation between central government and the regional level. Each contract takes the form of an agreement between the regional *préfet*, representing the State, and the president of the Regional Council. The agreement sets out joint commitments for projects to be financed by either or both levels of government within a multi-year programme.

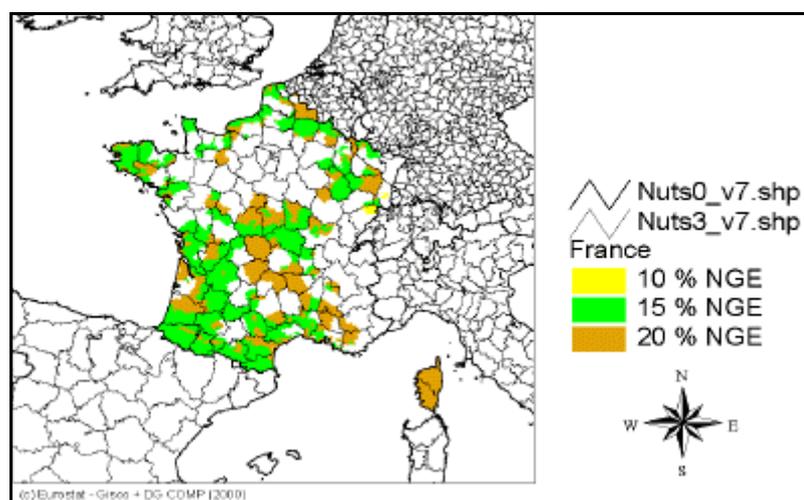
Third, there are regional planning documents, *schéma régional d'aménagement et de développement du territoire* (SRADT), which are drawn up by the Regional Council in partnership with a broad range of regional and sub-regional actors and which set out the main objectives of the region over the medium term (for example, in terms of major infrastructure projects and public services).

Fourth, there are regional aid schemes. The most important is the PAT (regional policy grant) but there is also a local business tax concession for regional development, an aid to encourage decentralisation and a reduction in property transfer/land tax. The *prime d'aménagement du territoire*, PAT, is the mainstay of the regional aid package and the primary incentive for the attraction and retention of mobile investment. The PAT targets projects that meet minimum investment and job creation thresholds, thereby excluding small projects. Availability is restricted to designated *zones d'aménagement du territoire* (ZAT).

### Spatial targeting

The 1999 Framework Law (LOADDT) distinguishes between four categories of problem region: regional development areas; priority rural development areas; urban regeneration areas; and the ultra-peripheral areas – i.e. the DOMs (overseas departments). As noted above, the PAT is restricted to the regional development areas (ZAT). These were approved by the European Commission in Spring 2000. They are characterised by a low level of economic development and insufficient levels of industrial or service activity. The aid area map covers 34 percent of the population compared with previous coverage of around 40.9 percent.

**Figure 3-1: French regional aid map**



Source: DG Competition website

### Governance

The key regional development organisation is the delegation for spatial development and regional action (*Délégation à l'aménagement du territoire et à l'action régionale*, DATAR). DATAR was established in 1963 and, being attached to the Prime Minister's Office, was initially extremely influential. Its prime task is to develop and coordinate State policies in the field of territorial planning (*aménagement du territoire*). In this role, it allocates funds from the two main sources of regional policy expenditure: the *fonds national d'aménagement du territoire* (FNADT) and the PAT.

A second important institution is the interministerial committee for regional development (*Comité interministériel d'aménagement et de développement du territoire*, CIADT). This is a

co-ordinating committee for regional development presided over by the Prime Minister. It meets once or twice a year and includes other relevant ministers such as those responsible for industry, interior, economy and finance, agriculture etc. It takes decisions based on proposals put to it by DATAR. Potentially, it is very powerful, not least since it can commit FNADT finance, but its influence very much depends on the priority given to it by the ministers of the day.

Finally, in the context of regional policy institutions, there is a national council for regional development (*Conseil national d'aménagement du territoire*, CNAT). This is a consultative body which issues published opinions and makes proposals on the implementation of regional policy by the government, local authorities and the European Union. It is chaired by the Prime Minister with DATAR providing the secretariat. It is also involved in the preparation of national regional development outline plans and sectoral outline.

**Table 3-1: Territorial Units in France**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
	NUTS I	9
	NUTS II	26
	NUTS III	100

## FRENCH REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM

French NRP makes explicit reference to spatial objectives. A new impetus was given to DATAR's role in taking a long term strategic view of regional development by the December 1997 meeting of the CIADT33 which charged DATAR with the task of bringing together the elements needed for a future-oriented approach to regional development policy. This culminated in the publication of a discussion document France 2020<sup>34</sup> which was widely disseminated to encourage feedback. The approach was partly based on the evocation of 'unacceptable scenarios', the avoidance of which presumed the need for intervention.

During the previous major consultation exercise which took place in 1993, the debate characterised France as "un territoire qui se disloque",<sup>35</sup> highlighting the excessive concentration of the population, the inadequacy of the urban network and concerns at growing inequalities between the regions. In one scenario, where growth is sustained, this benefits only the Paris region and a limited number of well-placed towns; in a second scenario, where recession takes hold, only the Paris region "survives". In both scenarios, the fragmentation of the spatial economy continues with desertification of ever more extensive rural areas, the growth of the Paris region and the marginalisation of some of its suburbs. It was against this backdrop that the *grand débat* took place and from which the *loi* Pasqua emerged, with, understandably, given these scenarios, a special emphasis on rural areas.

France 2020 also suggests scenarios for the shape of future regional development in France. In this case four possibilities are set out:

- the *archipel éclaté* (scattered archipelago) or neo-liberal scenario is one in which market forces and globalisation together with increased deregulation favour the development of selected urban centres that compete with one another but have limited links with their own hinterlands leading to excessive polarisation;
- under the *centralisme rénové* or 'neo-Jacobin' scenario the pace of globalisation and technological change take hold and a myriad of local initiatives lacking an international dimension lead to increasing disparities, pressures for greater protectionism and the need for stronger central control;
- the *local différencié* scenario envisages the emergence of new spatial entities (which do not coincide with existing administrative boundaries) undertaking initiatives based on community, interregional or even cross-border interests but undermining national cohesion and contributing to growing regional disparities;
- in the *polycentrisme maillé* (polycentric network) scenario different areas adopt different strategies according to their potential, their development and their weaknesses. This is organised around *territoires de projet* (intercommunal structures, *pays*, agglomérations, regional parks etc.), in other words the relevant spatial unit for the population concerned, for political accountability and financial solidarity. National strategies remain important, but are developed differently and the role of the national level is redefined to involve setting the framework for spatial development, resolving conflicts and risk prevention.

The last of these scenarios is the model implied by the *Loi Voynet*, which, again perhaps inevitably, France 2020 endorses as the way forward.

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<sup>33</sup> The interministerial committee for regional development policy which generally meets once a year and sets out the broad lines of policy.

<sup>34</sup> DATAR (2000) *Aménager la France de 2020: Mettre les territoires en mouvement*, La Documentation Française, Paris, France.

<sup>35</sup> Literally, dislocated or fragmenting.

French NRP documents make explicit reference to the concept of territorial cohesion. In one of its recent meetings (on 13 December 2002), the CIADT36 emphasised that it is the State that is responsible for national cohesion in both territorial and social terms, and it is the role of the State to correct inequalities between territories. Therefore, policy should correct territorial inequalities and target equality of opportunity. Household income disparities have tended to decline over the last 20 years but disparities in wealth creation have increased significantly. Currently, just four regions produce half of French GDP. On the other hand, regional problems are not limited to a few narrowly defined areas. Rather they can be found in all regions in various forms – depopulated rural areas, areas facing industrial re-conversion, areas of urban deprivation.

In this context, national cohesion is not just about revenue transfers but also requires fundamental reform of the means of achieving equality (fiscal transfer/equalisation). The aim should be to achieve equality of opportunity rather than equality of situation; such an approach gives every area the means to exploit its own development potential. There are several strands to this: there should be fiscal equalisation between sub-national authorities in order to achieve equality of opportunity, and based on new criteria such as contribution to growth and accessibility; there should be a re-launch of specific actions for the most fragile areas, both urban and rural; there should be a guarantee of equal access to services of general interest and improvements in the responsiveness of public services; and there should be greater access to the information society through the universal deployment of modern information and communication networks.

The polycentric network approach implied by the *loi Voynet* is in line with the philosophy of the European Spatial Development Plans, but in the French context represents a significant break with the past. In particular, regional development issues in France have tended to be characterised by the opposition of Paris and the provinces or urban versus rural. As such, early policies were concerned with reducing the dominance of Paris and encouraging industrial development in the rural south and west; industrial restructuring in the 1970s and 1980s added a new dimension to regional development policy (and one which detracted from its long-term strategic approach), but policy remained essentially redistributive, based on notions of equality, the central role of the State and universal (even uniform) service and infrastructure provision (reflected, for instance, in explicit targets in the *loi Pasqua* for the time or distance of every part of France from motorway access).

Urban development has been a recurrent theme in French regional development - first with the designation of métropoles d'équilibre as a counterweight to Paris, then the development of new towns and later with policies targeting medium-sized towns - an essentially hierarchical approach to urban development. Over time, perceptions of the relationship between Paris and the provinces and other French cities has changed: Paris is increasingly viewed as competing with other European cities, rather than with other French cities;<sup>37</sup> moreover, the notion that the capital receives more than its share of resources has been challenged - it has been shown that Île de France generates a far larger proportion of the gross domestic product than the regional population's share of national household income<sup>38</sup>. These factors, coupled with the significant changes in the nature of regional disparities in France in the post-war years, and

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<sup>36</sup> The *Comité interministériel d'aménagement et de développement du territoire* (interministerial committee for regional development policy) which generally meets once a year and sets out the broad lines of policy.

<sup>37</sup> Huchon, J-P (1999) 'L'Île de France n'est pas en concurrence avec la province, mais avec l'Europe!' *Pouvoirs Locaux*, No. 40, Institut de la Décentralisation, Paris.

<sup>38</sup> Davezies, L. (1999) 'Le mythe d'une région spoliatrice' *Pouvoirs Locaux*, No. 40, Institut de la Décentralisation, Paris.

growing concerns at social exclusion in major urban centres, have underpinned the reorientation of policy that has taken place since the late 1990s.

Central among the objectives of the loi Voynet is the complementarity between urban and rural areas. In contrast with the past tendency to view rural and urban development as alternatives, the loi Voynet seeks to emphasise the symbiosis between urban areas and their rural hinterlands.

Arguably the major new strand of regional development policy is the ‘recomposition’ of the territory into so-called *pays* and agglomérations. The concept of the *pays* and projects based on this delimitation dates back 20 years or so, but was never the core of policy.<sup>39</sup> The legal provisions relating to *pays* were significantly reinforced first under the loi Pasqua then under the loi Voynet. *Pays* are areas which are perceived to have a geographical, economic, cultural or social identity; they are defined at the initiative of communes (the smallest level of local authority) following wider consultation at the département and regional levels. The main aim is to reinforce the linkages between rural areas and small towns and develop territorial entities that are relevant for local development initiatives. Agglomérations were an innovation of the loi Voynet; they concern urban areas with a minimum population of 50,000 comprising a commune with at least 15,000 inhabitants. Given that both types of area are the subject of local level initiative, not all parts of France will necessarily be covered by one or the other - indeed there appears to be some debate as to whether complete coverage is the ultimate objective. In any case, to date, the coverage is quite uneven across the country: *pays* are heavily concentrated in the north and north-west of the country while the more onerous requirements in relation to local taxation have meant that *agglomérations* have been slow to emerge.

The promotion of *pays* and agglomérations is underpinned by two related concerns. First, the perceived need to encourage local initiatives at an appropriate spatial level; and second, issues related to the efficiency of local service provision and to tax competition that result from the extreme fragmentation of the local authority structure in France. More generally, the increasing tendency to favour local initiatives based on relevant territorial units and partnership arrangements can be seen as part of a growing disenchantment with the idea of designating “problem” regions. This is reflected in the thrust of policy under the loi Voynet, which promotes regional development for the whole of France. Concerns at the complexity and effectiveness of spatially-restricted policies led the Prime Minister to commission a report to review the existing position and propose means of simplifying the approach - preferably through an alternative to designating areas for policy targeting. The Perrin-Gaillard - Duron report<sup>40</sup> published in spring 2001 argues for the replacement by 2006 of spatially-restricted policies with partnership-based initiatives linking economic development and environmental protection within the framework of *pays*, *agglomérations* and natural parks. Under this proposal, the substance of policy shifts away from fiscal concessions and aids to firms, and instead emphasises *aides aux territoires* - in other words, government support for partnership-based policies. The problem region orientation is maintained by adjusting levels of government support for *pays* and *agglomerations* in line with the economic, social and cultural difficulties facing particular areas, but without recourse to area designation in the classification of zones. Given the change of government, it remains to be seen what impact the report will have.

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<sup>39</sup> The notion of *pays* generally has a much longer history and is linked to elements of cultural, natural and even gastronomic heritage and diversity, and is, in consequence, rather an emotive term

<sup>40</sup> Perrin-Gaillard, G. and Duron, P. (2001) ‘Du zonage... ..au contrat: une stratégie pour l’avenir’ *Rapport au Premier Ministre*, La Documentation Française, Paris.

# Germany



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Germany

Prepared by  
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&



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

### Methodology

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and

by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

### **Germany – data collection**

For the ESPON 2.2.1 country study on Germany, the analysis of the SF assistance in the period 1994-1999 concentrated on NUTS III regions, i.e. the level of counties and independent cities (Kreise and kreisfreie Staedte). However, this approach turned out to be difficult, since the programming (and also the monitoring and evaluation) usually happens at the NUTS II level, i.e. the federal states.

In a first step, the territorial experts tried to obtain spending data from the different national and regional programming documents and evaluation reports. For the period under consideration, more than 100 Operational Programmes, Single Programming Documents, and Community Initiative Programmes were under operation. This approach to generate primary data with the help of administrators and other experts proved to be extremely difficult. Final reports and evaluations were in some cases not finished, due to still open projects. In some cases national administrators simply refused to supply the data, and instead referred the territorial experts to EC offices, with the remark that all information should be available from there.

The final methodology for the data collection and assessment was based on data provided by a German federal research institute (BBR, cf. WP 4 report). These data provided information on the total spending of SF in Germany in the 1994-1999 period in two ways, on one hand figures on the totals for the respective objectives in the federal states, on the other hand per capita figures for the same categories. In addition, for the nationally managed programmes (ESF in particular) figures were provided, but not in a spatially differentiated way.

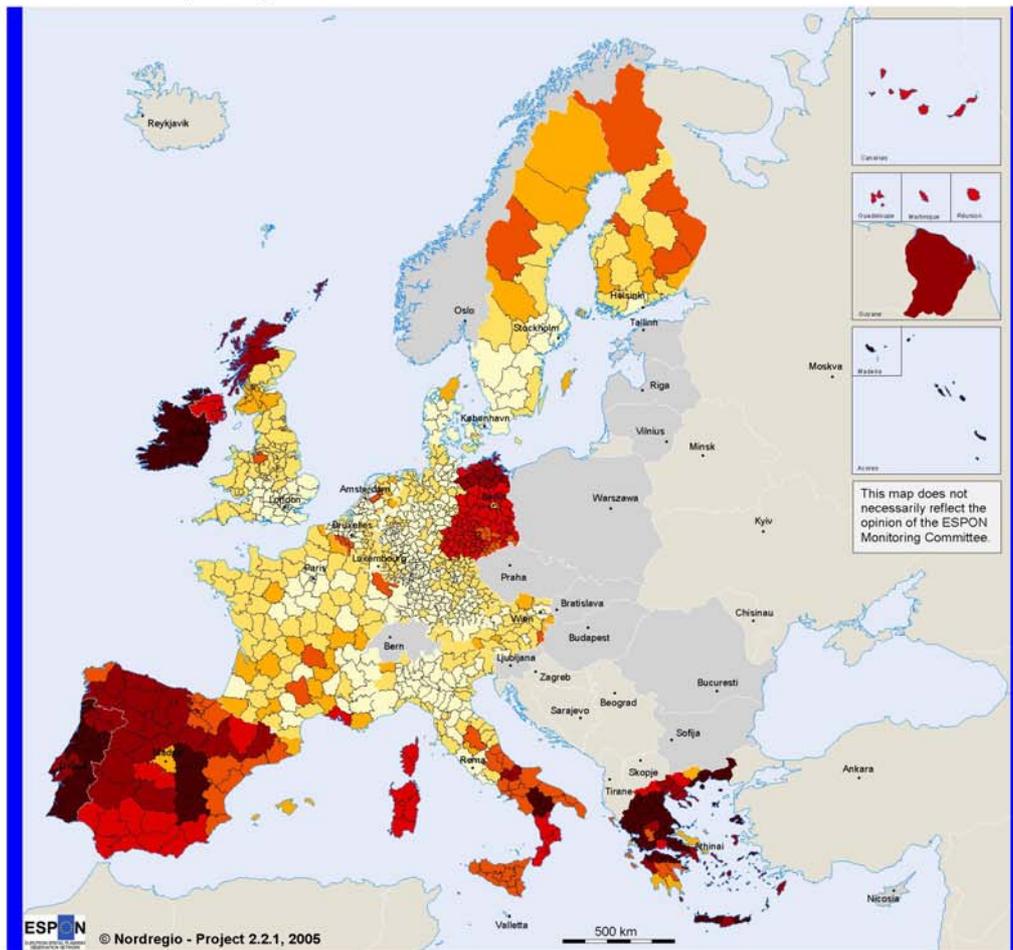
Thus, the finally obtained figures are obviously influenced by population distribution and development trends. The data also show in some cases a considerable variation compared with spending tables available from the EC.

### **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

### Structural Fund spending

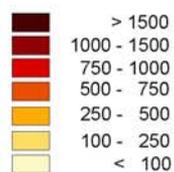


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

## What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro* / *meso* levels as regards spending *per capita*.

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:

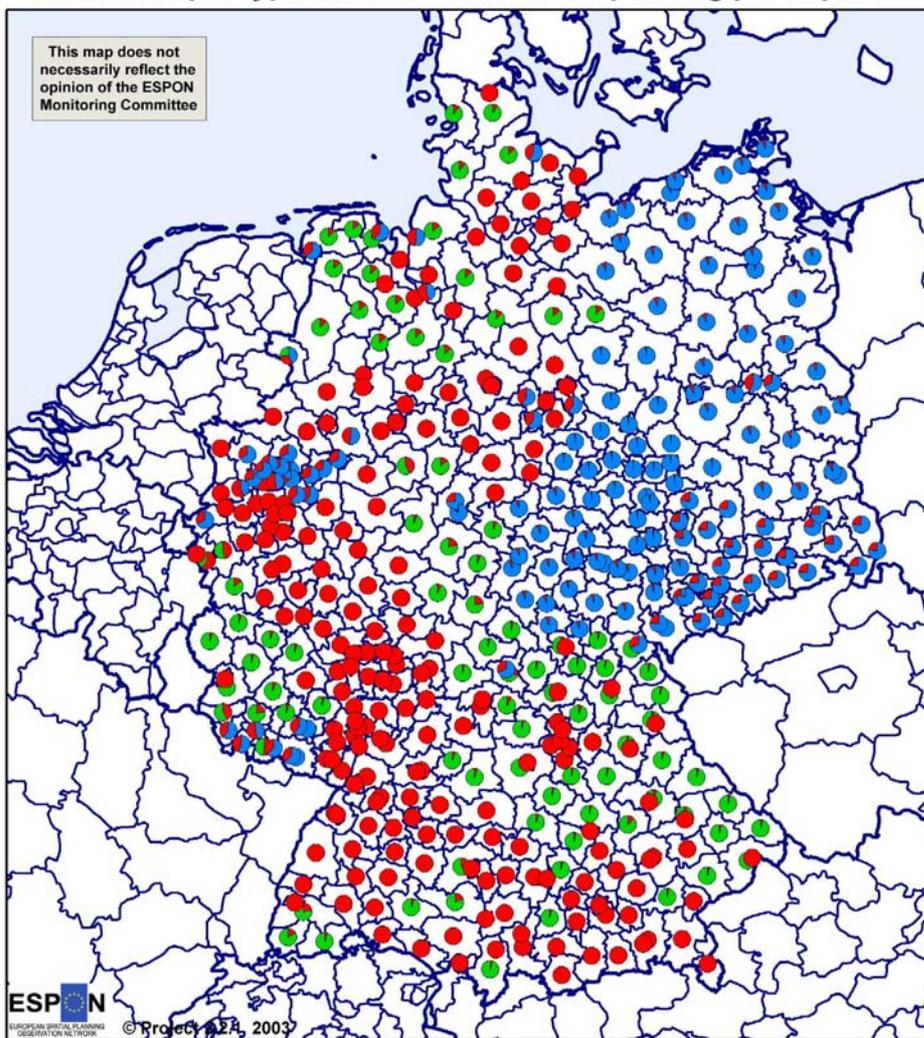
- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

## STRUCTURAL FUNDS IN GERMANY

In the period 1994-1999 Germany was not entirely covered by Structural Funds assistance. The East German Laender completely qualified under Objective 1, with the exception of Berlin, where only East-Berlin was an Objective 1 area and West Berlin an Objective 2 area. The largest gap so to say results from the West German Laender, which are not entirely covered by the Objective 2 and 5b categories. Objective 6 did not at all apply to Germany.

As mentioned before, more than 100 Operational Programmes, Single Programming Documents, and Community Initiative Programmes were under operation in the period between 1994 and 1999 in the German regions. Programmes received funding from all Structural Funds, including FIAF. CIs covering the German regions included Interreg (ignored for RASCI), Urban, SME, Konver, Resider, Retex and Rechar.

### Distribution per type of Structural Funds spending per capita



Geographical Base: Euostat GISCO

Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

### Distribution per type of SF spending per capita

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources

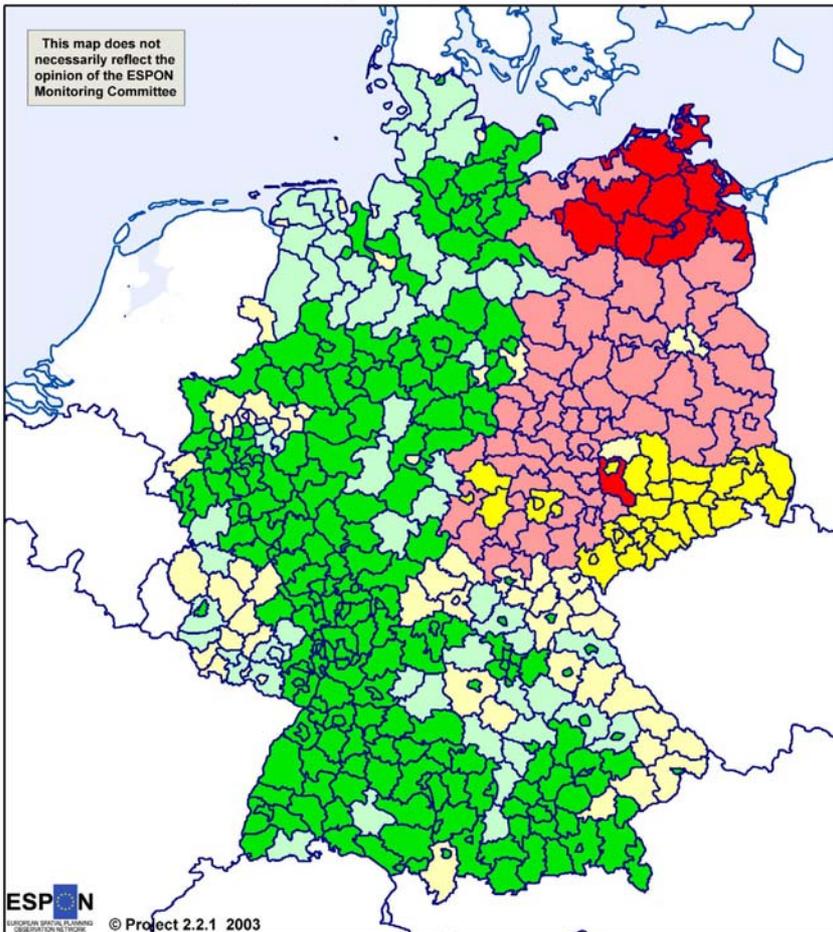
Above map shows the distribution per type of Structural Fund intervention. ERDF financed regional development and productive infrastructure concentrate in East Germany and the old industrial regions of the Ruhr district and the Saarland. EAGF means for agriculture, fisheries and rural development stand out in Lower Saxony, Schleswig-Holstein, and the eastern parts of Bavaria.

The visual dominance of ESF spending (red coloured dots) is due to a statistical effect. The available data on ESF are not provided on a NUTS III level and the resulting statistical and geographical distribution is only an approximation. Statistically, the majority of these regions received below 60 Euro per capita from the Structural Funds.

### **Regional Structural Funds spending**

The Structural Fund spending pattern in Germany on the NUTS III level follows closely the European pattern which has been shown before and developed with the help of NUTS II level data.

### Structural funds spending per capita



Geographical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, ESPON database

#### SF spending per capita



On a second level comparison, the East-West divide in Germany is very visible, with the East German regions receiving the highest rates of funding, and with Mecklenburg-Western Pomerania even showing per capita rates of more than 1,000 Euro. This however, is the result of the lower population figures for Mecklenburg-Western Pomerania, because overall SF spending for this region was not the highest in East Germany in that period. The highest total of SF spending went to Saxony, which translates into lower per capita figures due to the higher population density, as can also be seen from the map. What can also be seen is the situation of Berlin, being an island inside East Germany, surrounded by regions receiving higher spending per capita.

In West Germany, differences between rural areas, rural areas with structural problems (Objective 5b) and old industrial areas (Objective 2) become obvious. The dark green carpet of regions receiving a per capita spending below 60 Euro is a statistical effect of the distribution of the ESF.

In a North to South sequence, the regions facing problems with fisheries and ship building industries (such as Kiel, Bremen, and Emsland/Bentheim) received a higher spending per capita. In the middle of Germany, the Ruhr Region with its old industrial structures stand out, similarly the steel and coal ranges in Saarland. The example of the Ruhr district shows how the problems with structural change in industries are clearly concentrated on few regions inside North Rhine-Westphalia. In South Germany, the regions standing out with higher per capita rates, in particular the regions in Bavaria bordering with the Czech Republic are the ones mainly qualifying under Objective 5b (Bavaria had the largest German programme, followed by Lower Saxony and Rhineland-Palatinate).

In particular the situation in Bavaria also provides a centre-hinterland pattern, with core cities receiving less per capita than the surrounding region, usually the Landkreis, i.e. the county. In East Germany, only the city of Leipzig and the county Leipzig give a similar image.

**ESPON 2.2.1**  
**Case study of Saxony**  
**German Case Study**

Peter Ache

## 1. Focus of interest/Hypotheses

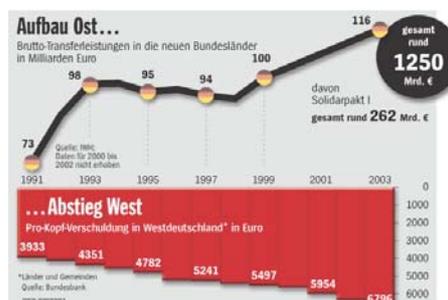
The German region for this case study is the federal state Saxony (Freistaat Sachsen) the German state reaching farthest towards the East. Within Germany, Saxony is the only German Land neighbouring two non EU MS - or two new members of the EU respectively, Poland and the Czech Republic. This border situation and the resulting adjustment processes after integration make Saxony an interesting case to study.

The data collection has shown that Saxony, and within this state the sub-region Leipzig and especially Leipzig county can be characterised as cold spots, i.e. locations with a high SF intensity and comparatively low performance indicators. Regarding Leipzig and Leipzig county, a specific core hinterland problem might occur. Leipzig is the largest city in the region and it will continue to be in that position, according to population forecasts. It is also one of the economic cores and attracted large scale inward investment e.g. with the case of a BMW factory. How, if at all, does this affect the urban rural partnership relation?

As part of the New Laender since the unification process of 1990, Saxony is one of the German regions falling under Objective 1 status and receiving support from the Structural Funds and additional financial grants from the national government in support for the unification process. This unification process has been characterised in the SF evaluation reports and the OP, almost unanimously, as a ‘transformation shock’, with an emphasis on the harsh aspects of the process. Just after unification, a short period of expansion was observable for all East German Laender, slowing down in the following years and now, in 2004 all East German Laender are suffering from the generally weak growth pattern in Germany (if not stagnation). In addition, as a major external shock, massive flooding along the river Elbe struck Saxony in 2002, causing huge damages with a considerable effect on the regional economy. The overall economic damage has been estimated falling into the range of € 6 billion.

It is in so far no surprise that in Saxony (and again in all East German Laender) a debate has been initiated about how to cope with the ‘decline of the East’. For the first time ever, this has been formulated in a departmental research programme, e.g. the City Reconstruction East by the Ministry for Construction, Housing, and Transport, looking precisely at the impact of out-migration – which is one effect of the economic decline - on housing stock or technical infrastructures. According to one interview partner, this aspect though it is present in the professional debates has not touched the SF programmes, yet, but definitely needs to be integrated in future programmes.

A wider political debate has been initiated in Germany, critically interrogating the effects of the unification process in general and the effects of the massive financial subsidies in particular. A group of elder statesmen labelled ‘Gesprachskreis Ost’ recently published the results of its deliberations on ‘Building the East’ of Germany (Aufbau Ost) and came to outright negative results: Since 1991 about € 1,250



ESPON 221 – Annex report

Figure 21 Aufbau Ost (Spiegel Online 2004)

billion have been transferred from the West to the East German Laender! Two thirds of these are estimated to be just *consumed* to sanitize public and private budgets. This means, that the West German Laender were ultimately hindered in their development, as the 4 % GDP transfer outperforms the around 2 % GDP growth – endangering substance. The experts therefore call for a radically more focused approach towards the regeneration of the East German Laender, defining the entire area as a ‘special enterprise zone’ and concentrating the subsidies on growth cores, i.e. clusters. This is a turn away from the creation of equal living conditions in Germany and away from a concentration on the weak regions. On the contrary, the likeliness of return on investment is now the focus, counting on spill-over effects for the disadvantaged regions

(Spiegel Online 2004, Dohnanyi/Most 2004)

Altogether, this specific situation makes Saxony an interesting case to study

- to see how the process of unification affected the region,
- how the SF instruments can be supportive in such a situation, and
- how the border situation towards accession countries, despite being part of the core Member States of the EU, impacts on the broader development pattern.

In addition to the above introduced arguments, Saxony provides one of the few examples, where at least some territorial vocabulary of the ESDP is integrated in the OP 2000-2006. The degree to which this is just a case of ‘window dressing’ or whether it has had a direct influence will be looked at in the following sections.

## 2. Description

In the following section, first the region of Saxony will be introduced, using some general information. In the latter part of the section, the interest will concentrate on Structural Funds programmes and European Initiatives.

### 2.1 CASE STUDY REGION

The region Saxony (DED in NUTS terminology) is one of the sixteen German Laender having the rank of an independent state. 4.4 million inhabitants (accounting for 5.3% of the total German population) live on an area of 18,413 sqkm, resulting in an average population density of 244 inhabitants per sqkm. In terms of population Saxony is the largest East German state

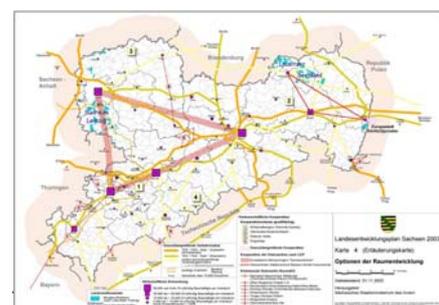
Saxony is the state farthest towards the East in Germany, bordering with the state of Poland and the Czech Republic. It is divided into the three districts (NUTS 2, Regierungsbezirke) Dresden, Leipzig and Chemnitz, receiving their names from the core cities respectively. Dresden is the state capital and was the historical seat of state power. In GDR times, Leipzig was the location of the famous Monday Demonstrations leading to the dismissal of the totalitarian regime and structures in 1990. Chemnitz, the third largest city in the region, was and is an industrial centre, and is usually seen as a bipolar region, including the city of Zwickau. Seven independent cities and 22 counties complete the administrative setting of the state, with altogether 537 local communities (see Figure 22).



**Figure 22 Saxony - Administrative Borders**

The geography of the region is characterised in its northern parts (towards Saxony-Anhalt and Brandenburg) by planes and the river Elbe. The southern parts (towards Bavaria in Germany, and the Czech Republic) are characterised by mid range mountains. Saxony is a region with a rich historical tradition and very picturesque landscapes. Leipzig University was founded in 1407, making it one of the oldest universities in Europe. In Freiberg, the traditional centre for silver ore mining, one of the first mining polytechnics in Europe was founded in 1765. The city of Dresden is often labelled the 'Florence at the Elbe', due to its rich baroque architecture. Last but not least, one of the leading historical garden architects, the Prince Puckler resided in Saxony and created fascinating gardens.

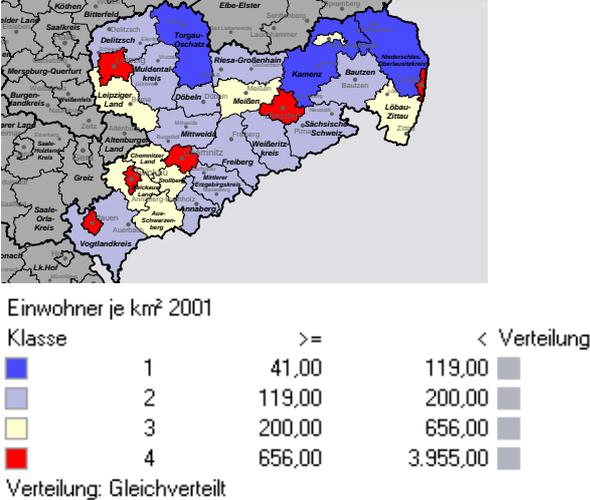
Communications is a positive aspect of the unification process (see Figure 23). Right after unification massive investment programmes addressed the gaps of transport and communication networks. Overall until 2002, € 53 billion went into streets, railways, channels, and technical infrastructure. German Telekom invested €25 billion into the telecommunication networks, creating in the East



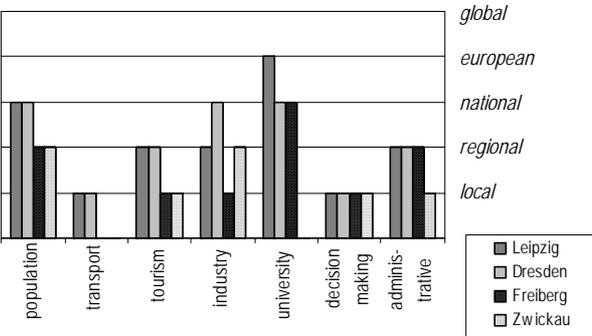
**Figure 23 Communication Networks in Saxony (LEP**

German regions by far the best communication network (Spiegel Online 2004). In the specific case of Saxony, a number of projects linked with TEN and TINA are planned or actually under construction, resulting in rather good road and rail communications. Two regional airports in Dresden and Leipzig provide regular flights to intra-continental destinations. The airport Halle/Leipzig, a joint venture between the city Halle (in Saxony-Anhalt) and Leipzig (in Saxony), has also some cargo and logistic function.

The largest cities in Saxony are Leipzig with 493,052 inhabitants, followed by the state capital Dresden with 478,631, and Chemnitz with 255,798 inhabitants. The next hierarchy level constitute the cities of Zwickau, Plauen, Goerlitz and Hoyerswerda with population figures of just around 100,000 down to 50,000. The settlement structure is clearly marked by this juxtaposition of a few larger cities and a majority of small local communities. About 52% of the population in Saxony live in communities with less than 20,000 inhabitants (ME 2003).



**Figure 25 Population Density Saxony (BBR 2003)**



**Figure 24 FUA-Typology**

In terms of the FUA typology (ESPON 111, see Figure 24) the cities of Leipzig and Dresden qualify as ‘transnational/national’. Two other centres are considered to have a ‘regional/local’ function, Freiberg and Zwickau. It is not quite understandable why exactly Freiberg (50,000 inh.) entered this category – and not Chemnitz, which is the third largest city in Saxony with 250,000 inhabitants and a strong economic base. Leaving this statistical irritation aside, the national typology of central places shows another picture (see Figure 25). The urban centres of Saxony are Dresden, Leipzig and Chemnitz/Zwickau, wrapped together as the Saxony Triangle.

The Saxony Triangle is a reference also used in the OP 2000-2006. Just recently it has become more important due to the highly critical assessment of the state aid for unification and the call to create or concentrate on growth poles. As will be seen further down, in the case of Saxony SF spending concentrates on the core cities Dresden, Leipzig, and

Chemnitz/Zwickau and so do the growth processes, stimulated e.g. by investment. With respect to entire East Germany, the CSF 2000-2006 mentions the cities Dresden and Leipzig as the only other lighthouses, after Berlin. In the coming years, the regional and national programmes are very likely to further concentrate on these centres, linked with the hope of spread effects at least.

Between 1990 and 2001, so after unification, Saxony has faced considerable losses in population figures. Two components have been essential to this, one being the decrease in birth rates and concomitant ageing of the population, the other one being out-migration towards other German Laender, especially towards West Germany. This figure alone accounts for 4.2% of the population loss between 1990 and 2001 and throws a spot light on the situation in Saxony (and for the other East German Laender, too). The trend seems not to break, as the population forecast shows a further decrease for Saxony. Until 2020 the population figure will go down to 3.8 million, which is an additional decrease of 13.7% compared with 2001 (ME 2003, page 30). For this period, the main component will be the negative saldo between birth rates and death rates. The population change will particularly affect the counties (on average minus 15%), whereas the larger independent cities Leipzig and Dresden will experience minor population increases. The most severe population losses has to be faced by Hoyerswerda, located in the North-eastern corner of Saxony, at the border to Brandenbrug. Hoyerswerda will lose almost 40% of its population (cf. Table 7 page 230, Annex).

The shrinking population figures are the phenomenon for the central development problem of the East German Laender at large and Saxony in particular: Unification resulted in a short expansion period which very quickly slowed down to finally enter stagnation. The 'pedestrian vote' (Abstimmung mit den Füßen) led to the effect of a stagnating or slightly increasing per capita income, ultimately resulting in a passive regeneration, highly subsidised by massive transfer income from the West German Laender, as already illustrated in the introductory section. Overall, the integration process for East Germany was all but successful after unification. The famous quote of the former Chancellor Helmut Kohl, promising 'blooming regions' in East Germany became not a self-fulfilling prophecy.

Before the Second World War Saxony used to be one of the industrial centres in Germany, with large scale production facilities (e.g. chemical industry – glass, porcelain; mechanical and automotive industry; but also lignite and ore) concentrating on the triangle between Dresden, Leipzig, and Chemnitz. This continued in the former GDR, further pronounced by R&D structures, linking towards the long standing University tradition in Saxony (Leipzig, Dresden, Freiberg belong to the oldest universities in Germany). The tradition and the further pronounciation in GDR times were not in every case positive. E.g. in the city of Chemnitz the WISMUT company had its HQ, controlling the mining for uranium ore in Saxony and Thuringia. In the 1950ies about 220,000 people were employed by this company, which was owned by the GDR and the USSR at that time. In 1990 WISMUT was the third largest Uranium mining company in the world. Today, the company is owned by the German state and the main task is to remedy the environmental and health damages caused by the Uranium production. The region most affected by uranium mining is a special development area, covered by a regional development strategy and special initiatives in the regional programmes of the Land.

The economic structures in Saxony can be characterised roughly as follows: Dresden is the centre of a modern production industry and matching services, R&D, and HEI. Infineon, AMD but also Volkswagen have production sites here (see also Figure 26). The VW site is quite interesting, as the company has built a ‘manufacture’ for its luxury product, the Phaeton. The manufacture is labelled the ‘transparent manufacture’, a combination of actual production plus entertainment for customers but also visitors. The factory is located close to the city centre, pre fabricated parts are transported to the factory with customized trams using the public tramway system for just in time delivery between a logistic centre outside the city and the factory (see also the tourism section).

Platz	Unternehmen	Branche	Umsatz (Mio. €)	Mit- arbeiter
1	Volkswagen Sachsen GmbH, Zwickau	Automobil	4.300	6.602
2	Verbundnetz Gas AG (VNG), Leipzig	Versorger	2.894	689
3	Envia Mitteldeutsche Energie AG, Chemnitz	Versorger	1.886	3.336
4	SB Handesges. Sachsen-Thüringen mbH, Chemnitz	Handel	1.255	3.270
5	f6 Cigarettenfabrik Dresden GmbH	Tabak	809	404
6	Sachsenmilch AG, Leppersdorf	Nahrungsmittel	721	903
7	Infineon-Gruppe Dresden	Elektronik	720	4.600
8	AMD Saxony Manufacturing GmbH, Dresden	Elektronik	666	1.995
9	Mitteldeutscher Rundfunk (MDR), Leipzig	Medien	657	2.042
10	Koenig & Bauer AG, Werk Radebeul	Maschinenbau	619	1.915
11	Esag Energieversorgung Sachsen Ost AG, Dresden	Versorger	523	1.317
12	Drewag Stadtwerke Dresden GmbH	Versorger	489	1.276
13	SWL Stadtwerke Leipzig GmbH	Versorger	475	1.088
14	PC-Ware Information Technologies AG, Leipzig	I-Technologie	464	560
15	ESG Erdgas Südsachsen GmbH, Chemnitz	Versorger	350	350
16	SAP System Integration AG, Dresden	I-Technologie	293	1.700
17	Noweda Pharma-Handels GmbH, Taucha	Großhandel	292	281
18	Gasversorgung Sachsen Ost GmbH, Dresden	Versorger	271	357
19	Komsa Kommunikation Sachsen AG, Hartmannsdorf	Kommunikation	267	362
20	Dresdner Druck und Verlagshaus GmbH & Co	Medien	254	1.140
21	GKN Gelenkwellenwerk Mosel GmbH, Zwickau	Automobil	248	908
22	Sächsische Edelstahlwerke GmbH, Freital	Stahl	241	1.493
23	Automobilmanufaktur Dresden GmbH	Automobil	220	392
24	Stadtwerke Chemnitz AG	Versorger	219	847
25	Lintec Information Technologies AG, Taucha	I-Technologie	204	342

Quelle: „Die Welt“. Liste der 100 größten Unternehmen Ostdeutschlands 2002 vom 01.09.2003

**Figure 26 25 Largest Companies (turn over) in Saxony, 2002 (REP)**

Leipzig follows close, on the one hand still struggling with the restructuring of the chemical industry, which was based on lignite mining south and north of Leipzig. On the other hand, positive signals have been set with new investments amongst others by Porsche car manufacturing and by BMW. This makes Leipzig one of the car manufacturing centres in Saxony. But, Leipzig is also a center for services, R&D, and – due to its almost 600 year tradition – HEI.

Chemnitz and Zwickau are the other locations of production activities, with Zwickau hosting a production site of VW (6,700 employees) and related suppliers, which also supply BMW in Leipzig.

Unemployment rates are very high in the East German Laender and in Saxony. In fact, the rates are amongst the highest in Europe. On average, the unemployment rate is about 20% in East Germany, for Saxony it has been 21.3 %, with Leipzig peaking 23.1 % in 2002 (see Figure 27). Half of the unemployed are long term unemployed. Due to the in the former GDR typically high activity rates of females, the unemployment rate for females is also quite



**Figure 27 Unemployment Rates in Saxony, 2002 (REP 2003)**

high. Last, young people do have a very little chance to find employment and therefore also form a group of specific concern. The response of this group is migration, contributing to a rapidly ageing society in East Germany, as can also be seen from the figures. 69% of the population in 2000 fall into the group of 15 to 64 years. 18% are 65 or older, just 13% are younger than 15 years (2000, see Table 8, page 232, Annex).

The problems resulting from this have already been mentioned. The population forecast draws a very dramatic picture. In the ageing society death figures outperform birthrates, out-migration of the economically active age groups adds to the negative trend. Altogether, the

statistical forecast provided by the state Saxony expects a reduction of the population from 4.4 million (2002) towards 3.8 million (2020) (ME 2003, ME, Table 5.6, p 33, see Table 6, Annex). Only Dresden and Leipzig are expected to see moderate population increases.

The educational level in East Germany shows in general a high standard. The population in Saxony in particular proves to be better educated than the German average, and far better compared with the respective figures for EU 15 or the accession states (see Table 7, page 41, Annex). The state of Saxony was a cultural centre in historic Germany. Universities have a long tradition in the region, too. In the times of the GDR, Leipzig, Dresden, but also Chemnitz had been centres for HEI and also R&D for the large combines. Since unification, R&D has been a focus, e.g. with the localisation of Fraunhofer Research Institutes but also with R&D intensive companies. A label has been invented for Saxony, calling it 'Silicon Saxony' – though, the sustainability of the structures behind the image has of course to be seen.

## 2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999, 2000-2006)

### 2.2.1 Aims

Given the dramatic changes due to unification and the pressing situation in Saxony thereafter, the overall aim for Saxony was and continues to be the support for the structural adjustment processes in the region. The main aims are to support private investment in companies and to develop the wider set of infrastructures as attractive location factors. These aims are further

Continuing the cohesion process with sustained economic growth, increasing employment, and reducing unemployment					
2000-2006					
main aims	Promotion of the competitive capacity of trade and business especially for SME	Infrastructure measures	Environmental protection and melioration	Promotion of employability and equal opportunity	Rural development and fishery
Sub-aims	Promotion of productive investments	Infrastructure in the research, development and technological sector	Water supply, sewage	Creating new jobs and trainee posts in the "first" labour market	improvement of the agricultural structure
	Promotion of research and technological development and the information society	Infrastructure in the area of job training, further training and postgraduate professional education; Techniques of Information and communication at school	Waste avoidance, waste disposal, recycling	Avoid long – term unemployment	Development of rural regions
	strengthen the business potentials of SME	Local and urban infrastructure	Revitalization of derelict industrial and military sites, ecological compensation measures	Equal opportunity in access to employment	
		Transport infrastructure	Flood prevention,	Targeted support of endogenous development potentials with the help of long-term Leitprojects in the regions	
		Road infrastructure		Stabilisation of existing jobs by exalting employees flexibility and qualification which is close to demand	
				Extending the	

Figure 28 Pyramid of Aims, Saxony 2000-2006

differentiated, emphasising environmental, educational, and R&D concerns.

Both evaluation reports (ex-post 1999, mid-term 2006) speak of a consistent approach between SWOT analysis, global and strategic aims as well as chosen measures. The selected strategy helps improving capital stock and to fill gaps in the road and technical infrastructure systems. However, the evaluation reports also emphasise the generally negative situation regarding the weak economic performance and the most pressing problem, the rising unemployment rates. Stark figures accompany this verdict, speaking of a ‘transformation shock’ and a process of ‘passive regeneration’.

### **2.2.2 General spending information**

Table 9 and Table 10 (page 234 and 235, Annex) show the overall spending for Saxony in the periods 1994-1999 and 2000-2006 (in the latter case planned figures)<sup>41</sup>. During the period 1994-1999 about €3.1 billion came from EFRE, €1.2 billion from ESF, and an additional € 0.8 billion came from EAGGF. An additional € 420 million was spent in the context of Community Initiatives (figures from OP 2000-2006, reporting date Dec. 1999, page 237). For the period 2000-2006, an overall budget of €4.8 billion will be available for Saxony (63% ERDF, 22% ESF, 15% EAGGF; programme information sheet).

Additional programmes operate at the level of the Federation and cover East Germany at large. € 1.6 billion are earmarked for road infrastructure projects, € 1.7 billion for human resource development and labour market policy. Out of this, Saxony will receive about 29%, so €460 million for infrastructures (Bundesregierung, OG. Regio 2000-2006/2001).

According to the national data collection, the average per capita spending was €740. The city of Leipzig received € 653 per capita, the county Leipzig received € 1,151, the highest per capita spending in Saxony.

### **2.2.3 Type of spending**

Saxony received support from all major programmes, initiatives and funds in both periods. However, regarding the type of spending, the majority of funds supported regional development and the social aims. This is also true for the support coming from EAGGF, which concentrated on the structural adjustment processes, e.g. transforming the collectively owned production associations into private companies and up-grading production technologies. In both periods, the larger share of SF interventions went into infrastructure endowments, about 40% went into direct investments for companies (set-up, extension, etc.).

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<sup>41</sup> In general, spending figures differ between sources. Similarly, the evaluation reports as well recognise gaps in the spending data and repeatedly emphasise the lack in validity of data. Especially the published programme information sheets on the O1 1994-1999 programme differ from the final figures considerably.

## 2.2.4 Objective programmes 1994-1999

The O1 programme covered the entire area of Saxony. Table 9 (page 234, Annex, reporting date 2002) shows the final spending according to priorities. Aims and orientations can be seen from the following extract, taken from the programme information sheet.

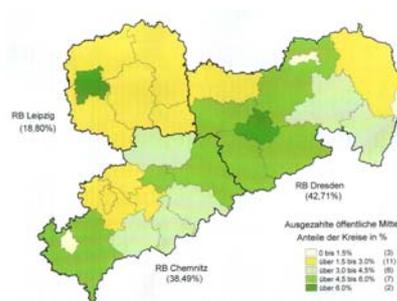
### Objective 1 - Germany Saxony – Period 1994 - 1999

#### Priorities:

- Productive and supplementary investment in infrastructure for businesses, in particular to encourage the establishment of businesses, subsidiaries and branches and the extension, streamlining and conversion of existing businesses; the development of sites and industrial estates, supply and disposal facilities and tourist sites and public amenities; the provision of shared premises and services as part of investment in technology and innovation centres and joint training centres for businesses.
- Assistance for SMEs, in particular to improve market access.
- Assistance for research and technological development (RTD) and innovation: investment in research departments and industrial laboratories, design and development consultancies, RTD companies and the infrastructure of RTD and innovation centres; support for cooperation measures in this field and for business development schemes in the field of new product and process development; modernisation of information and communication techniques and technological and business consultancy methods.
- Environment: "end-of-line" investment in industry; redevelopment of derelict industrial sites; establishment of water purifying and waste disposal plants; development of economic channels and processes for recycling.

## 2.2.5 Results in brief

Final reports and evaluations have been delivered for the different funds. Overall, the evaluators do not see many problems with the programme as such. The set of aims, the chosen measures, and the obvious results all produced satisfactory outcome, according to interview partners more in Saxony than in the other East German Laender. Further improvements have been suggested regarding a comprehensive strategic remit of the steering committees, an even closer link between SWOT analysis and measures, and in some cases the closer coordination between funds<sup>42</sup>.



**Figure 29 ERDF 1994-99  
Distribution of Public (E 99)**

<sup>42</sup> One interview partner commented, that the co-ordination between ESF and ERDF has been a constant point of discussion. However, in the assessment of future development, the interview partner pointed out, that the current debate favours a separation of ESF and ERDF.

The ERDF evaluation also provides a macro-economic impact assessment of the OP, differentiating between short and long term effects. On the side of short term effects, the overall impulse of the programme is seen to be €8 billion (with €2 billion from the ERDF but also about € 3.8 billion private investment, rounded figures). This contributed an additional annual growth effect of around 2 % of the GDP. In terms of employment, the OP accounts for about 20,000 additional jobs annually. The long term effects are of course more interesting. Here, the figures are more moderate. The stimulation effect for GDP is calculated with 2.2 % and about 18,000 additional jobs are expected to last (E 99 2002, XIII-XVI)

In terms of regional divisions, at least for the ERDF dominated programme a concentration on the larger cities Dresden, Chemnitz and Leipzig can be detected (see Figure 29). This is in part due to R&D support, as those cities are the centres for public and private R&D (HEI, research labs, research&development intensive companies). Between 1994-1999, the regional division of funds shows a concentration on the county of Dresden with 43%, Chemnitz with 38%, and Leipzig accounting for 19% (E 99 2002, p. 71, see also Table 12 page 240).

### 2.2.6 Objective Programmes 2000-2006

The O1 programme 2000-2006 covers the entire region of Saxony. The set of aims can again be seen from the programme information sheet below.

<b>Saxony Objective Programme 1 – Period 2000 - 2006</b>
<p><b>Priorities:</b></p> <p><b>Priority 1 : Promotion of business competitiveness, especially for SMEs</b> This priority particularly aims at encouraging productive investments, the financing of research and technological development projects, and promoting information society measures. Investing in SMEs will be especially encouraged.</p> <p><b>Priority 2 : Infrastructural measures</b> Measures under this priority will promote various infrastructure projects in transport systems (especially in road transport), research and technology development, the information society, education, and inner city areas.</p> <p><b>Priority 3 : Protection and improvement of the environment</b> Special emphasis will be given to improving the quality of the environment through measures in water and wastewater treatment, waste, and the conversion of environmentally damaged sites.</p> <p><b>Priority 4 : Promotion of human resources and equal opportunities</b> The objective of these measures will be to target problems in unemployment and other target areas within the European Employment Strategy. Favouring employment for women will also be of great importance under this priority.</p> <p><b>Priority 5 : Promotion of rural development</b> Revitalising the rural areas is an important aspect of the Regional Operational Programme. In such a light, investments will be provided for projects in the development of the agricultural sector and of rural areas.</p>

### 2.2.7 Results in brief

The midterm evaluation of the OP 2000-2006 comes to a positive overall assessment, as has already been said at the start of this section. Evaluators point out, that due to a belated start of the programme and in particular of projects, the actual assessment rather looks at the first quarter only.

Regarding one of the core questions of this ESPON 221 report, the integrative evaluation of all funds for the 2000-2006 period comes to one very interesting statement [p. 85/86]: The

evaluators see a potential conflict between the aims of the OP to increase competitiveness on the one hand, and to achieve a harmonious development between cities and regions on the other. The cities provide a better potential in terms of education and R&D, a higher density of technology and capital intensive companies, and a higher accessibility. The allocation of SF precisely to these nodes is more likely to improve competitiveness and to induce growth – to the expense of rural regions and hinterlands, with the disadvantage of a further centralisation, but also with the ultimate advantage of creating growth. This call reflects the general political debate on growth poles and clusters.

The integrative evaluation comes to a couple of further recommendations:

For the ERDF dominated programmes a closer link between SWOT analysis and measures is recommended. A further recommendation is to continue infrastructure development, particularly for transport, education, and R&D, and comprehensive redevelopment schemes for urban areas or city quarters.

For the ESF, the comprehensive report sees at the moment a rather weak link between SME training needs and actual training provision. Also, despite its horizontal character and despite an overall SF spending of € 533 million, the ICT theme does not feature as prominently as it should (see also further down). In another section, a closer look at target groups and target regions is called for. The ESF seems to be rather territorially blind, which can be explained due to the institutional and organisational set-up of the social support system in Germany, focusing largely on the individual.

The report on the EAGGF emphasises the potential derived from comprehensive village development, targeting the main disparities of the countryside in terms of infrastructures and under-employment. In terms of governance, the report also recommends a local-regional management process of inter-communal cooperation, bottom-up style. However, the entire report lacks e.g. a convincing statement on the new urban-rural partnership, as stated in the ESDP. Concomitantly, this void applies also to the 2000-2006 development plan for rural regions in Saxony, which is a strategic regional document supporting the EAGGF dominated part of the OP.

The overall problem situation has not improved for Saxony, with still a high need to catch up. This is further emphasised by the fact, that Saxony has a place in the bottom quarter of the EU regions with the lowest per capita income, and the unemployment rate for Saxony belongs to the highest in Europe, as has already been said. Regarding the period after 2006 Saxony is one of the regions being confronted with the ‘statistical effect’ of EU enlargement (see Annex Table 7, page 40). At the time of writing this report, the regions of Dresden and Leipzig will most likely fall under the phasing-in category (new O2), whereas Chemnitz will probably retain its O1 status. In all cases, the regions will see degressive rates, falling from 80% down to 60% in 2013. The East German Laender mobilise their opposition towards this and try to negotiate a better situation, emphasising the marginal position in the statistical effect. The margin might widen, when Romania and Bulgaria are entered into the equations, definitely pushing the East German Laender over the benchmark of 75% (interview).

### 2.2.8 Community Initiatives 1994-2006

Between 1994 and 2006 a total of ten Community Initiative programmes could be identified, spending about € 420 million for the region (at least when following the programme information sheets). Saxony *had* and **has** **Interreg**, *Resider*, *Rechar*, *SME*, *RETEX*, *Konver*, and **Urban** programmes (see also Table 29 page 237).

The Urban programme of the actual period concentrates on Leipzig, only. The city epitomizes the downward spiral of out-migration and declining population, disinvestment respectively selective reinvestment into certain stretches of the city scape (by private developers), increasing economic problems, and the subsequent deterioration of city quarters. Overall, about 400,000 flats are unoccupied in Saxony (2004). With around 100,000 empty flats, Leipzig is one of the core cities in the ‘City Reconstruction East’ programme and is seen as the model work shop to design the desperately needed solutions. The Federal Government will provide about €2.7 billion in East Germany to take the superfluous housing stock from the market (Leipziger Volkszeitung 2004).

Besides above listed main programmes, the city of Leipzig is further involved in projects such as SEE City Network, Integaire, PRESUD, RE urban MOBIL , URGE, EURO CULT21, Leipzig - Neue Wege, CITYREGIO, UTN II, with funding e.g. coming from the Research Framework programmes of the EU (see Table 31 page 242, Annex).

## 3. Impacts on spatial development

The assessment of the spatial development impact of the SF will focus on a number of topics derived from the theoretical and methodological debate conducted in the ESPON 221 project. In particular the results of the TIA discussion will be used to identify sectors or trends, sensitive towards an impact of SF. The following section will start with a consideration of polycentric development, further looking into specialisation tendencies in specific sectors such as tourism or decision making functions, or into the urban system and relation functions. Wherever appropriate, the section will make a reference to specific developments or conditions in the two periods 1994-1999, and 2000-2006. The views presented here integrate the literature studies (mainly evaluation reports) and interview results (eight face to face interviews, two phone interviews, a list is provided at the end of this report).

Regarding a specific awareness for and direct implication of ESDP themes, both the documents and the interviews do not show convincing positive evidence. Rather, the programmes as such and the evaluation thereof show on the one hand a ‘territorial blindness’ when thinking of polycentricity or new urban rural partnerships. On the other hand, understood as regional development programmes, the OPs of course deal with spatial matters. They address specific opportunities and threats. They work with spatial components, such as infrastructures. And they are also (see further down) integrated into the wider politico-administrative system, which deals with economic and regional planning at the level of the Land. Though, as one interview partner had to admit, this process is often taken for granted

and happening in a 'black box'. The same interview partner emphasised, that according to his experience, the ESDP as such has not been an item for the regular meetings in the context of the East German CSF, even though the EC was present. And, as another interview partner said, despite some territorial vocabulary, in fact the programmes miss a specific territorial thinking. This makes it of course quite difficult, to assess the impact on spatial development.

### **3.1 POLYCENTRIC DEVELOPMENT**

The topic polycentric development experiences a different treatment in the two programming periods. Being absent in the 1994-1999 period mainly due to the fact, that the ESDP process itself was in full swing, the 2000-2006 Operational Programme speaks of such aspects. The report for WP2 already analysed the presence of the terminology or concepts, stating that Saxony emphasises a bridging function within Europe, wants to develop European metropolitan regions and refers to a regional spatial development strategy in this field.

The picture for this can be found in the 'Sachsen Dreieck', the Saxony Triangle. Whereas up until now this was rather seen as just a political statement, at the moment the signals are switched towards real material impacts (interview). The Saxony Triangle was already introduced into a national concept addressing European Metropolitan Regions in Germany back in 1995 – as one interview partner commented, a smart move of the Saxony government at that time, arguing that other probably more important city regions in West Germany were not included (see Figure 29 and Figure 30).



**Figure 29 Saxony Triangle in the LEP (LEP 2003)**



**Figure 30 European Metropolitan Regions in Germany**

The 2003 regional plan (henceforth LEP) for Saxony defines the Saxony Triangle as one spatial planning aim. A closer look at the set of aims for the Saxony triangle reveals some interesting features regarding the polycentricity topic: It is not confined to Saxony alone. The city of Leipzig has closer links with Halle/Dessau in Saxony-Anhalt, forming the region 'Mitteldeutschland' (middle Germany) in fact integrating Saxony-Anhalt, Saxony, and Thuringia. A future congress on this region from March 2004 proclaimed a closer cooperation in the region, amongst other things focusing on specific industry clusters, such as biotechnology or the automotive industry (see further down).

Returning to Saxony again, the triangle cities shall cooperate more closely in fields of transport, economy, tourism, education, science, sports, culture, and marketing. In particular the transport infrastructures shall be developed with a view to EU wide accessibility, including of course the new member states in CEE. The core cities Dresden, Leipzig, and Chemnitz/Zwickau shall successfully compete for economic investment (preferably high end) and important technology institutions, on the basis of their respective endogenous potentials. The hinterland should be integrated into this. Ultimately, the strong centres shall benefit the surrounding regions and even spread effects to the more remote parts of Saxony (LEP 2003, p. 7). This is a typical growth pole approach, setting the agenda for the future development of the region.

Returning further to the 2000-2006 OP for Saxony, this document is not as definite as the LEP. When introducing its general strategy, the OP refers to global challenges and the enlargement of the EU, before calling for the compensation of location disadvantages in structurally weak regions. It also mentions a 'harmonious development of urban and rural areas' (p. 97). The 'pyramid' of goals is divided into economic, infrastructural, environmental, employment and rural/fishery aspects. The improvement of urban (literally city and local) infrastructures and an integrated concept for village development are included as 'territorial' headings.

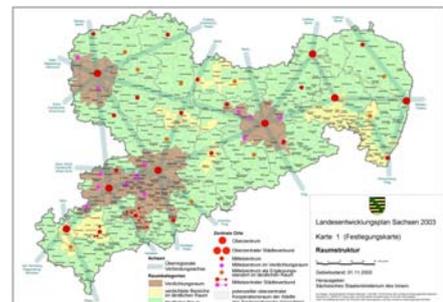
### 3.1.1 Specialization and role in wider spatial system

The questions addressed here relate to the role of the region in relation to polycentrism at the European, national or region level in general and in relation to the eight indicators used by ESPON 111 (tourism, industry, knowledge/HEI, decision making functions/HQ, administrative structures, and economic base).

#### Description of the situation today – the wider spatial system

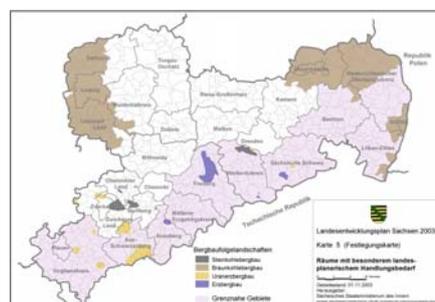
German regional planning is based on an elaborate system of central places and functional hierarchies. As can be seen from Figure 31, an evolved system of central places exists in the case of Saxony. The already mentioned cities of Dresden, Leipzig, and Chemnitz form the highest level in this system. Bound together as the Saxony Triangle, it is hoped that these cities will achieve European wide importance. Zwickau and Chemnitz are seen to form a bipolar centre at one corner.

At the next lowest functional level, the cities of Hoyerswerda, Görlitz, and Bautzen are considered as cooperation area in the border region with Poland. Smaller networks complete the picture, e.g. linking Torgau, Oschatz, Döbeln (west of Leipzig), or even going beyond the border, as in the case of Zittau (Saxony), Bogatynia (Poland), and Hradec n.N. (Czech Republic).



**Figure 31 Spatial Structure in Saxony (LEP 2003)**

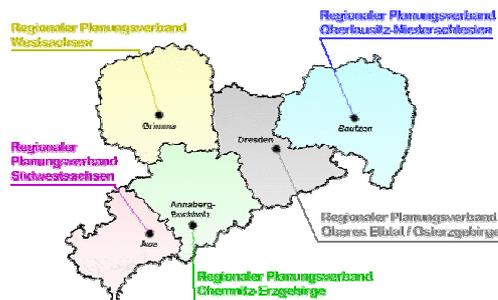
By and large, the concept of polycentricity can be said of being present in actors minds. It is quasi a standard for all administrative actions, also introduced in the intra-ministerial co-ordination of plans and programmes. E.g. investment in the transport infrastructure systems, which is financed by the SF, is bound to the spatial planning and transport minister decision how to further develop the entire German infrastructure system. Since the establishment of TEN and TINA projects, the priorities derived from EU strategies are automatically mirrored in the national programmes (see above, the special infrastructure programme at the level of the Federation).



**Figure 31 Special Regions (LEP 2003)**

## Regional Planning, Policy, and Governance

A number of regional fora or conferences have been developed in Saxony since unification. In part, they reflect the standard administrative delineation required for regional planning (see Figure 31), partly they resulted from the requirements defined by German regional policy (Gemeinschaftsaufgabe), partly they resulted from Regional Technology Projects/Regional Innovation Strategies based on EU innovative projects. The latter entered a networking programme called 'InnoSachsen', which is financed with the help of innovative actions of the EFRE. Since 1997 regional development strategies form a part of the regional policy approach in Saxony. These strategies follow a typical structure of economic base analysis, SWOT assessment, leitbild formulation, and measures. In addition to that, areas with specific development needs have been defined for Saxony, an initiative targeting rural regions, mountain regions, or the regions heavily affected by lignite mining (e.g. south of Leipzig, see Figure 31). Here, regional management structures have partly been established. Overall the impression is, that quite a number of partly overlapping structures have been developed which enhance the complexity of territorial organisation in Saxony, probably to the detriment of efficiency?



**Figure 31 Planning Regions in Saxony**

### Measures and projects in the ESPON-relevant sectors

The OPs for Saxony concentrate on improving the so called 'Potenzialfaktoren' (potential factors), which are indirect measures for the support of the economy and the creation of new jobs. The core focus is the development of the wider infrastructure system (about two thirds of support) and the direct support for investments (about one third). In this system, the ESPON relevant sectors are therefore also a core interest to the OP: Industry (mainly attracting new investment or supporting existing industries, with a special focus on SME - either direct investment support or indirect improving accessibility), Knowledge (R&D support, also HEI), Tourism (generally considered to be important in Saxony). Over both periods, according to one interview partner, infrastructure investment continued to be the main important expenditure.

## *Tourism*

Tourism is not a separate topic for the OP but reflected in the aims. Tourism is considered an important activity outside the industrial centres, especially for the mountain regions of the Erzgebirge, running from southwest towards the east. The region still lags behind west German tourist centres or destinations, especially in terms of infrastructure capacities (guest accommodation per inhabitants). In terms of a spatial approach, the coordination of activities required is taking the form of tourist development strategies and/or a closer link with regional planning (level of the Land and region) – in particular the disadvantaged rural communities see a potential for some economic activity. Larger schemes of bicycle paths have been developed, linking the different tourist destinations of the region and beyond, with Bavaria or the Czech Republic.

Dresden, in the introductory section already emphasised, is the rich historical centre of Saxony and the important tourist destination in Saxony. VW uses the historical setting for the marketing of its luxury class car, Phaeton (transparent manufacture, event location, see Figure 32) conceived by the same architects that built the ‘Autostadt’ Wolfsburg (motor city Wolfsburg, also VW) <sup>43</sup>.

**Figure 32 Transparent Manufacture Dresden (Foto - PA)**



Leipzig, often just behind Dresden, mobilized its citizens and actors to bid for the Olympic Games 2012. The national selection vote entered Leipzig into the global competition. Despite high hopes (and probably weak positions compared with cities like New York, in particular after 11/09/01), the ‘one family’ slogan Leipzig might also be seen as a feature of the extensive networking for the city. According to one interview partner, investments needed for the Olympic Games have received in some cases priority under EFRE. No need to emphasise, that winning the Olympic Games will be a real push for the local tourist industry. In a similar direction will probably work the Football World Champion Ships in 2006. Both projects are linked to massive road infrastructure up-grading, which was also needed to attract BMW.

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<sup>43</sup> Both projects can be interpreted as ‘shrines’ to worship the most important mass consumption product, the car.  
ESPON 221 – Annex report A

## Industry

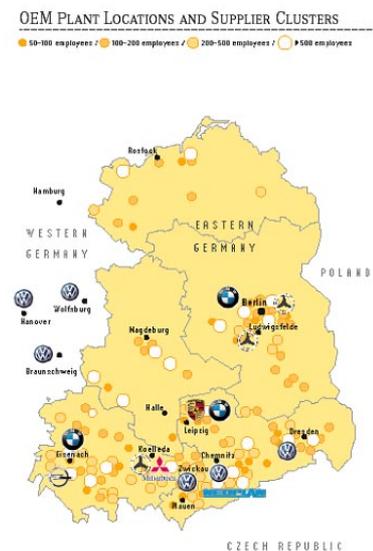
The three industrial centres in Saxony are Dresden (e.g. VW, Infineon), Leipzig (e.g. BMW, Porsche), and Chemnitz/Zwickau (e.g. VW and suppliers). Close by in Thuringia is Opel (General Motors) and also a Daimler/Chrysler engine factory, jointly operated with Mitsubishi.

BMW decided in 2001 to locate in Leipzig. From 2005 on the BMW 3 series will be produced on site, ultimately employing 5,500 people. The renowned international architect Zaha Hadid designed the central administration building of the €1.4 billion investment. Close to €400 million came as subsidies [Note: can not say, whether approved by EC]. Especially for this factory, a number of motorways have been extended or up-graded and the state accelerated granting planning permission for the site and the infrastructure projects. The established location for the supply industries for BMW and also VW, Chemnitz/Zwickau will be linked with the A72. All projects are estimated to cost at least €100 million. All projects will also benefit the World Champion Ship and the Olympic games.

Porsche also produces in Leipzig the Cayenne (SUV) and the Carrera GT (consumer version of a LeMans racing car). The web page of Porsche provides an interesting read as it outlines immediately, that no subsidies went into the € 130 million production site – ‘Financial contributions played no part in this decision. As opposed, Porsche had actually refused help in the form of state subsidies. Luxury and state subsidies do not mix, that is what the philosophy of Porsche states.’ (www.porsche-leipzig.com)

VW has two production sites in Saxony. The more important one is the Mosel site at Zwickau, with 6,700 employees, producing the Polo, generating about €3 billion turn over. The Mosel site links seamlessly with the history of car production in the region, going back to 1902, when the first cars were produced for a company called ‘Horch’. Later, Horch was going together with other manufacturers as ‘Auto Union’, which is today ‘Audi’. In the former GDR, Auto Union was transformed into ‘VEB Sachsenring’ which produced the famous ‘Trabant’.

Last but not least the ‘transparent manufactory’ has to be mentioned again, where VW produces its high end product, the Phaeton (basic version starts at €75,000). Together with about 300 suppliers and other companies, they form the automotive cluster in middle Germany (see Figure 32).



**Figure 32 Automotive Cluster**

**Mitteldeutschland**

(<http://www.mitteldeutschland.com/deutsch/Wirtschaft/Cluster/Automotiv>)

Whereas one could almost speak about a fully developed automotive cluster in Saxony, the bio-technology segment is rather in the making (probably also a wishful thinking cluster).

**Leipzig: Enterprises and science under one roof**

In May 2003 the city of Leipzig opened a unique biotechnology centre, “Biocity”, providing 20,000 square meters of modern facilities to researchers from the University of Leipzig and business enterprises. The ERDF contributed EUR 17 million of the total investment cost of EUR 50 million.

Six professors from the University of Leipzig with links to biotechnology moved to the new complex. Biocity has been an immediate success, with 60 % of available space taken soon after its opening: in December 2003. The centre provides extended consulting and coaching services to new businesses, including in such areas as finance and patent rights. Four of Leipzig’s well established bio-tech enterprises have located in the centre in order to be close to the research being undertaken and potential cooperation partners.

The Leipzig project forms part of a policy in Saxony of supporting clusters in biotechnology, a “Bio-innovation centre” to be opened in Spring 2004 in Dresden being the next step. The longer-term plan is to create a biotech development axis encompassing the cities of Dresden, Leipzig, Halle and Jena.

The example of Leipzig even entered the 3<sup>rd</sup> Cohesion Report (see above text box on Bio-City). A comment in the mid-term evaluation 2000-06 (p. 133) says that this new focus needs to be questioned, without further qualification of this argument, however.

This incubator facility is one example for the kind of business related infrastructures, which is financed with SF interventions. It is integrated into a wider strategy called ‘bio-technology offensive’ dating from 2000 and endowed with €200 million until 2005. Two pillars carry the strategy, one being the Biopolis Dresden, the other the above mentioned Biocity Leipzig. Each centre received about €50 million financial support. Both focus on ‘red’ bio-technology, coming from the medical side, with Leipzig also extending towards environmental bio-technology. Overall, the cluster ‘Bio-Saxony’ consists of about 150 companies. (MDR.DE, 2003)

***Knowledge***

The investment into knowledge has a very high priority in Saxony. In both OPs particular emphasis was put on R&D, technology transfer, and direct project support for research active companies. The OP 2000-2006 introduced as a new focus bio-technology, with two centres in Dresden and Leipzig (see also above).

In the first programming period, Institutes of the Fraunhofer Society (FhG) received a lot of attention. FhG took over part of the pre-existing GDR R&D infrastructure and/or was looking to set up new institutes (as applied research institutes FhG are considered to be highly important for the regional economy). FhG however was demanding a lot from the state government in Saxony, which used EFRE and national cofinance (ministry of science,

SMWK) to support the establishment of FhG-Institutes<sup>44</sup>. Dresden, with its technical university, is the location of nine, Chemnitz, with a polytechnic, is the location of two FhG-Institutes. Leipzig has none! (www.fraunhofer.de)]

Especially regarding R&D indicators, the 1994-99 evaluation sees a high concentration on the regional centres Dresden, Leipzig, and Chemnitz. Dresden is in fact the outstanding centre, not least due to R&D intensive companies locating here, such as Infineon, a chip producing company. The evaluation for the 1994-99 period singles out that Infineon alone received EFRE R&D related funding for fourteen projects, accounting for 23% direct project funding (E 99 2002, p. 180). Interview partners almost immediately pointed towards this aspect. Not surprisingly, according to a report published in 2000 on the regional distribution of innovation potentials, Dresden gained 10<sup>th</sup> position amongst 97 German regions, making it one of the most R&D intensive regions (E 99 2002, p. 245 – Report by FhG ISI, 2000).

A direct link between knowledge focus and territorial planning can be found in the field of vocational training, first and continued. The so called 'Berufliche Schulzentren' (BSZ) have clearly been linked with regional planning aims. According to the regional planning aim, these BSZ shall be concentrated in communities with mid-range supply functions (so called Mittelzentren). A BSZ should be between 1,000 and 3,000 pupils and be centrally located, to provide educational services to a wider region. The evaluation comes to the conclusion, that this concentration process happened in a positive sense, also providing now a better service to under-endowed parts of Saxony.

According to one interview partner, the city region of Leipzig succeeded in becoming a 'learning region' project, financed with ESF money in the federal programme for the East German Laender (not further specified).

### ***Decision Making***

In political and administrative terms, all parts of the Saxony region do have decision making functions. Due to the status of a Federation, the division of decision making functions includes also the smallest parts, e.g. the local authorities. In terms of SF programmes, in part new regions have been defined or are under debate, joining functional urban areas or areas with similar problems. In some programmes, specific regional development strategies have been required or invited, to establish a coordinated, multi-year approach towards regional development. As has already been pointed out, these regional delineations partly overlap, which might be to the expense of efficiency. Some interview partners pointed towards this, but overall the suggestion is to extend cooperation at the sub-regional level as a new quality step.

Dresden, the state capital, has obvious political power and decision making capacities. Dresden is also the outstanding economic centre for Saxony and attracted a number of companies (Infineon, AMD, VW) to settle here. However, the HQ function of these

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<sup>44</sup> Institutes of FhG form the third important pillar of the German science system, after Universities and the Max Planck Society (MPG). MPG looks towards basic research, FhG is applied research. Usually, FhG-Institutes are financed by the Laender (36%), by the Bund (4%), and by research contracts (60%) which have to be won on the market. The share of the Laender again is distributed 90:10 between the hosting Land and the other Laender.

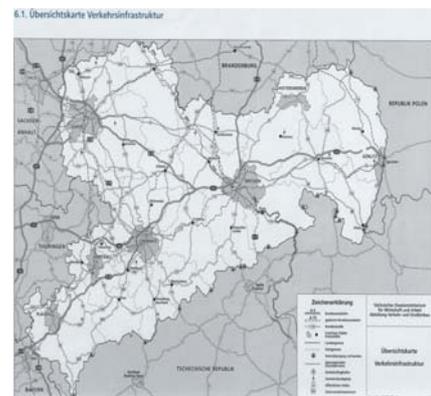
companies can be questioned as they are part of multinational companies, following share holder interests rather than local interests. In general, the East German industry structure is dominated by SME, creating the problem of dependency in all cases of supply functions to larger companies, which is the case e.g. for the automotive cluster.

Leipzig city – see the example of the bid for the Olympic Games 2012 – does not have the status of a state capital, but can obviously decide about important strategies and mobilize the necessary political resources. Having said this, public budgets to support the strategies actively are heavily under pressure at the moment, a problem for all local authorities in Germany. With BMW and Porsche, but also with the University and the HQ of the MDR (public radio and TV station) the city hosts a number of important private and cultural decision making centres.

Last, another aspect has to be added, that is the growing importance of actor networks. That a city as Leipzig is more successful compared to regions which are in a more desperate situation and need, also depends on the capacities of actors getting their act together. Leipzig seems to do very well in this respect (interview).

### *Communications*

Investment into the road, railway, and airport infrastructures are very important, as has been said. Investments into the tele-communication network by German Telekom and successors was very considerable. IT is a horizontal theme and received in the period 2000-2006 alone a further investment of € 533 million. The additional O1-programme for the East German Laender developing the national and European motorway system has also been mentioned (see Figure 32). However, besides establishing technical infrastructures, interview partners wish the topic of the Information and communication society to be more prominent, in particular with respect to the user side.



**Figure 32 Transport Infrastructure in Saxony (LEP 2003)**

**Table 20 Specialisation aspects of polycentricity – Summary Table**

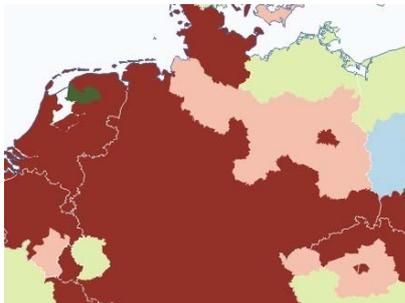
	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Tourism	Generally considered an important economic niche for specific regions.	Generally considered an important economic niche for specific regions.	-	0
Industry	Highest importance, i.p. to attract new investment into the region. In this period also the interest to directly attract and subsidise new set-ups.	Highest importance, i.p. to attract new investment into the region. In this period further concentration on location factors, instead of direct support to industry.	Attraction of BMW, Infineon, and other companies.	2
Knowledge / Higher education institutions	High importance.	High importance	The establishing of Fraunhofer Institutes and the direct support for R&D projects in companies (Infineon).	2
Decision-making / Location of company HQs	-	-	-	-
Administrative status	-	-	-	-
Economic base				1*

\* The economic base has been importance in the sense of a further proliferation of existing centres such as Dresden, Leipzig, Chemnitz. At the level of the region, this is seen at least in part as a negative effect, to the expense of the less favoured regions.

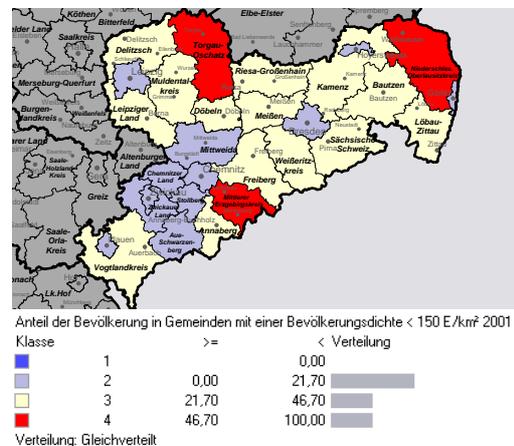
### 3.1.2 Population mass criterion

The entire Saxony region has, regarding population density, at most a national importance. At that level, Saxony and the cities Leipzig and Dresden are after Berlin the next important cities in East Germany. The bipolar corner of the Saxony Triangle Chemnitz/Zwickau has more a regional importance.

**Figure 33 Rural-Urban Typology ESPON**



In terms of rural-urban setting, Saxony is a part of a dorsale of highly urbanised regions linking CEE centres towards the ‘Blue Banana’ in the West (see Figure 18). Turning away from that European perspective and just looking at the region, both population density and rurality are of course more differentiated (see Figure 34, the red colour indicates high rurality). Again, the centres of Dresden, Leipzig, Chemnitz/Zwickau stand out, smaller centres can be found in the rest of the region, however never reaching more than a local importance.



**Figure 34 Rurality in Saxony (BBR 2003)**

Population change was said to be an enormous pressure in East Germany and Saxony. The entire region will lose about 14% of its population. Dresden will probably experience small increments in this process. Leipzig will stay on level. Both cities are the 'islands of stability' in Saxony. The population will be further concentrated in the larger cities. In the direct vicinity, sub-urban centres will and have already benefited from that process, but very much focussed on certain cores only. E.g. in Leipzig and the planning region, as one interview partner said, smaller cities bordering directly the core city experienced positive population and economic effects. Two rings of mid size centres complete the settlement structure of Leipzig region of which the first ring closer to the core will see some positive effects, probably. The next ring being farer away will not see this effect. Overall, however, the effects will be fairly marginal.

A couple of times throughout this report the urban system and urban-rural relations have already been addressed. SF programmes and measures operate inside an elaborate spatial planning system which defines at the level of the Land and for each region (Regierungsbezirke, see also Figure 22 page 4) a set of central places, infrastructures, and supply functions. However, SF programmes do not explicitly address this system. In terms of governance, the mutual adjustment or recognition of aims is simply assumed to happen automatically, at least at the level of ministerial departments.

The SF programmes, as has also already been said, are territorially blind in the sense of not additionally addressing territorial topics. The SF programmes are straight forward sector/departmental programmes focusing on direct and mediated economic support. Having said this, one has as well to say that there are two areas with a specific concern for cities (under the infrastructure measures) and for the country side (the integrated development of villages). Both concerns do not meet to the degree that one could potentially identify a 'new urban rural partnership' or vice versa. On the contrary, to the degree the ERDF programme does not spend too much attention towards peculiarities of the country side, the EAGGF programme concentrates almost exclusively (with the exception of identifying the negative effects of the dominating centres) on the country side, without any concern for the larger cities. The specific concern for cities is exhausted with simply looking at infrastructure gaps. There is no further integrated approach towards cities as nodes in territorial systems. The reference to the Saxony Triangle is, for the time being, merely a statement.

The integrated village development takes a slightly more advanced standpoint, as it tries to provide an answer towards the declining population problem and resulting problems in the provision of public amenities etc. In general, as interview partners emphasised, the problem of a declining population is not addressed yet, at least measured against the degree of pressure.

Despite the fact that regions with specific development needs have been identified for Saxony (from both sides, the regional planning ministry and the economic and labour ministry), the SF and the evaluation thereof do not convincingly prove, that these regions really play a role. Interview partners emphasise, that being in need is reflected in priority spending and higher support figures. However, the evaluation also shows, that the majority of funds go into the economically active cores. This might not least be due to the fact, that the 'weak' regions are in a position prohibiting the definition of convincing projects or strategies (see Table 11).

### 3.1.3 Relation Function

Both programming periods use the EU context – and the global integration argument – as a standard backcloth to depart with the formulation of the specific strategy. Being part of a global economy (even if on the short end), being part of Europe, and facing the extension of the EU towards the East constitute a general awareness on the side of actors.

The importance of the Saxony Triangle has already been addressed. This network of cities is linked to the national and European territorial settlement system, glued together with infrastructure arteries. The OP sees this as one important pre-condition to ignite the economy, in terms of accessibility but also in terms of service provision and linkage between centres and peripheries, giving access to services.

For East Germany and Saxony, infrastructure development was and still is a major concern. Therefore, the federal government and the Laender agreed on a division of SF interventions into regional programmes and an overarching programme for East Germany. This reflects the anyway existing division of responsibilities regarding motorway construction (Bund) and other roads (Laender, local authorities). This also explains, at least in part, that in the Saxony programme local bypasses have been financed by the SF. The intention is to provide at a regional level the links with the national and internationally important infrastructure system. For the Leipzig region, interview partners said that several motorways are either under construction or extension to fill in the existing gaps in the region. They obviously form part of the national grid and the international transportation network. They are also considered being important for BMW, Olympics or the World Champion Ship.

The coming accession of CEE countries places Saxony in a position, which might result in a ‘sandwich effect’, bleeding Saxony dry in the worst case. Nevertheless, the infrastructure projects needed for the integration do have a high priority for regional planning in Saxony, too. The Pan European Transport Corridors III and IV cut through Saxony and provide links between Dresden and Prague (Berlin – Dresden – Prague – Budapest), or Dresden – Breslau. In both cases, not only motorways are required or planned but also the up-grading of railways, electrification and goods transport.

On the side of planning, Saxony forms part of the CADSES transnational planning region in Interreg. A number of projects and plans have been derived from that and also direct European border regions created (see Figure 34). The SF is void of this – even the 2000-2006 does not address the CADSES region. In the specific case of Leipzig, the region is even not a part of the activities, as it has no direct border with the Czech Republic. But, the city of Leipzig participates in a number of transregional activities, e.g. in the Eurocities network (see Table 31, page 242).



**Figure 34 Transborder Cooperation in Saxony**



**Table 21 Relation Function - Aspects of Polycentricity - Summary Table**

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Accessibility	High importance. Extra programmes at the level of all East German Laender.	High importance. Extra programmes at the level of all East German Laender.	Leipzig region and the extension of motorways for BMW but also for Olympic Game bid.	2
Changes in accessibility	Visible changes.	Visible changes.	TEN and TINA projects.	2
Key strategic and functional networks (promoting specialization)	-	Automotive industry and bio-technology		-*

\* Can not really say, whether or not.

### **3.2 Other driving forces**

Unification process has heavily affected spatial development of the region, the introduction addressed this already. The main negative effect continues to be in the future the population decline, due to a stagnating economy combined with the ageing society. The massive floods in 2002 can in part be understood as an additional negative shock for the region, causing considerable damage. Last, the effects of enlargement will probably initiate a new development period with uncertain results.

## 4. Policy Impacts

It was interesting to learn from interview partners, that the SF programmes did not impact the political culture so much! When asking e.g. for partnership ideas, the interview partners stated that processes and structures existed before 1994. This can be interpreted in two ways: (1) The response depends of course on the specific position of partners in the hierarchy of the policy making process, i.e. they are probably not aware about a particular impact of EU policies on certain national policies as they just reflect on the national policy. (2) The unification process since 1990 resulted in multifarious adjustment processes towards West German standards, which itself were already, at least with respect to regional policy, impacted upon by EU models and frameworks. The EU impact in that process is for actors probably not directly visible.

### 4.1 THE IMPACT UPON GOVERNANCE ASPECTS

The evaluation of the 1994-1999 programme stresses, that the partnership construction needs to be further developed. The report states, that especially due to the stronger orientation towards endogenous development potentials the cooperation of social partners (this is the standard terminology in Germany, identifying the core network of policy, administration, unions, chambers of commerce working together in the SF programmes) should rather focus on initiating and developing strategies instead of just being a technical budget management party. This verdict was in principle repeated for the 2000-2006 mid-term evaluation, though first improvements of the cooperation were also recognised. The 1994-1999 programming period, as one interview partner pointed out, can rather be characterised as a technocratic elite system, with the responsible ministry directing the ‘ritual’. This was obviously so frustrating, that more interested parties (some of the union members, some of the local authorities) finally resigned, which led to above mentioned recommendation.

The need for a change has been formulated and the structures and processes started to adjust towards a more regionalised approach. Innovative projects, managed by a foundation called ‘Stiftung Wirtschaft und Arbeit’ work on the basis of regional networks and regional offices (see Figure 35). Following from the URBAN initiative, a national regulation has been designed to transfer the experiences towards smaller cities not financed by URBAN.

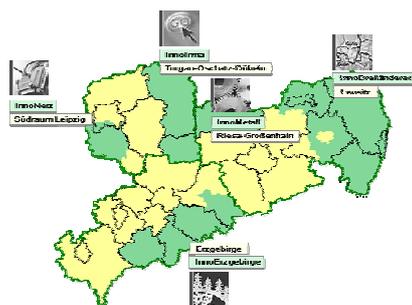
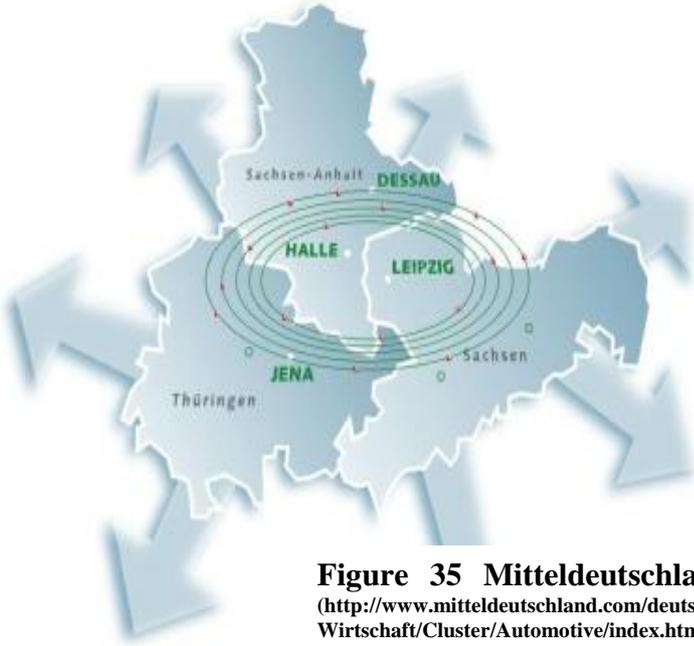


Figure 35 InnoSachsen Regions

New forms of governance based on networking are considered to be important, anyway. As one interview partner said, Leipzig is the epitome for this – the ‘kings of networking’. Throughout this report, numerous examples have already been presented. The strategy – no matter whether it is a reflected one or not – links the city in both directions, towards the local and regional area (facilitated by existing structures but also with the help of projects, an example for this can be seen as the green belt, see page 49), and towards the national (Middle Germany, see Figure 35) and the international (Football World Cup, Olympic Games) level. The Olympic bid but also the transregional network activities clearly try to make the locality and in part the region more visible outside.

A new 'growth fund' has been discussed and is currently in the set-up phase. This global fund will be made available to SME and will be co-financed by the EC, the Land, and private partners, the latter being mainly banks of the public sector.



**Figure 35 Mitteldeutschland**  
(<http://www.mitteldeutschland.com/deutsch/Wirtschaft/Cluster/Automotive/index.html>)

**Table 22 Governance Aspects of Polycentricity: Summary Table**

	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Consistency of national and European policy goals outlined in programme documents	A standard in the CSF and OP, also positively assessed by evaluators.	1
Examples of promoting learning	Not mentioned.	*
Governance innovations	Not mentioned.	*
Trans-national links linked to governance practices	Not mentioned.	*
Inclusion of new actors and organisation in partnerships	Not mentioned.	*
Links to traditional democratic decision-making	Not mentioned.	*
Financial practices enabling enlargement of partnerships	Not mentioned.	*
Ways of avoiding the technocratic elite pluralism	New activities launched due to critical assessment in the 1994-1999 evaluation.	2

\* See text. Interview partners did not mention a specific occurrence in either respect.

## **4.2 INCLUSION OF LISBON THEMES**

The Lisbon (and Gothenburg) process is not in all its aspects explicitly mentioned in the SF programmes, with one notable exception: The information society plays of course a very important role. Saxony spends much on R&D (direct and indirectly) and can already be – at least in the case of Dresden – seen as a leading region (though the private business element might be precarious).

The mid-term evaluation of the 2000-2006 programme states that at least €533 million SF subsidies are directly or indirectly linked to the information society aim. About 1,000 projects are under operation, covering direct investment for companies (including the erection of new production sites, R&D projects, or innovation assistant projects), infrastructures (especially schools), and training.

The communication infrastructure has been improved in East Germany and in Saxony to a remarkable extend. German Telekom invested large sums into the fibre optic network, turning the East German infrastructure into the most modern one in Germany. This is not any more a prominent topic for the SF programmes. The CSF (2000-2006) for East Germany stated that the infrastructure endowment is already favourable and that now the side of the users has to be targeted.

Education and training are very important in the SF programmes for Saxony. The qualification of the human capital is seen as central for the economic adjustment process and to remedy the unemployment problem. The BSZ system has already been described, and can be seen as a territorially informed strategy, providing also the remoter parts with educational services.

Gender mainstreaming and the inclusive society are standard matters of concern – but does it go beyond? This can not be satisfactorily answered, on the basis of the empirical research results. No specific concern can be found e.g. for ethnical groups. The SF programme evaluation occasionally states that projects addressed the specific needs of handicapped people.

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	High status.	High status. CSF emphasised the user side.		0
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	Not mentioned.	Not mentioned.		-
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	Potential factor.	Potential Factor.	Establishment of Fraunhofer Institutes.	1
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	High importance.	High importance.	Berufschulezentren	2
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps;</li> <li>Encouraging lifelong learning;</li> <li>Reducing deficits in the service economy;</li> <li>Extending equal opportunities</li> </ul>	High importance.	High importance.		2
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>Improvement of skills;</li> <li>Promotion of wide access to knowledge and opportunity.</li> </ul>	Not mentioned.	Not mentioned.		-

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**Table 23 Lisbon Themes as Aspects of Polycentricity: Summary Table**

## 5. Conclusions

As has been outlined, the situation for Saxony is quite difficult at the moment. The process of unification led to a 'transformation shock', eradicating many old structures on the one hand, and selectively implanting new structures on the other hand. Currently, the public debate on the effectiveness of the massive transfers over the past fifteen years is rather negative. The SF subsidies are not excluded from this overly negative assessment. In fact, one has to question the macro-economic assessment in the evaluation reports, saying that the GDP and employment might have been improved by about 2% or 18,000 jobs. But what would have been the alternative to the moderation of the structural change process (or process of decline)?

The entire programmes for Saxony try to do exactly this, to moderate the process of further decline by way of improving framework conditions and directly subsidising investment. In principle, the period 1994-1999 was not different from the current period. However, whereas the 'equal shares for all' was the guiding principle before, with the 2000-2006 programme the new signals will definitely be switched towards stronger concentration on growth poles. These are the endogenous potentials or clusters, built in part on the remainders of old GDR structures (e.g. some of the R&D institutes) or building on new investments (automotive but especially bio-technology). This intention coincides with the dominating territorial structures, epitomized with the Saxony Triangle of Dresden, Leipzig, and the bipolar corner stone Chemnitz/Zwickau. In a positive sense, here the maximum of agglomeration effects is concentrated, hopefully generating spread effects towards the surrounding less developed parts.

This is the territorial view, generated not in the first instance from the SF programmes or evaluations. The empirical research shows that both, the programmes and the actors are rather void of such aspects. Neither do the regional planners specifically look towards the SF side, nor does the SF side adopt a territorial perspective. Both rather assume the automatic coordination in an established administrative or political process. The presence of a territorial terminology in the OP is in so far just 'window dressing'.

A territorial awareness might well be the case in some respect, because regional policy is definitely close to regional planning when considering e.g. infrastructure investment. The CSF 2000-2006 stresses this aspect very much. Further considerations of the ESDP are way to abstract compared with this and are on the contrary far beyond day to day concerns of local and regional actors. The situation would be different, as one interview partner said, addressing the legally formalised German approach towards spatial planning, if the ESDP was a regulation.

Let us therefore look more closely at indirect links, which might also be understood as necessities of the enforced economic and structural adjustment process. There is obviously the need to differentiate between sub-regions and their respective needs – an aspect which before was not developed properly, i.e. with a distinctive strategic view. New regions will cooperate more closely in the future on the basis of regional development strategies or in projects

derived from e.g. the 'InnoSachsen' programme. One particular partner in this will be the cities of the Saxony Triangle, determined to establish a European wide importance.

The 'cluster' paradigm has hit Saxony - three core cities and three systems of basic and complementary clusters can be defined. Actors connect their expectations to the ideas of clustering, and concentrate resources towards this end. As the example of Leipzig has proven, the cluster goes beyond the usual administrative structures, includes an even wider region, which does not stop at administrative borders and extends towards other Laender in Germany (the example of Middle Germany), and probably also towards Poland and the Czech Republic. The cooperation across borders is seen as unavoidable, given that Saxony is 'sandwiched' between strong West German Laender and challenging CEE Countries of the enlarged EU. Enlargement introduces another variable into the equation: The accession of new Member states will for Saxony most likely result in the loss of Objective 1 status.

**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

**Table 24 Polycentricity and Territorial Cohesion: Summary Table**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<i>Type of influence/ effect</i>							
<b>Aspects explicitly targeting polycentric development</b>	Direct	-	-	-	-	-	-
	Indirect	The actual discussion about growth poles will influence the territorial setting considerably.	2	The growth poles are seen in a wider territorial context, encompassing East Germany.	2	Due to the border situation with Accession States the growth pole idea will most likely result in transnational formation.	1
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	-	-	-	-	-	-
	Indirect	Job markets in the central cities have a concentration effect.	2	Economic cores affect the wider hinterland and lead to further concentration.	2	-	-
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	-	-	-	-	-	-
	Indirect	The R&D focus of programmes sharpened the internal regional division of labour.	2	The automotive cluster in Mid Germany.	1	The Saxony Triangle might be of importance in the future.	2

<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	High importance massively supported.	2	Overlapping effects of unification and EU enlargement led to the construction of nationally and internationally important road, channel, and railway infrastructures.	2	TEN and TINA projects cut through the region and link towards CEE.	2
	Indirect	-	-	-	-	-	-
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	-	-	-	-	-	-
	Indirect	-	-	Empirical evidence does only show marginal importance of transnational-transborder cooperation.	1	-	-
<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	-	-	-	-	-	-
	Indirect	Has been a difficult aim to achieve due to the overlapping of harsh regional economic change with general decline when approaching 2000.	1	Developing of cluster structures, i.p. automotive in middle Germany.	1	-	-
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct	-	-	-	-	-	-
	Indirect	Polycentral structures at the regional level will be further enhanced due to the growth pole approach but also due to the infrastructure projects.	2	The agglomeration area of the Saxony Triangle will be quite important, in particular for a wider German context (middle Germany).	2	Not relevant.	0

## 6. Annex

List of Interview Partners in Saxony:

<b>Date</b>	<b>Name</b>	<b>Institution</b>
10.03.04	Oliver Schwab	IfS Projektleitung Evaluation EFRE Sachsen
05.04.04	Stefan Barton	Regierungspräsidium Leipzig
05.04.04	Dr. Dietmar Röhl	Regierungspräsidium Leipzig
05.04.04	Dr. Andreas Berkner	Reg. Planungsverband Westsachsen, Leipzig
06.04.04	Dr. Thorsten Wiechmann	Leibniz-Institut für ökologische Raumentwicklung e. V. (IÖR)
06.04.04	Dr. Gotthard Sonntag	Sächsisches Staatsministerium für Wirtschaft und Arbeit
06.04.04	Beate Mostefai	Stiftung Innovation und Arbeit Sachsen
06.04.04	Dipl.-Ing. Ulrike Adam	Stiftung Innovation und Arbeit Sachsen
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**Table 7 Population Forecast for Saxony 2020**

	Bevölkerung am 01.01.2002	Lebndgeborene	Gestorbene	Überschuss der Lebndgeborenen bzw. Gestorbenen	Überschuss der Zuzüge bzw. Fortzüge	Bevölkerungszu- bzw.- abnahme	Bevölkerung am 31.12.2020
Chemnitz, Stadt	255,8	30,8	59,2	-28,5	-13,1	-41,5	214,3
Plauen, Stadt	71,2	9,0	17,9	-28,5	1,3	-7,6	63,5
Zwickau, Stadt	101,7	12,6	24,6	-8,9	-3,6	-15,7	86,1
Annaberg	87,2	10,5	20,0	-12,0	-5,6	-15,0	72,2
Chemnitzer Land	139,8	15,9	34,1	-9,5	-8,4	-26,7	113,2
Freiberg	151,6	18,9	33,5	-18,5	-8,0	-22,6	129,0
Vogtlandkreis	200,4	22,4	48,5	-14,6	-8,9	-35,1	165,3
Mittlerer Erzgebirgskreis	93,5	11,1	20,5	-26,6	-6,7	-16,0	77,4
Mittweida	136,7	15,9	31,9	-9,3	-7,5	-23,4	113,2
Stollberg	93,0	10,7	21,8	-15,9	-6,7	-17,8	75,3
Aue- Schwarzenberg	138,3	15,4	31,9	-11,1	-12,9	-29,5	108,8
Zwickauer Land	133,7	14,7	31,4	-16,6	-11,2	-28,0	105,7
Dresden, Stadt	478,6	82,7	100,4	-16,8	26,4	8,8	487,4
Görlitz, Stadt	60,3	6,4	14,4	-8,0	-5,8	-13,8	46,4
Hoyerswerda, Stadt	47,9	4,0	10,4	-6,4	-11,1	-17,5	30,4
Bautzen	155,5	18,6	32,9	-14,3	-14,8	-29,1	126,3
Meissen	152,0	18,0	33,4	-15,3	-10,3	-25,6	126,4
Niederschl. Oberlausitzkr.	103,5	11,9	21,1	-9,2	-12,9	-22,1	81,4

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Riesa-Grossenhain	120,5	14,2	25,4	-11,3	-10,6	-21,9	98,7
Löbau-Zittau	152,3	16,6	36,0	-19,4	-12,9	-32,3	120,0
Sächsische Schweiz	145,4	16,3	32,9	-16,6	-11,2	-27,8	117,6
Weißeritzkreis	124,8	15,6	26,3	-10,7	-8,5	-19,2	105,6
Kamenz	155,0	19,3	32,2	-12,9	-8,9	-21,8	133,2
Leipzig, Stadt	493,6	79,3	107,3	-28,0	32,9	4,8	497,9
Delitzsch	127,2	15,7	25,3	-9,6	-11,9	-21,5	105,7
Döbeln	76,7	8,8	17,4	-8,5	-5,8	-14,3	62,4
Leipziger Land	152,7	17,9	33,2	-15,3	-10,7	-26,0	126,7
Muldentalkreis	135,5	16,5	27,7	-11,2	-11,5	-22,7	112,7
Torgau-Oschatz	100,5	12,3	21,2	-8,9	-8,6	-17,5	83,0
<b>Sachsen</b>	<b>4.384,20</b>	<b>562</b>	<b>972,8</b>	<b>-410,7</b>	<b>-187,8</b>	<b>-598,5</b>	<b>3.785,70</b>
Quelle: Statistisches Landesamt des Freistaats Sachsen (2003)							

(E

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2002)

Main regional indicators																								
Region	Population			Economy							Labour market			Labour market					Age structure			Economy		
				GDP/head (PPS)			Employment by sector (% of total), 2002				Employment rate (ages 15-64 as % of pop. aged 15-64), 2002			Unemployment rate (%)					% of the population aged: (2000)			Educational attainment of persons aged 25-64 (% of total), 2002		
EU15	379604	117.0	2.5	100.0	100.0	109.7	4.0	28.2	67.7	153.6	64.2	55.6	72.9	8.9	7.8	40.2	8.8	15.2	16.8	66.9	16.3	35.4	42.9	21.8
N10	74786	101.7	4.8	46.1	45.5	50.5	13.2	32.1	54.7	6.9	55.9	50.1	61.9	-	14.9	54.5	15.6	32.4	18.3	68.7	12.9	18.9	66.3	14.8
EU25	454390	114.2	2.6	91.1	91.0	100.0	5.4	28.8	65.8	128.6	62.8	54.6	71.1	-	9.0	44.3	10.0	18.1	17.1	67.2	15.7	32.6	46.7	20.6
N12	105107	96.9	4.2	39.9	39.3	43.8	18.5	31.6	50.0	5.3	55.9	50.3	61.6	-	13.7	55.5	14.0	30.6	18.2	68.6	13.2	21.8	64.0	14.2
EU27	484711	112.0	2.6	87.0	86.8	95.4	7.0	28.9	64.1	120.5	62.4	54.4	70.4	-	9.1	45.4	10.0	18.6	17.1	67.3	15.6	32.4	47.5	20.1
Deutschland	82339	230.6	1.6	100.4	102.0	110.2	2.5	32.4	65.2	296.2	65.4	58.8	71.8	6.3	9.4	47.9	9.1	10.7	15.7	68.1	16.3	17.0	60.7	22.3
Sachsen	4405	239.2	1.0	67.3	68.1	73.9	2.4	32.8	64.9	99.4	61.0	57.8	64.0	13.7	21.3	53.2	21.8	17.7	13.0	69.1	18.0	4.7	66.4	28.9
Chemnitz	1612	264.5	1.3	63.9	64.5	70.1	2.3	38.1	59.6	57.6	61.1	56.7	65.5	13.7	20.6	56.5	23.6	13.7	12.7	68.2	19.1	3.9	69.1	27.1
Dresden	1704	214.9	1.3	68.4	68.9	75.1	2.6	31.0	66.4	173.1	61.3	59.0	63.5	13.7	20.8	50.3	20.3	20.9	13.4	69.2	17.4	5.0	64.1	30.9
Leipzig	1088	248.1	0.3	70.6	72.0	77.4	2.1	27.7	70.2	45.7	60.1	57.6	62.6	13.7	23.1	52.8	21.4	19.0	12.8	70.0	17.2	5.3	66.2	28.4

Table 8 Main Regional Indicators

EFRE- Mittelabfluss aus der Programmperiode 1994 - 1999 nach Förderschwerpunkten									
Finanzielle Abwicklung des Gesamtprogramms (1994- 1999) per 24.05.2002									
Mio DM									
Measures		total	total puplic	ERDF	total national	Federal Republic	Land	local authorities	Private sources
1	2	3	4	5	6	7	8	9	10
1.1 Productive investments	Plan	7.021.197	1.281.663	640.831	640.832	320.416	320.416	0	5.739.534
	approved	5.523.952	1.506.517	641.165	865.352	432.676	432.676	0	4.017.408
	paid out	5.605.642	1.514.277	622.213	892.064	446.032	446.032	0	4.091.365
1.2 Complemental infrastructures	Plan	961.890	961.890	528.277	433.613	138.526	101.192	193.895	0
	approved	1.283.001	1.283.001	533.320	749.681	238.000	208.858	303.096	0
	paid out	1.240.232	1.240.232	524.288	715.944	224.062	197.255	294.627	0
<b>1. Productive investments and complemental infrastructures</b>	<b>Plan</b>	<b>7.983.087</b>	<b>2.243.553</b>	<b>1.169.108</b>	<b>1.074.445</b>	<b>458.942</b>	<b>421.628</b>	<b>193.895</b>	<b>5.739.534</b>
	<b>approved</b>	<b>6.806.926</b>	<b>2.789.518</b>	<b>1.174.485</b>	<b>1.615.033</b>	<b>670.676</b>	<b>641.261</b>	<b>303.096</b>	<b>4.017.408</b>
	<b>paid out</b>	<b>6.845.874</b>	<b>2.754.509</b>	<b>1.146.501</b>	<b>1.608.008</b>	<b>670.094</b>	<b>643.287</b>	<b>294.627</b>	<b>4.091.365</b>
2.1 Productive investments	Plan	6.074.905	1.111.968	555.984	555.984	277.992	277.992	0	4.962.937
	approved	4.668.350	1.333.821	556.231	777.590	388.795	388.795	0	3.334.529
	paid out	4.083.040	1.166.597	521.057	645.540	322.770	322.770	0	2.916.443
2.2 Services for SME	Plan	824.930	539.557	404.669	134.888	0	134.888	0	285.373
	approved	1.066.675	540.989	405.742	135.247	0	135.247	0	525.776
	paid out	1.006.964	523.017	392.263	130.754	0	130.754	0	483.947
<b>2. Small and middle enterprises</b>	<b>Plan</b>	<b>6.899.835</b>	<b>1.651.525</b>	<b>960.653</b>	<b>690.872</b>	<b>277.992</b>	<b>412.880</b>	<b>0</b>	<b>5.248.310</b>
	<b>approved</b>	<b>5.735.115</b>	<b>1.874.810</b>	<b>961.973</b>	<b>912.837</b>	<b>388.795</b>	<b>524.042</b>	<b>0</b>	<b>3.860.305</b>
	<b>paid out</b>	<b>65.090.004</b>	<b>1.689.614</b>	<b>913.320</b>	<b>776.294</b>	<b>322.770</b>	<b>453.524</b>	<b>0</b>	<b>3.400.390</b>
<b>3. Research, technological development, innovation</b>	<b>Plan</b>	<b>558.105</b>	<b>367.213</b>	<b>273.011</b>	<b>94.202</b>	<b>0</b>	<b>94.202</b>	<b>0</b>	<b>190.892</b>
	<b>approved</b>	<b>633.171</b>	<b>365.823</b>	<b>274.367</b>	<b>91.456</b>	<b>0</b>	<b>91.456</b>	<b>0</b>	<b>267.348</b>
	<b>paid out</b>	<b>512.121</b>	<b>344.431</b>	<b>258.323</b>	<b>86.108</b>	<b>0</b>	<b>86.108</b>	<b>0</b>	<b>167.690</b>
<b>4. Enviroment</b>	<b>Plan</b>	<b>1.040.620</b>	<b>1.040.620</b>	<b>780.465</b>	<b>260.155</b>	<b>0</b>	<b>0</b>	<b>260.155</b>	<b>0</b>
	<b>approved</b>	<b>1.283.430</b>	<b>1.283.430</b>	<b>797.465</b>	<b>485.965</b>	<b>0</b>	<b>0</b>	<b>485.965</b>	<b>0</b>
	<b>paid out</b>	<b>1.391.885</b>	<b>1.391.885</b>	<b>758.546</b>	<b>633.339</b>	<b>3.858</b>	<b>108.488</b>	<b>520.993</b>	<b>0</b>
<b>5. Human ressources, education</b>	<b>Plan</b>	<b>769.060</b>	<b>769.060</b>	<b>576.795</b>	<b>192.265</b>	<b>0</b>	<b>0</b>	<b>192.265</b>	<b>0</b>
	<b>approved</b>	<b>772.853</b>	<b>772.853</b>	<b>579.639</b>	<b>193.214</b>	<b>0</b>	<b>0</b>	<b>193.214</b>	<b>0</b>
	<b>paid out</b>	<b>753.209</b>	<b>753.209</b>	<b>558.819</b>	<b>194.390</b>	<b>0</b>	<b>0</b>	<b>194.390</b>	<b>0</b>
6.1 Agriculture, processing and commercial exploitation of agricultural products	Plan	345.497	345.497	172.765	172.732	43.183	43.183	86.366	0
	approved	376.583	376.583	172.764	203.819	52.440	52.440	98.939	0
	paid out	409.853	409.853	168.064	241.789	62.216	66.224	113.349	0
6.2 Rural development	Plan	28.011	28.011	21.000	7.011	0	0	7.011	0
	approved	33.360	33.360	20.971	12.389	0	0	12.389	0
	paid out	49.165	49.165	20.635	28.530	0	11.118	17.412	0
6.3 Fishery	Plan	0	0	0	0	0	0	0	0
	approved	0	0	0	0	0	0	0	0
	paid out	0	0	0	0	0	0	0	0
6. Agriculture, rural development	Plan	370.509	373.509	193.766	179.743	43.183	43.183	93.377	0
	approved	409.943	409.943	193.735	216.208	52.440	52.440	111.328	0
	paid out	459.018	459.018	188.699	270.319	62.216	77.342	130.761	0
7. Technical aid	Plan	39.035	39.035	29.277	9.758	0	5.186	4.572	0
	approved	41.097	41.097	29.277	11.820	0	5.155	6.665	0
	paid out	40.411	40.411	28.835	11.576	0	4.971	6.605	0
8. Technical aid initiated by EC	Plan	7.514	7.514	7.514	0	0	0	0	0
	approved	7.514	7.514	7.514	0	0	0	0	0
	paid out	7.496	7.496	7.496	0	0	0	0	0
<b>total sum</b>	<b>Plan</b>	<b>17.670.765</b>	<b>6.492.029</b>	<b>3.990.589</b>	<b>2.501.440</b>	<b>780.117</b>	<b>977.059</b>	<b>744.264</b>	<b>11.178.736</b>
	<b>approved</b>	<b>15.690.047</b>	<b>7.544.986</b>	<b>4.018.455</b>	<b>3.526.531</b>	<b>1.111.910</b>	<b>1.314.353</b>	<b>1.100.268</b>	<b>8.145.061</b>
	<b>paid out</b>	<b>15.100.018</b>	<b>7.440.573</b>	<b>3.860.539</b>	<b>3.580.034</b>	<b>1.058.938</b>	<b>1.373.720</b>	<b>1.147.376</b>	<b>7.659.445</b>

Quelle: Abschlussbericht 1994-1999

**Table 9 ERDF in Saxony, 1994-1999**  
(Freistaat Sachsen Final Reports 1994-1999)

**Table 10 ERDF in Saxony, 2000-2006**

Saxony 2000-2006														
Referenznummer der Kommission für den Plan/das GFK: 1999 DE 16 1 PO 006														
Main point/ year	public expenditure													
	Total costs	Contribution by European Union						National participation- public						Private
		in all	in all	ERDF	ESF	EAGGF	FIAF	In all	Federal Republic	Country	Commune	Others		
1=2+3	2=3+8	3	4	5	6	7	8=9a`12	9	10	11	12	13		
Promotion of the competitive capacity of trade busines, especially SME	3,693,008,65	1,368,044,261	910,026,593	910,023,593	0	0	0	458,017,668	138,402,978	319,614,690	0	0	2,324,964,414	
Infrastructure measures	1,840,564,290	1,840,564,290	1,380,400,738	1,380,400,783	0	0	0	460,163,507	147,310,862	55,723,161	257,129,484	0	0	
Environmental protection and melioration	1,104,057,950	1,104,057,950	736,591,835	736,591,835	0	0	0	367,466,115	0	30,000	367,436,115	0	0	
Promotion of employability	1,507,637,617	1,507,637,617	1,054,262,874	0	1,054,262,874	0	0	453,374,743	69,586,825	383,787,918	0	0	0	
Rural development and fishery	1,677,435,981	936,294,922	697,521,192	0	0	697,521,192	0	238,773,730	37,600,000	85,494,667	115,679,063	0	741,141,059	
Technical aid	112,438,252	112,438,252	79,806,723	30,579,103	43,927,620	5,300,000	0	32,631,529	0	27,535,009	5,096,520	0	0	

Auszüge aus OP Sachsen 2000-2006

(OP Saxony 2000-2006)



**Table 29 EU Initiatives in Saxony 1994-1999**

**European Union Initiatives in Saxonia 1994-1999**

					approved	in %	paid	in%	jobs		Number of participants	
		Number of interventions	Plan in mio €	Plan/DM mio DM	mio DM	to plan	mio DM	to Plan	new	sustained	total	women
KMU	<b>total</b>	<b>7225</b>	<b>44,34</b>	<b>86,3764939</b>	<b>66,267915</b>	<b>76,7</b>	<b>40,013314</b>	<b>46,3</b>	<b>0</b>	<b>0</b>		
	ERDF	7027	40,606	79,2214939	58,772915	74,2	37,053314	46,8	0	0		
	ESF	198	3,734	7,155	7,495	104,8	2,69	41,4			4,447	1,761
INTERREG	<b>total</b>	<b>571</b>	<b>151,717</b>	<b>296,156403</b>	<b>303,524</b>	<b>102,5</b>	<b>195,5122</b>	<b>66</b>	<b>174,75</b>	<b>475,5</b>		
	ERDF	339	99,406	194,5637	200,908	103,3	124,915	64,2	158,75	475,5		
	ESF	142	21,967	42,191	42,971	101,8	25,689	60,9			6,920	3,828
	EAGFL	90	30,344	59,4018	59,645	100,4	44,908	75,6	16	0		
RESIDER	<b>total</b>	<b>95</b>	<b>16,148</b>	<b>30,884</b>	<b>30,89</b>	<b>100,0</b>	<b>15,215</b>	<b>49,3</b>	<b>217</b>	<b>1046</b>		
	ERDF	86	15,673	29,975	29,981	100,0	14,668	48,9	217	1046		
	ESF	9	0,475	0,909	0,909	100,0	0,547	60,2			213	51
RECHAR	<b>total</b>	<b>119</b>	<b>34,318</b>	<b>65,775</b>	<b>67,223</b>	<b>102,2</b>	<b>40,121</b>	<b>61,0</b>	<b>102</b>	<b>322</b>		
	ERDF	79	29,402	56,363	57,659	102,3	32,182	57,1	102	322		
	ESF	40	4,916	9,412	9,564	101,6	7,939	84,3			1,097	509
RETEX	<b>total</b>	<b>350</b>	<b>46,233</b>	<b>90,021</b>	<b>93,148</b>	<b>103,5</b>	<b>38,249</b>	<b>42,5</b>	<b>233</b>	<b>9212</b>		
	ERDF	290	38,706	75,611	78,098	103,3	31,259	41,3	233	9,212		
	ESF	60	7,527	14,41	15,05	104,4	6,99	48,5			1,918	1,045
URBAN/C	<b>total</b>	<b>20</b>	<b>9,389</b>	<b>17,705</b>	<b>17,702</b>	<b>100,0</b>	<b>9,807</b>	<b>55,4</b>	<b>56</b>	<b>137</b>		

	ERDF	11	8,200	15,427	15,427	100,0	7,664	49,7	56	137		
	ESF	9	1,189	2,278	2,275	99,9	2,143	94,1			406	295
<b>URBAN/Z</b>	<b>total</b>	<b>15</b>	<b>9,779</b>	<b>18,794</b>	<b>18,857</b>	<b>100,3</b>	<b>8,177</b>	<b>43,5</b>	<b>27</b>	<b>15</b>		
	ERDF	5	8,701	16,706	16,706	100,0	6,968	41,7	27	15		
	ESF	10	1,078	2,088	2,151	103,0	1,209	57,9			159	39
<b>KONVER</b>	<b>total</b>	<b>187</b>	<b>44,243</b>	<b>84,597</b>	<b>85,565</b>	<b>101,1</b>	<b>62,639</b>	<b>74,0</b>	<b>126</b>	<b>33</b>		
	ERDF	103	31,206	60,248	60,267	100,0	48,455	80,4	1,174	363		
	ESF	84	13,037	24,349	25,298	103,9	14,184	58,3			2009	613
<b>ADAPT</b>	<b>ESF/in all</b>	<b>63</b>	<b>19,219</b>	<b>36,913</b>	<b>35,573</b>	<b>96,4</b>	<b>22,518</b>	<b>61,0</b>	<b>6</b>		2,631	934
<b>EMPLOY</b>	<b>ESF/in all</b>	<b>64</b>	<b>18,833</b>	<b>36,172</b>	<b>37,029</b>	<b>102,4</b>	<b>30,319</b>	<b>83,8</b>			1,621	1,128
<b>LEADER</b>	<b>total</b>	<b>467</b>	<b>20,708</b>	<b>40,1</b>	<b>39,548</b>	<b>98,6</b>	<b>25,844</b>	<b>64,4</b>	<b>155,5</b>	<b>324</b>		
	ERDF	140	6,908	14,035	13,842	98,6	9,045	64,4				
	EAGFL	327	13,800	26,065	25,706	98,6	16,799	64,5				
<b>GI</b>	<b>total</b>	<b>9176</b>	<b>414,927</b>	<b>803,4939</b>	<b>795,3269</b>	<b>99,0</b>	<b>488,4145</b>	<b>60,8</b>				
	ERDF	8080	278,808	542,150147	531,660915	98,1	312,209514	57,6	1967,75	11570,5		
	ESF	679	91,975	175,877	178,315	101,4	114,498	65,1			21,421	
	EAGFL	417	44,144	85,46675	85,315	99,9	61,707	72,2	171,5	324		

Quelle: OP Sachsen 2000-2006

status. 31.12.99

**Table 10 EU Initiatives in Saxony 1994-1999**

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**Table 12 Regional Division of ERDF in Saxony 1994-1999**

Regionale Verteilung der Fördermittel in Sachsen - Anteile de Kreise in %

Kreis	Projekte	Förder- fähiges Investitions- volumen	Öffentliche Mittel	EFRE		Regions with 1 <sup>st</sup> Priority in GA (2003- 06)
				Anzahl	DM	
Chemnitz, Stadt	669	6,45% 4,85%	5,10%	181.222.845,69	5,70%	
Kreis Freiberg	549	5,29% 5,64%	5,48%	180.193.721,37	5,66%	x
Vogtlandkreis	635	6,12% 5,91%	4,85%	149.285.749,80	4,69%	x
Mittlerer Erzgebirgskreis	586	5,65% 3,38%	3,38%	105.313.394,13	3,31%	x
Kreis Mittweida	387	3,73% 3,76%	3,16%	104.971.144,24	3,30%	
Kreis Annaberg	401	3,87% 3,58%	3,38%	100.564.851,46	3,16%	x
Aue Schwarzenberg	478	4,61% 3,79%	3,48%	95.449.491,76	3,00%	x
Kreis Stollberg	279	2,69% 2,45%	2,40%	74.474.665,45	2,34%	x
Chemnitzer Land	283	2,73% 3,52%	2,37%	68.744.007,23	2,16%	
Zwickau, Stadt	140	1,35% 2,05%	1,88%	60.170.810,84	1,89%	
Plauen, Stadt	121	1,17% 1,56%	1,41%	48.900.820,93	1,54%	x
Zwickauer Land	267	2,57% 2,18%	1,60%	45.773.850,62	1,44%	x
CHEMNITZ	4.795	46,23 % 42,68%	38,49%	1.215.065.353,5 2	38,19%	
Dresden, Stadt	898	8,66% 9,07%	9,39%	368.257.252,26	11,57%	
Kreis Kamenz	482	4,65% 5,36%	5,43%	182.034.804,04	5,72%	(x)
Kreis Meißen	368	3,55% 4,22%	4,60%	151.068.757,96	4,75%	
Sächsische Schweiz	393	3,79% 4,30%	4,75%	147.034.323,99	4,62%	(x)
Weißeritzkreis	330	3,18% 3,90%	4,82%	138.654.354,45	4,36%	(x)
Kreis Bautzen	422	4,07% 4,34%	4,22%	126.460.491,09	3,97%	x
Löbau-Zittau	411	3,96% 3,48%	3,83%	116.285.414,92	3,65%	x
Riesa-Großenhain	236	2,28% 2,39%	2,66%	69.190.264,25	2,17%	x
Niederschlesischer Oberlausitzkreis	183	1,76% 1,61%	1,80%	58.150.607,10	1,83%	
Görlitz, Stadt	50	0,48% 0,81%	1,05%	39.237.023,94	1,23%	x
Hoyerswerda, Stadt	28	0,27% 0,24%	0,15%	4.359.030,16	0,14%	x
DRESDEN	3.801	36,65 % 39,72%	42,71%	1.400.732.324,1 6	44,03%	
Leipzig, Stadt	508	4,90% 5,57%	7,09%	196.276.847,20	6,17%	

Kreis Delitzsch	157	1,51% 2,91%	2,91%	96.908.954,69	3,05%	
Kreis Döbeln	312	3,01% 2,46%	2,82%	91.726.384,77	2,88%	x
Leipziger Land	347	3,35% 2,41%	2,22%	69.414.354,40	2,18%	
Muldentalkreis	256	2,47% 2,47%	2,00%	63.898.242,71	2,01%	
Torgau-Oschatz	196	1,89% 1,79%	1,76%	47.568.681,24	1,50%	x
LEIPZIG	1776	17,12% 17,61%	18,80%	565.793.465,01	17,79%	
GESAMT	10.372	100,00% 100,00%	100,00%	3.181.591.142,6 9	100,00% %	

Aufgrund fehlerhafter oder fehlender Angaben in den Förderdaten konnten 651 Vorhaben nicht in die regionale Auswertung der Förderung aufgenommen werden. Dies betrifft insbesondere Vorhaben aus den Schwerpunkten 4 und 6, aber auch 2.2, 3 und 6.

Quelle: Evaluierung 1994-1999 (Source: E 99 2002)

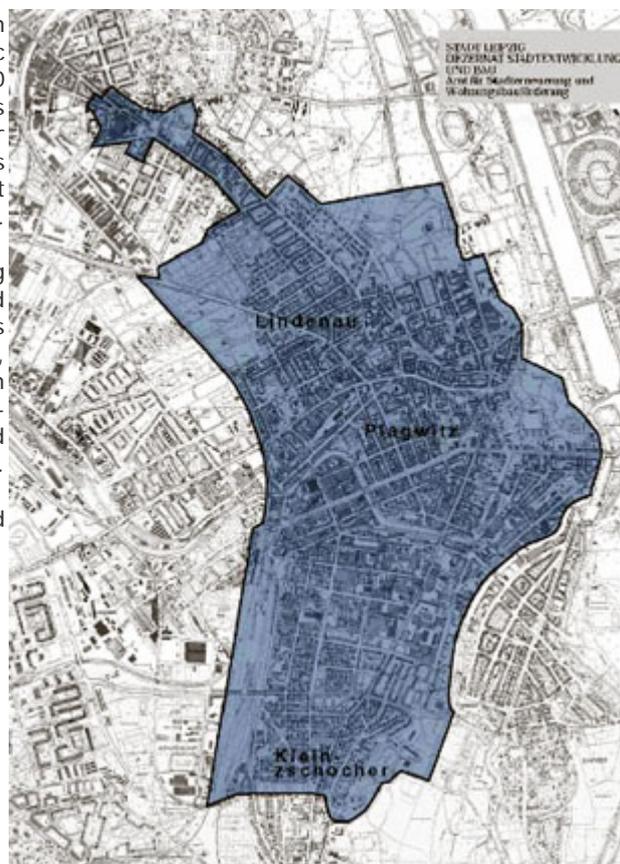
**Table 31 EU Projects in Leipzig (www.leipzig.de, EU-Projekte)**

**URBAN Leipzig's West**

With the Community Initiative URBAN II the European Union promotes integrated measures for the economic and social regeneration of troubled urban areas. 70 European cities altogether will be supported with this programme until 2006, including Leipzig and 11 other German cities. For Leipzig alone, the EU provides almost 15 million Euros, thus making this EU project the most important one for Leipzig at this moment.

The promoted area is situated in the west of Leipzig and includes the districts Lindenau, Plagwitz and Kleinzschocher. A package of integrated initiatives has been developed for this clearly defined area, promoting the economy and employment, urban development and social qualities. The project is co-ordinated by the Office for Urban Regeneration and Residential Development.

Further information about this project can be obtained from <http://www.urban-leipzig.de>



**SEE City Network**

The SEE (South-East Europe) City Network Project was initiated at a conference on the role of cities in the process of strengthening democracy and stabilisation in South-East Europe, held in 1999 in Bled (Slovenia). It forms part of the European efforts to stabilise and strengthen the whole region after years of destruction and civil war. The project aims to support the participating cities in South-East Europe with regard to urban development and citizens' involvement and to bring them together in a co-operative city network.



The SEE City Network Project is run by [Eurocities](http://www.eurocities.org), the network of European cities, and led by the cities of Gothenburg (Sweden) and Leipzig. It is planned to run until 2004 with a volume of almost 500,000 Euros. The following South-East European cities are part of the network:

Iasi, Ljubljana, Nis, Novi Sad, Pec, Plovdiv, Podgorica, Prijedor, Prizren, Rijeka, Skopje, Travnik and Tuzla. In Leipzig the project is run by the Office for European and International Affairs and the Verein zur Förderung der Städtepartnerschaft Leipzig-Travnik e.V. (The Association for the Promotion of the Leipzig-Travnik twinning).

Further information on this project is available from <http://www.eurocities.org/seeec>, as well as the Office for European and International Affairs of Leipzig City Council.

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## Integaire

The project 'Integaire' – Integrated Urban Governance and Air Quality Management in Europe – is supported by the EU as a "thematic network" as part of the 5th Framework Programme. It aims to bring scientists and businesses in the field of air quality together. The project was agreed by the Commission in 2001 and is planned to run for 3 years. The network will be supervised by Eurocities. In addition to the City of Leipzig and a number of research institutions, the cities Bristol, Birmingham, Gothenburg, Malmo, Utrecht and Düsseldorf participate in the project.

The City of Leipzig is represented by the Environmental Protection Office, the Office for Traffic Planning as well as the City Planning Office. The work is co-ordinated by the [Aufbauwerk Regierungsbezirk Leipzig GmbH](#). Participation in the project is spread over three main topics: Implementation of EU legislation on air quality and influencing its future development, local opportunities for the regulation of air quality, and integration of air quality questions into the traffic and urban planning process.

Further information about this project can be obtained from Aufbauwerk GmbH (contact: Mr Frank Trepte, Tel. . +49 (0)341/1407790).

## PRESUD



The project PRESUD ("Peer reviews for European sustainable urban development") is financed by the EU programme LIFE and co-ordinated by the City of Newcastle. Besides Leipzig, the cities of Birmingham, Nottingham, Malmo, The Hague, Venice, Vienna and Tampere are part of the project which is running until 2004.

At the core of this project is the comparison and improvement of the sustainability of local politics in the selected cities combined with peer reviews by the corresponding partners. Based on 100 indicators for competence, political goals and knowledge in the fields of air quality, water quality, nature preservation, energy consumption and traffic planning, the sustainability of municipal politics is assessed. Based on the results of this assessment, the cities will then develop further measures for improvement which will be evaluated at the end of the project.

The City Council's Department of Environment, Public Order and Sports is responsible for the project, the work is carried out by the Environmental Protection Office and the Office for Urban Regeneration and Residential Development. The project is managed by the [Aufbauwerk Regierungsbezirk Leipzig GmbH](#).

Further information about this project can be obtained from Aufbauwerk GmbH (contact: Mr Frank Trepte, Tel. . +49 (0)341/1407790).

## Aufbauwerk Leipzig GmbH

English

The Aufbauwerk Leipzig GmbH is a public enterprise whose shareholders are the City of Leipzig and the districts of Döbeln and Muldenthal. The company therefore has a mission of regional policy for an area of more than one million inhabitants.

Through its participation as lead applicant, partner or subcontractor in numerous European projects, the

Aufbauwerk has an expertise in the development, administration and documentation of EU co-financed projects that is unique in the Leipzig region.

The participation in EU projects usually takes place in co-operation or close consultation with the public shareholders of the Aufbauwerk GmbH. The promotion of the regional interest, being a priority of the organisation's work, does not only include the internationalisation of the region but also the idea to make best practises and experiences of other European regions and expert knowledge available to a broad variety of actors. Thereby, the Aufbauwerk GmbH contributes to a strengthening of the entire region.

## Green belt of Leipzig



The Aufbauwerk Leipzig hosts the administrative office of the Green Belt of Leipzig ("Grüner Ring Leipzig") since 1997. The administrative office is centre and motor of this voluntary co-operation between the City of Leipzig and surrounding municipalities and districts.

In its function as administrative office, the Aufbauwerk supports the work of different working groups with preparatory works and through the preparation and post-processing of the working group meetings. Further tasks include the organisation and realisation of City-Periphery-Conferences ("Stadt-Umland-Konferenzen") and the steering of the public relations of the Green Belt of Leipzig. The latter includes publications, online presentations, exhibitions and public tours.

A further duty is the initiation and maintenance of network co-operations and the establishment and conservation of contacts to exchange experiences with other regional associations.

### RE urban MOBIL

RE urban MOBIL is a research project for urban development and re-urbanisation financed by the 5th Framework Programme of the EU. It focuses on the question of re-urbanisation of inner-city districts that are facing demographic change and the trend of population movement to the suburbs. Looking at the high vacancy rates in the inner-city districts, this question is of enormous importance for Leipzig.

The project started in 2002 and is planned for three years. Co-ordinated by the City of Leipzig (Office for Urban Regeneration and Residential Development) the project brings together renowned research institutions and the participating cities, including Leipzig's twin cities Cracow, Brno, Bologna and Birmingham.

The research projects aims to analyse re-urbanisation potentials that can counteract the trend of suburbanisation without limiting the citizens in their search for an optimum quality of life. In other words: How can the inner city be developed in such a way that it becomes interesting to potential migrants to the suburbs? Important elements of the research project are case studies for the participating cities and the development of instruments that help to put these goals into practice.

Further information on this project is available from <http://www.re-urban.com> as well as from the Office for Urban Regeneration and Residential Development.

#### Contact:

Mr Office for Urban Regeneration of City Tel. Mail: [sgabi@leipzig.de](mailto:sgabi@leipzig.de) Stefan and Residential Development Leipzig 0341/1235455

### URGE

URGE (URban Green Environment) is a project financed by the 5th Framework Programme of the EU which is running until 2004. In this project the cities of Leipzig (represented by the City Council and the [UFZ – Centre for Environmental Research](#) as project manager), Birmingham, Genoa and Budapest have come together as

partners with the goal of developing urban green spaces to improve the quality of life in cities and urban regions.

The aim of the research project is to improve the provision of cities with green spaces, both qualitatively and quantitatively, thus enhancing the quality of life of the urban population and contributing to the sustainable development of European cities. One major objective is to increase the available knowledge of the complex interactions between nature, economy and social systems in urban environments, considering this as a premise to the development of modern strategies for the design and management of urban landscapes.

The project includes the elaboration and testing of an interdisciplinary catalogue of methods and measures comprising ecological, sociological, economical and planning aspects, based on the experience from various European cities. The participating cities will select green spaces which will be used as case studies to test the applicability of the criteria. Leipzig has selected the district park in Reudnitz / Eilenburger Bahnhof and a section of the Green Belt in the housing complex 8.3. in Grünau. The comparison of the results of these analyses and the knowledge gained will be used to improve existing green spaces and to optimise urban green policies in European cities.

**Contacts** for the project are:  
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## EURO CULT 21

The EURO CULT 21 project is 100% financed by the 5th Framework Programme of the EU as a "thematic network". The project is run by [EUROCITIES](#) and includes city councils and research institutions from all over Europe: besides Leipzig including also Helsinki, The Hague, Athens, Barcelona and Bristol. The project was agreed upon in 2002 and will run for 3 years.

The central objective of the project is to improve the knowledge of cultural infrastructure, policies and funding in the participating cities. The project aims to create and analyse "Cultural profiles" which will provide the basis for the future development of local cultural policies and their strategic directions. The cities can learn a lot from each other in this process. The goals will be achieved through local workshops, scientific investigations and joint international workshops.

**Contact** for Leipzig's participation in this project is:  
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## Leipzig - New Avenues

The project is supported by special funds of the European Social Fund (for so-called innovative measures) with over 500,000 Euros in total. It started in December 2002 and is scheduled to run for 2 years. In addition to Leipzig City Council, the Leipzig Job Centre, the Federal Association of Medium-sized Companies (region Saxony), the Saxonian Association of Entrepreneurs, the German Trade Union Association, the Association of Unemployed People in Germany (regional association for Saxony), the Chamber of Handicrafts Leipzig, the Institute for Development Planning and Structural Research (IES) and the Centre for Labour and Organisation Research (ZAROF) are involved in this project.

The project aims to support the strategic direction of local employment policies with regard to the European and national context (especially the European employment strategy and the National Action Plan for Germany) and involves all relevant stakeholders in this process. It aims to develop new innovative projects to ensure the employment opportunities of labourers and prevent the social exclusion of unemployed people. Main elements of the project are the improvement of the information basis, the identification of central topics, the formation of strategy and project related partnerships as well as the formulation of a strategic framework for action.

In addition to studies and pilot projects, the project also plans to organise two local conferences to involve and inform the public and to present the project results at the European Employment Week in Brussels.

Further information can be obtained from the Office for Economic Development.

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## CITYREGIO

The project is supported by the EU Joint Initiative INTERREG III B with a total volume of about 2 million Euros. It was submitted under Leipzig's management and approved at the end of 2002. In addition to three districts around Leipzig, namely Leipzig region, Delitzsch and Muldental district, the cities of Linz in Austria and Pilsen in the Czech Republic are involved with five municipal and regional partners each.

The project is planned for three years and aims to overcome problems of city-suburb co-operation in the field of regional economic development. It aims to turn the three participating regions into "joint regional locations" with resulting competitive locational advantages. For each region, the knowledge about the economic and locational factors for the successful development of such "joint locations" is to be improved continuously in three main areas. The locational conditions for the development of selected regional clusters of the economy (for Leipzig these consist of vehicle and components industry, health and life sciences as well as energy and environmental technology) are to be improved continuously. The overall goal is an improvement of the co-ordination and coherence of regional location development. The three participating regions will develop both joint and individual measures in three main areas:

- Development of economic sectors and clusters
- Development of human resources and regional competences
- Location development and management

The main results of the project will include various analyses and feasibility studies (concerning city-suburb co-operation, cluster development etc.), location or cluster related manuals and information systems, the establishment of a location management and business networks, the development of especially important individual locations, as well as certain measures for the distribution of the resulting expertise in a wider European context.

Further information about this project can be obtained from the Office for Economic Development.

#### Contact

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## UTN II

The project URBAN TECHNOLOGY NETWORK II (UTN II) is supported by the EU Joint Initiative INTERREG III B from 2003-2006 and is the continuation of a project that was concluded in 2000. In addition to Vienna as

chair of this project and Leipzig, the project involves cities from Greece and Italy and a large number of Central and Eastern European cities.

The main goal of the project is to support cities in Central and Eastern Europe with urban development projects, from the conception to the financing and implementation (especially through public-private partnerships). The focus falls on the improvement of urban infrastructure and its adaptation to European standards, for example in the field of municipal utilities or urban renewal. These are fields where Western European cities can share their knowledge and expertise with cities from EU access countries.

For this project, the Office for Urban Renewal and Housing Promotion in co-operation with the Department for Construction Engineering and Economics of the University of Leipzig has taken over the management of a work group for the reconstruction of housing space. Valuable experience that the City of Leipzig has gained in this field can thus be made available to other cities. In addition, this offers Leipzig the opportunity to strengthen its reputation as a competence centre for successful urban renewal on an international level.

Further information about this project can be obtained at [www.utm.at](http://www.utm.at) as well as from the Office for Urban Renewal and Housing Promotion.

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## SF Programmes in Saxony (Objectives and Initiatives)

Source: [www.europa.eu.int/regional\\_policy](http://www.europa.eu.int/regional_policy)

### List SF programmes 1994 – 1999

Ziel 1	Germany Saxony	1994 – 1999
	Interreg II	1994 – 1999
	Resider II	1994 – 1997
	Rechar II	1994 – 1997
	SME	1944 – 1999
	RETEX II	1994 – 1997
	Konver II	1994 – 1997
	Urban	1996 – 1999

#### Ziel 1 - Germany Saxony – Period 1994 - 1999

##### Priorities:

- Productive and supplementary investment in infrastructure for businesses, in particular to encourage the establishment of businesses, subsidiaries and branches and the extension, streamlining and conversion of existing businesses; the development of sites and industrial estates, supply and disposal facilities and tourist sites and public amenities; the provision of shared premises and services as part of investment in technology and innovation centres and joint training centres for businesses.
- Assistance for SMEs, in particular to improve market access.
- Assistance for research and technological development (RTD) and innovation: investment in research departments and industrial laboratories, design and development consultancies, RTD companies and the infrastructure of RTD and innovation centres; support for cooperation measures in this field and for business development schemes in the field of new product and process development; modernisation of information and communication techniques and technological and business consultancy methods.
- Environment: "end-of-line" investment in industry; redevelopment of derelict industrial sites; establishment of water purifying and waste disposal plants; development of economic channels and processes for recycling.

<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Productive and supplementary investment	4,059.887	643.813
Assistance for SMEs	3,556.464	595.037
RTD and innovation	410.921	221.270
Environment	860.558	605.015
Technical assistance	20.137	16.109
<b>Total</b>	<b>8,907.967</b>	<b>2,081.244</b>
<b>Anteile:</b>		
European Regional Development Fund (ERDF)		76.08%
European Social Fund (ESF)		23.92%

<b>INTERREG II – Period 1994 - 1999</b>		
<b>Priorities:</b>		
<ul style="list-style-type: none"> <li>• Transport, other infrastructure, the environment.</li> <li>• Economic development and tourism.</li> <li>• Vocational training, socio-cultural measures.</li> <li>• Rural areas, forestry.</li> </ul>		
<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Infrastructure and the environment	106.064	73.225
The economy	27.674	17.574
Agriculture	42.313	29.290
Human resources	33.795	21.967
Technical assistance	5.859	4.394
<b>Total</b>	<b>215.705</b>	<b>146.450</b>
<b>Anteile:</b>		
European Regional Development Fund (ERDF)		65.00%
European Social Fund (ESF)		15.00%
European Agricultural Guidance and Guarantee Fund (EAGGF)		20.00%

<b>RESIDER II – Period 1994 - 1997</b>	
<b>Priorities:</b>	
<ul style="list-style-type: none"> <li>• In the field of environmental protection, site rehabilitation and technical infrastructure adjustment measures (recycling of industrial sites) are planned with a view to attracting industrial, craft and service activities.</li> <li>• A fully-fledged tourist industry is to be developed in selected areas.</li> </ul>	

<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Alternative economic activities	12.024	3.006
RTD and innovation	4.682	1.756
Environmental improvements	9.920	7.440
Tourism	1.984	1.488
Initial and continuing training	0.686	0.446
Technical assistance, cross-border cooperation, regional offices	0.992	0.744

<b>Anteile:</b>	
European Regional Development Fund (ERDF)	97.00%
European Social Fund (ESF)	3.00%

<b>RECHAR – Period 1994 - 1997</b>		
<b>Priorities:</b>		
<ul style="list-style-type: none"> <li>• Improvement of the environment and infrastructure</li> <li>• Promotion of alternative economic activities</li> <li>• Promotion of tourism</li> <li>• Technical assistance</li> <li>• Initial training and reskilling.</li> </ul>		
<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Improvement of the environment and infrastructure	13.310	9.980
Promotion of alternative economic activities	25.940	9.990
Promotion of tourism	3.980	2.980
Initial training and reskilling	7.820	4.910
Technical assistance	2.580	1.940
<b>Total</b>	<b>53.630</b>	<b>29.800</b>

<b>Anteile:</b>	
European Regional Development Fund (ERDF)	85.03%

European Social Fund (ESF)	14.97%
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<b>SME – Period 1994 - 1999</b>		
<b>Priorities:</b>		
<ul style="list-style-type: none"> <li>• Market access,</li> <li>• Introduction of new technology,</li> <li>• Quality and environmental protection (consultancy/certification and skills development),</li> <li>• Technical assistance.</li> </ul>		
<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Market access	17.220	8.200
New technology	47.203	16.650
Quality and environmental protection	34.113	17.100
Technical assistance	1.135	0.850
<b>Total</b>	<b>99.671</b>	<b>42.800</b>
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
<b>Anteile:</b>		
European Regional Development Fund (ERDF)		87.60%
European Social Fund (ESF)		12.40%

<b>RETEX II – Period 1994 - 1997</b>		
<b>Priorities:</b>		
<ul style="list-style-type: none"> <li>• Development of know-how (support for R&amp;D in SMEs, and technology centres).</li> <li>• Support for business collaboration (cooperation projects, joint ventures, sales support).</li> <li>• Environmental remediation/recultivation.</li> <li>• Training and skills development measures.</li> <li>• Technical assistance (consultancy, project groups, regional support centres).</li> </ul>		

<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Development of know-how	33.480	12.555
Support for business collaboration	25.108	6.277
Environmental remediation	22.320	16.740
Training	6.438	4.185
Technical assistance	2.791	2.093
<b>Total</b>	<b>90.137</b>	<b>41.850</b>

<b>Anteile:</b>		
European Regional Development Fund (ERDF)		90.00%
European Social Fund (ESF)		10.00%

<b>KONVER II – Period 1994 - 1997</b>		
<b>Priorities:</b>		
<ul style="list-style-type: none"> <li>• Environmental improvement and restoration;</li> <li>• Implementation studies and the development of strategies for restructuring;</li> <li>• Renewal and modernisation of the social and industrial infrastructures;</li> <li>• Promotion of activities in the tourism sector;</li> <li>• Technical Assistance.</li> </ul>		
<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
Environmental improvement and restoration	15.750	11.292
Implementation studies and the development of strategies for restructuring	1.750	1.254
Renewal and modernisation of the social and industrial infrastructures	18.685	10.037
Promotion of activities in the tourism sector	2.334	1.254
Technical Assistance	2.335	1.254
<b>Total</b>	<b>40.854</b>	<b>25.091</b>

<b>Anteile:</b>		
European Regional Development Fund (ERDF)		70.00%
European Social Fund (ESF)		30.00%

<b>URBAN – Period 1996 - 1999</b>		
<b>Priorities:</b>		
<ul style="list-style-type: none"> <li>• new economic activities: restoration of the Johannisbad Therapy centre;</li> <li>• socio-cultural infrastructure: establishment of a citizen's centre;</li> <li>• environmental improvements: green-belts and bike lanes;</li> <li>• employment preservation: promotion of certification and employment measures;</li> <li>• technical assistance.</li> </ul>		
<b>Finanzen:</b>		
<b>Sub-programmes/Measures</b>	<b>Total cost (in € millions)</b>	<b>EC contribution (in € millions)</b>
New economic activities	11.105	7.026
Socio-cultural infrastructure	5.857	1.047
Environmental improvements	0.815	0.450
Employment preservation	1.659	1.078
Technical assistance	0.248	0.178
<b>Total</b>	<b>19.684</b>	<b>9.779</b>
<b>Anteile:</b>		
European Regional Development Fund (ERDF)		88.98%
European Social Fund (ESF)		11.02%

## List SF programmes 2000 - 2006

Ziel 1	URBAN II Leipzig	2000 - 2006
	Saxony Objective Programme 1 2000 - 2006	
	INTERREG III A – PHARE CBC PL	2000 - 2006
	INTERREG III A – PHARE CBC CZ	2000 - 2006

<b>Saxony Objective Programme 1 – Period 2000 - 2006</b>			
<b>Priorities:</b>			
<b>Priority 1 : Promotion of business competitiveness, especially for SMEs</b>			
This priority particularly aims at encouraging productive investments, the financing of research and technological development projects, and promoting information society measures. Investing in SMEs will be especially encouraged.			
<b>Priority 2 : Infrastructural measures</b>			
Measures under this priority will promote various infrastructure projects in transport systems (especially in road transport), research and technology development, the information society, education, and inner city areas.			
<b>Priority 3 : Protection and improvement of the environment</b>			
Special emphasis will be given to improving the quality of the environment through measures in water and wastewater treatment, waste, and the conversion of environmentally damaged sites.			
<b>Priority 4 : Promotion of human resources and equal opportunities</b>			
The objective of these measures will be to target problems in unemployment and other target areas within the European Employment Strategy. Favouring employment for women will also be of great importance under this priority.			
<b>Priority 5 : Promotion of rural development</b>			
Revitalising the rural areas is an important aspect of the Regional Operational Programme. In such a light, investments will be provided for projects in the development of the agricultural sector and of rural areas.			
<b>Finanzen:</b>			
<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <b>Financial and Technical informations</b> </div>			
<b>Title : Saxony Objective 1 Programme</b>			
<b>Intervention type :</b> Operational Programme			
<b>CCI No. :</b> 1999DE161PO006			
<b>No. of decision :</b> C(2000)3502			
<b>Final approval date :</b> 12-DEC-00			
<b>Breakdown of Finances by priority area (in millions of Euros)</b>			
Priority area	Total cost	EU Contribution	Public aid (EC + others)
<b>1 Promotion of business competitiveness, especially for SMEs</b>	<b>5424.065</b>	<b>1225.939</b>	<b>2054.82</b>
<b>2 Infrastructural measures</b>	<b>1663.413</b>	<b>1247.482</b>	<b>1663.413</b>
<b>3 Protection and improvement of the environment</b>	<b>738.131</b>	<b>553.598</b>	<b>738.131</b>

<b>4 Promotion of human resources and equal opportunities</b>	<b>1621.943</b>	<b>1054.263</b>	<b>1621.943</b>
<b>5 Promotion of rural development</b>	<b>1677.436</b>	<b>697.521</b>	<b>936.295</b>
<b>6 Technical Assistance</b>	<b>115.42</b>	<b>79.807</b>	<b>115.42</b>
<b>Total</b>	<b>11240.40</b>	<b>4858.610</b>	<b>7130.022</b>

**Anteile:**

<b>Financial Breakdown by Funds (in millions of Euros)</b>			
<b>EU Contribution</b>	<b>ERDF</b>	<b>ESF</b>	<b>EAGGF</b>
<b>Total : 4858.61</b>	<b>3057.598</b>	<b>1098.191</b>	<b>702.821</b>
<b>100.00%</b>	<b>62.93%</b>	<b>22.60%</b>	<b>14.47%</b>

**URBAN II Leipzig – Period 2000 - 2006**

**Priorities:**

**Priority 1: Developing companies and jobs. Development of human resources and promoting equal opportunities**

The measures included in this action priority aim to give new life to the residential area. They cover rehabilitation of industrial waste sites and empty buildings, promotion of networks of economic structures and of medium enterprises in order to enhance competitiveness and to create lasting jobs. There are plans to build up a offer service with offers of qualifications and further training, particularly for women and long term unemployed.

**Priority 2: Strengthening the local identity and commitment to the urban sector, and enhancing urban qualities**

This action priority covers the creation of an URBAN competence centre as a self-help facility for conservative and ecological restoration of old buildings. Tools for mobile counselling and promotion for home ownership schemes will be developed. Support will be given to projects to create green areas and to improve the environment.

**Priority 3: Social, cultural and leisure infrastructures**

The comparatively good equipment of the urban districts built during the period of reckless financial speculation following the Franco-German War as regards cultural facilities must be preserved as a local advantage and further developed by actions and projects aimed at target groups. Support will be given to facilities where people can come together and also receive care provision, to leisure facilities and meeting-places, to laying out green areas and other open areas and also to restoration of buildings of historical value.

**Finanzen:**

**Financial and Technical informations**

**Title : URBAN II Leipzig**

**Intervention type : Community Initiative Programme**

**CCI No. : 2000DE160PC107**

**No. of decision : C(2001)2803**

**Final approval date : 16-OCT-01**

<b>Breakdown of Finances by priority area (in millions of Euros)</b>			
<b>Priority area</b>	<b>Total cost</b>	<b>EU Contribution</b>	<b>Public aid (EC + others)</b>
<b>1 Developing companies and jobs. Development of human resources and promoting equal opportunities</b>	<b>7.878</b>	<b>5.909</b>	<b>7.878</b>
<b>2 Strengthening the local identity and commitment to the urban sector, and enhancing urban qualities</b>	<b>7.478</b>	<b>5.609</b>	<b>7.478</b>
<b>3 Social, cultural and leisure infrastructures</b>	<b>3.484</b>	<b>2.612</b>	<b>3.484</b>
<b>4 Technical assistance measures, information and publicity</b>	<b>0.987</b>	<b>0.74</b>	<b>0.987</b>
<b>Total</b>	<b>19.827</b>	<b>14.870</b>	<b>19.827</b>

**Anteile:**

<b>Breakdown of Finances by priority area (in millions of Euros)</b>	
<b>EU Contribution</b>	<b>ERDF</b>
<b>Total : 14.87</b>	<b>14.87</b>
<b>100.00%</b>	<b>100.00%</b>

<b>INTERREG III A – PHARE CBC – Period 2000 - 2006</b>	
<b>Priorities:</b>	
<b>Priority 1: Economic development and co-operation between businesses</b>	The objective of this priority is to create a cross-border economic area for investment that can compete with other economic areas. Networks of businesses across the border and the construction of branches and technologies of the future will be promoted. A common leisure and tourist region will be created through development and extension of existing potential; synergies must be brought into being through co-operation with agriculture and forestry.
<b>Priority 2: Infrastructures</b>	Persisting barriers in the cross-border transport network must be removed. This objective is valid for all transport routes: roads, rail and waterways. Problems exist at border crossings, but the regional and national transport links also need to be extended in order to enhance the accessibility of the border area.
<b>Priority 3: The environment</b>	Plans for the quality of water, reduction of environmental pollution and risks, and protection of nature, the countryside and the climate will guarantee sustainable, overall development in the border area.
<b>Priority 4: Rural and urban development</b>	The essential object of this priority is to stabilise residential and economic structures in the rural Saxon and Lower Silesian border area. Cross-border collaboration in agriculture and forestry will help this area adapt to the common agricultural policy established on the agenda for 2000.
<b>Priority 5: Education, qualification and employment</b>	

Efforts will be made to improve school education and vocational qualification in order to guarantee competitiveness in the long term. To this end, cross-border collaboration must be stepped up between schools and training institutions on the one hand, and between training institutions and businesses on the other hand.

**Priority 6: Collaboration between cultural and social spheres and security**

The measures included under this priority are aimed at obtaining an attractive common area in which citizens will live and with which they will identify themselves. This will be achieved through social and cultural contacts across the border and also by the exchange of information and by reducing the security problems connected with the border situation.

**Priority 7: Technical assistance**

Provision is made for measures to support the management, information systems and assessment of the programme.

<b>Finanzen:</b>	<b>Financial and Technical informations</b>
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**Title : INTERREG III A - PHARE-CBC - Saxony (D) / Lower Silesia (PL)**

**Intervention type :** Community Initiative Programme

**CCI No. :** 2001CB160PC004

**No. of decision :** C(2001)1358

**Final approval date :** 13-JUL-01

**Breakdown of Finances by priority area (in millions of Euros)**

Priority area	Total cost	EU Contribution	Public aid (EC + others)
<b>1 Economic development and co-operation between businesses</b>	<b>8.087</b>	<b>5.122</b>	<b>6.829</b>
<b>2 Infrastructures</b>	<b>19.03</b>	<b>13.658</b>	<b>18.21</b>
<b>3 The environment</b>	<b>11.567</b>	<b>8.536</b>	<b>11.381</b>
<b>4 Rural and urban development</b>	<b>7.037</b>	<b>4.268</b>	<b>5.691</b>
<b>5 Education, qualification and employment</b>	<b>5.951</b>	<b>4.268</b>	<b>5.691</b>
<b>6 Collaboration between cultural and social spheres and security</b>	<b>7.733</b>	<b>5.548</b>	<b>7.398</b>
<b>7 Technical assistance</b>	<b>1.707</b>	<b>1.28</b>	<b>1.707</b>
<b>Total</b>	<b>61.112</b>	<b>42.680</b>	<b>56.907</b>

**Anteile:**

<b>Financial Breakdown by Funds (in millions of Euros)</b>	
EU Contribution	ERDF
<b>Total : 42.68</b>	<b>42.68</b>
<b>100.00%</b>	<b>100.00%</b>

## INTERREG III A PHARE-CBC - Saxony (D) / Czech Republic - Period 2000 - 2006

### Priorities:

#### Priority 1: Economic development and co-operation between businesses

The objective of this priority is to create a cross-border economic area for investment that can compete with other economic areas. Networks of businesses across the border and the construction of branches and technologies of the future will be promoted. A common leisure and tourist region will be created through improvement in the quality of services; synergies must be brought into being through co-operation with agriculture and forestry.

#### Priority 2: Infrastructures

Persisting barriers in the cross-border transport network must be removed. This objective is valid for all transport routes: roads, rail and waterways. Problems exist at border crossings, but the regional and national transport links also need to be extended in order to enhance the accessibility of the border area.

#### Priority 3: Environmental development of the area

Plans for the quality of water, reduction of environmental pollution and risks, and protection of nature, the countryside and the climate will guarantee sustainable, overall development in the border area. Cross-border network systems will help make agriculture and forestry more competitive and take advantage of the effects of the common agricultural policy established on the agenda for 2000.

#### Priority 4: Human resources and networks

An effort will be made to form a common identity and to create new jobs through cross-border collaboration between schools and training institutions on the one hand, and between training institutions and businesses on the other hand. Social and cultural contacts across the border and the exchange of information and the reduction of the security problems connected with the border situation will produce an attractive common area for citizens to live in.

#### Priority 5: Technical assistance

Provision is made for measures for the management, information systems and assessment of the programme.

### Finanzen:

#### Financial and Technical informations

**Title :** INTERREG III A - PHARE-CBC - Saxony (D) / Czech Republic

**Intervention type :** Community Initiative Programme

**CCI No. :** 2001CB160PC005

**No. of decision :** C(2001)1359

**Final approval date :** 13-JUL-01

### Breakdown of Finances by priority area (in millions of Euros)

Priority area	Total cost	EU Contribution	Public aid (EC + others)
1 Economic development and co-operation between businesses	32.347	20.486	27.315
2 Infrastructures	76.118	54.63	72.841
3 Environmental development of the area	74.216	51.216	68.288
4 Human resources and networks	54.736	39.266	52.354
5 Technical assistance	6.829	5.122	6.829
<b>Total</b>	<b>244.246</b>	<b>170.720</b>	<b>227.627</b>

**Anteile:****Financial Breakdown by Funds (in millions of Euros)**

<b>EU Contribution</b>	<b>ERDF</b>
<b>Total : 170.72</b>	<b>170.72</b>
<b>100.00%</b>	<b>100.00%</b>

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## **REGIONAL POLICY IN GERMANY IN RELATION TO EUROPEAN REGIONAL POLICY**

Regional problems in Germany are characterised by extreme internal disparities. Indeed, Germany contains regions which are amongst the richest (Hamburg) and the poorest (Thüringen) in the EU-15. In response to this, the emphasis of regional policy since reunification has been very much on the development of the new *Länder*.

### **Strategies**

Regional policy has as its primary objective ensuring that structurally-weak regions can take an equal part in the economic development of the country through an equalisation of their locational disadvantages. Policy targets long-term improvements of the regional economic environment in order for market forces to operate efficiently. Regional aid is expected to be an incentive for investment by private firms, not a permanent subsidy. Regional policy is also designed to support a growth and employment policy with particular reference to strengthening the economic growth of structurally weak regions through the creation of long-term competitive jobs, which will facilitate structural change and ease regional labour markets.

The rationale behind the provision of an active regional policy is that structural change can negatively affect regional development to such an extent that regions are unable to overcome structural bottlenecks on their own. From a national economic perspective, it is more effective to provide regional assistance for restructuring to those regions particularly affected by structural change than to provide subsidies to sectors or enterprises that are under threat. The creation of alternative jobs in sectors not affected by crisis and the improvement of regional infrastructure provision can alleviate the structural crisis and provide better preconditions for future regional growth.

### **Instruments**

The key instrument of regional policy in Germany is the Joint Task for the Improvement of Regional Economic Structures (*Gemeinschaftsaufgabe* (GA) '*Verbesserung der regionalen Wirtschaftsstruktur*'). The most important assistance measure therein is the Investment Grant (*Investitionszuschuss*), a capital grant paid out of GA funds and available in the designated GA areas. It is restricted to projects which exhibit the so called 'primary effect' – that is, they generate additional income for the region in which they are located due to their regionally exporting character. The GA also provides support for investment in economic infrastructure.

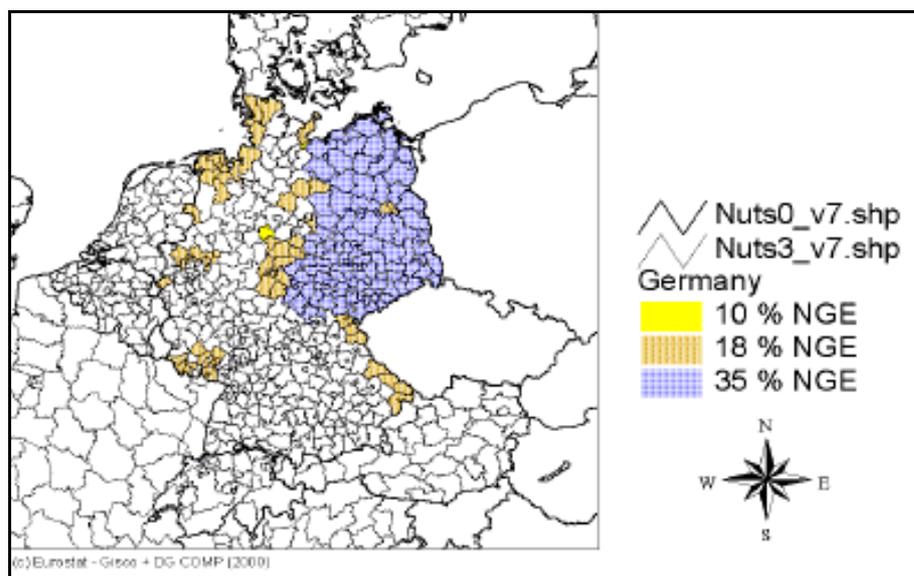
Traditional regional policy support under the GA framework has been accompanied over the last 30 years by a number of regional loan programmes. For instance, within the umbrella of the European Recovery Programme (ERP), initially financed by the Marshall Fund, ERP regional loans provide support to local services, those which do not exhibit the primary effect.

### **Spatial targeting**

The Investment Grant is limited to the GA Areas. For the 2000-03 period, these contained 34.9 percent of the national population – 17.2 percent in Article 87(3)(a) areas and 17.7 percent in Article 87(3)(c) areas. The Article 87(3)(c) quota was well

below the 23.4 percent which the German authorities felt they were due and was challenged in the European Court of Justice. The challenge failed but the areas concerned were granted 'D' status and qualified for SME support. For 2000-03, there were four grades of GA Area: A-areas, ie. structurally weak regions in east Germany; B-Areas, ie. structurally stronger regions in east Germany and the labour market of Berlin; C-areas, ie. west German aid areas approved under Article 87(3)(c); and D-areas, west German aid areas qualifying for SME support. For the 2004-06 period a number of E-areas have been added; these lie on the eastern borders of the former west Germany and qualify for SME aid.

**Figure 3-1: German regional aid map**



Source: DG Competition website

### Governance

The Basic Law of Germany (Articles 30 and 28) gives the primary responsibility for regional policy to the *Länder* and districts. The role of the Federal Government is to provide “a suitable framework” for the restructuring and development activities of the *Länder*, and, where appropriate, to offer supplementary assistance. The substance of the regional activities of the Federal Government is channelled through the GA system. Its purpose is to provide a framework for a co-ordinated approach to regional development policy. Through consensus-based decision-making, the aim of the GA is to produce guidelines that avoid excessive competition between the *Länder* in the provision of regional aid, but still allow the *Länder* flexibility in the implementation of regional policy.

The organisation of the GA is determined by a Planning Committee under which equal voting power is allocated to Federal and *Länder* interests. The Planning Committee drafts a multi annual Framework Plan which details assistance measures, specific eligibility conditions, the spatial coverage of the assisted areas and regional development priorities. This plan is revised annually. The financing of the GA regional policy instruments is shared equally between the Federal Government on the

one hand and the *Länder* on the other. The implementation of regional policy is wholly the responsibility of the *Länder*.

**Table 3-1: Territorial Units in Germany**

Unit Type	Designation	Number of Units
Länder	NUTS I	16
Regierungsbezirke	NUTS II	41
Kreise	NUTS III	439

## **GERMAN REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

National regional policy in Germany, in other words the GA discussed above, clearly reflects spatial objectives. The GA is bound to observe the provisions of the German constitution and of the *Raumordnungsgesetz* (national regional planning code). Both mention the support of equal living conditions. The GA also tries to coordinate with other departmental policies, for example, in the field of environmental protection, infrastructure provision, urban development, all of which present considerable spatial implications.

In the GA legislation there is no explicit reference of the concept of territorial cohesion. However, equal living conditions, polycentric development, transport infrastructure improvement, the provision of better social and cultural infrastructure are all mentioned.

Likewise, there is no explicit mention of polycentrism. Due to the reference to the national regional planning code and to the main principles laid out therein, concepts such as polycentric development, area protection (natural parks), infrastructure corridors etc. can still be considered as important features of German domestic regional policy. These concepts reach from the level of the national territory down to the regional level.

# Greece



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Greece

Prepared by



Under the framework of ESPON 2.2.1

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Greek data collection**

In the framework of the ESPON 2.2.1 the analysis of Structural and Cohesion Fund assistance in Greece for the 1994 – 1999 period is focused on the NUTS III level (52 prefectures or nomoi).

In the case of Greece the experts initially used information based on the 30 Operational Programmes of that period (13 Regional Operational Programmes and 17 Sectoral Operational Programmes). The problem was that these programmes could provide information related only to NUTS II level (regions).

For the purposes of the ESPON project the Hellenic Ministry of Economy and Finance (Managing Authority of the CSF – Directorate of Planning, Regional Policy and Programming), through the Management Information System of the Ministry, provided information related to the Structural Funds spending on NUTS III level. The information (it was not public available), was based on the ex post evaluations of the Operational Programmes and the final absorptions of the programmes. The information included the amounts spent for all 52 prefectures of country, the EC contributions and the final Structural Fund allocation (ERDF, ESF, EAGGF and FIFG).

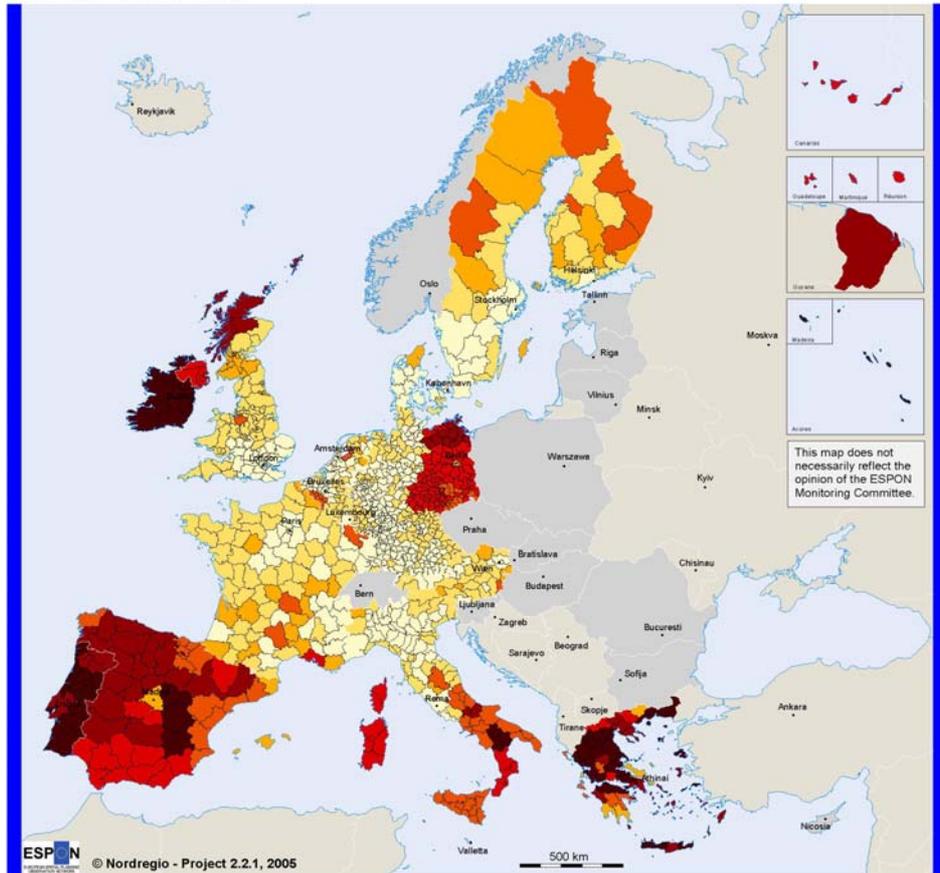
With regard to the Cohesion Fund spending, the information gathered was based on in-depth reviews of the Commission documents, such as the Annual Reports of the Cohesion Fund and the Periodic Reports on the Social and Economic Situation and Development.

Furthermore, the available literature used for the purposes of this report ranges from thematic evaluations and conference contributions to mid – term reviews and other Commission documents.

## **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

### Structural Fund spending

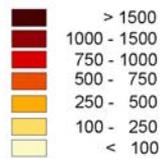


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

### What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less

than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

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. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

## **STRUCTURAL FUNDS IN GREECE**

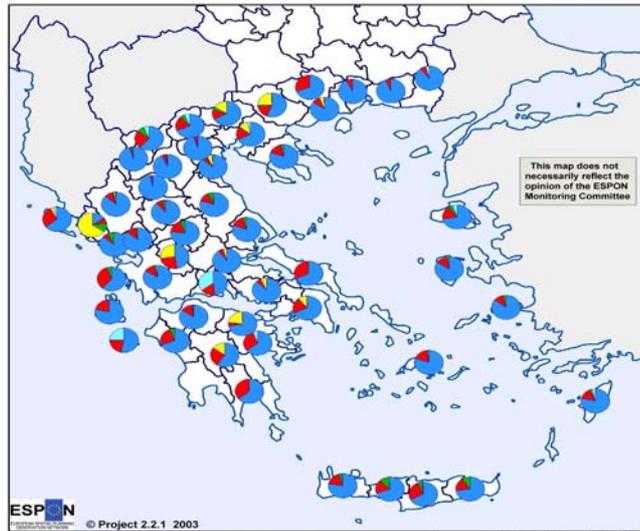
Objective 1 (development and structural adjustment of regions whose development is lagging behind) of the Structural Funds is the main priority of the European Union's cohesion policy. In accordance with the treaty, the Union works to "promote harmonious development" and aims particularly to "narrow the gap between the development levels of the various regions".

The whole of Greece benefits from Objective 1 status so far as the Community's Structural Funds are concerned. In 1994 – 1999, all the Greek regions qualified for Objective 1 assistance, (Anatoliki Makedonia & Thraki, Kentriki Makedonia, Dytiki Makedonia, Thessalia, Epirus, the Ionian Islands, Dytiki Ellada, Sterea Ellada, Peloponnisos, Attiki, Voreio Aigiao, Notio Aigiao and Crete).

All these regions, whose per capita GDP is less than 75% of the Community average, still have a number of economic characteristics that make them eligible for objective 1 funding:

- Low level of investment
- A higher than average unemployment rate
- Lack of services for businesses and individuals
- Poor basic infrastructure

**Distribution per type of Structural Funds spending per capita**



Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

**Distribution per type of SF spending per capita**



During the period 1994 – 1999 the Greek government established five main priorities for action:

- Encourage productive investment by developing major infrastructure networks (20% of the planned resources)
- Improvement of living conditions (10% of the planned resources)
- Improvement of the competitiveness of the country's economic fabric (20% of the planned resources)
- Development of human resources and promotion of employment (18% of the planned resources of the planned resources)
- Reduction of regional disparities and the isolation of island areas (32% of the planned resources)

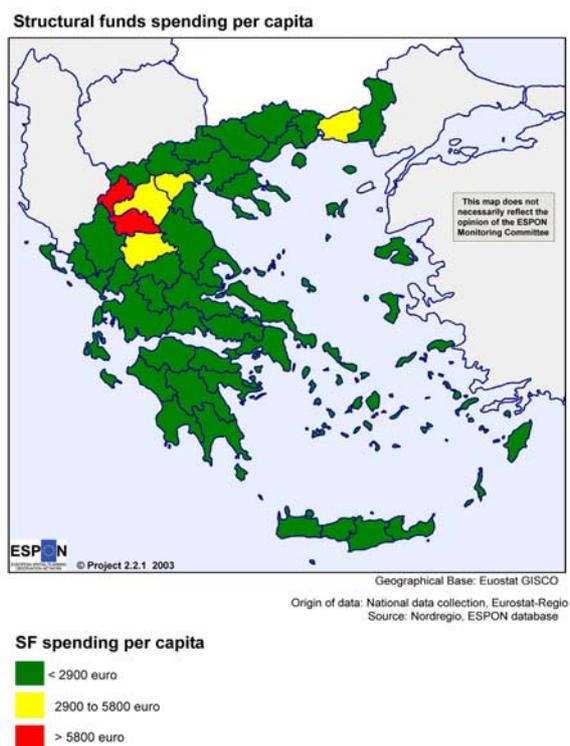
Greece is also one of the Cohesion countries that receives important funding for major infrastructure (transport and environmental) projects in most of the regions.

## Regional Structural Funds spending

Greece is one of the main beneficiary countries of the European Commission that receives funding from the Structural and the Cohesion Fund. The European map (page 3) presents the structural fund spending per capita at NUTS II level (region).

Most of the Greek regions seem to have benefited from the funds (more than 1.400 € per capita). The regions of Attiki and Notio Aigaio received important amounts of funding (between 1.200 – 1.400 € per capita) whilst the Peloponnisos is the region that benefited less than the other Greek regions.

It is worth pointing out that the prefecture of Attiki benefited less than other prefectures although Attiki still receives high amounts in comparison with other European Countries.



On the NUTS III map (prefectures or nomoi), the prefectures of Kastoria and Grevena (Region of Dytiki Makedonia) seem to have the highest structural fund spending per capita (more than 5.800 € per capita). The prefectures of Imathia, Kozani, Rodopi and

Trikala received also important amounts of funding (between 2.900 and 5.800 € per capita), whilst the general distribution across the Greek regions is the same by spending, less than 2.900 €

Cohesion Funds projects especially for transport infrastructure were in particular in the regions of Attiki, Peloponnisos, Epirus, Kentriki Macedonia and Sterea Ellada where funding contributed to the construction of the Trans European Network.



**Research Project ESPON 2.2.1**  
**On**  
**Territorial Effects of Structural Funds**

**Case study of Grevena**



May 2004

ESPON 221 – Annex report A

## 1 Focus of Interest / Hypothesis

The aim of this study is to undertake an evaluation of the Prefecture of Grevena with regard to the relation between the spatial performance of the NUTS III region and the type of Structural Funds investments, as well as the overall amount of funding to the region.

The case study of Grevena is intended to highlight the consistencies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework.

The prefecture of Grevena belongs to the Region of West Macedonia. (NUTS II level). Structural Funds have been allocated to the Region of West Macedonia in the framework of the Regional Operational Frameworks through the Community Support Frameworks. Grevena as a prefecture of the region has received funding through the Regional Operational Programme and through several other Operational Programmes and Community Initiatives. There are several factors that make this prefecture an interesting example to study, while it has received Structural Funds both the in the previous programming period (1994 – 1999) and in the current one (2000 – 2006). A more detailed description of Grevena will be provided below. Where information exists at NUTS II level, reference will be made in the Region of West Macedonia.

The Structural Funds and the Cohesion Fund are the key instruments to promote the economic and social cohesion of the European Union. Following the reforms of 1988, spending has been concentrated on the objective 1 regions – the regions identified as the most disadvantage parts of the EU – with an overall objective to promote “the development and structural adjustment of regions whose development is lagging behind”. Areas eligible for Objective 1 the previous and the current programming period were those regions in which GDP per head was below 75% of the EU average. The whole of Greece benefits from Objective 1 status so far as the Community's Structural Funds are concerned. In 1994 – 1999 and in 2000 - 2006, all the Greek regions qualified for Objective 1 assistance, (Anatoliki Macedonia & Thraki, Kentriki Macedonia, West Macedonia, Thessalia, Epirus, the Ionian Islands, Dytiki Ellada, Sterea Ellada, Peloponnisos, Attiki, Voreio Aigiao, Notio Aigiao and Crete).

All these regions, whose per capita GDP is less than 75% of the Community average, still have a number of economic characteristics that make them eligible for objective 1 funding:

- Low level of investment
- A higher than average unemployment rate
- Lack of services for businesses and individuals

- Poor basic infrastructure

Grevena is one of the four Prefectures that belong to the Region of West Macedonia (Dytiki Makedonia) with the above mentioned characteristics.

Furthermore, Grevena had the highest structural fund spending per capita (more than 5.800 € per capita) in relation to the other Greek Prefectures, in 1994 – 1999 and a positive GDP change EU and National.

Moreover, factors that make Grevena an interesting case for this study are the following: it is a mountainous region with low population density and until recent years inadequate transportation links. The particularities of the Prefecture will be identified in order to investigate how the European instruments of regional policy work in such regions and how have these regions adapted to European policy making.

## 2 Description

### 2.1 Case Study region

The region of **West Macedonia** (NUTS II level) is located in the north west of Greece. It contains the prefectures of Grevena, Kastoria, Kozani and Florina. It is a mountainous region with low population density and until recent years inadequate transportation links. The region depends mainly on primary and secondary sectors. Its peripheral geographic position and, during the 90's, its proximity with former Yugoslavia and Albania, have provoked a more wide-spread isolation and has caused a deep crisis in the local economy. Nevertheless, after the return of peace to former Yugoslavia, the geographic position of the region can become the most important element of dynamism. The funding programmes to the region seek to exploit the region's geopolitical position and the wild natural beauty of its mountains by improving the existing infrastructure and creating the conditions for lasting development by taking environmental problems more seriously.

The mountainous, isolated region of West Macedonia has two little-visited airports and no passenger rail links. Supporting a population of 301.539 people on 9,451 sq.kms, heavy industry is the main employer in this little-educated area – a University opened in 2003 in Kozani - and only 20 per cent of the population have completed secondary school education. However, West Macedonia is the powerhouse of Greece, providing 70 per cent of the country's electricity. Uncontrolled industrialisation has led to rural depopulation and environmental problems. With a GDP of 91% of the EU average (2003) something the region is situated on the 139<sup>th</sup> place.

**Grevena** is one of the prefectures of the region, which is located in the northwestern part of Greece and belongs to the western part of the District of Macedonia. The prefecture is bordering with the prefectures of Kozani, Kastoria, Ioannina, Trikala and Larisa. The prefecture's area includes 2,290 Km<sup>2</sup> and its population is equal to 38.481 (according to the last census). The prefecture's area mainly includes mountains.

The prefecture of Grevena is an agriculture area. With a GDP of 1,1 million € is situated on the 29<sup>th</sup> position of the 52 prefectures of the Country (2001). The primary sector (including mining and energy productions) accounts for about 35% of the workforce. Agriculture faces a series of problems including the small size of the average farm, low utilisation of new technologies, lack of regional quality product labor, environmental damage and limited development of processing.



Manufacturing while growing in importance in concentrating in sectors facing strong international competition, notably: 690 small manufacturing enterprises exist in the prefecture. Most firms in the prefecture are small and family run with little technological innovation – this situation is compounded by the lack of services in the region.

The unique and unspoilt natural heritage is increasingly viewed as offering scope for expansion of sustainable tourism activities. However, development of new tourism products, not restricted by the relatively short summer season, is hampered by the insufficiency of basic infrastructure and the under development of the network of tourism services.

Grevena is one of the smallest populated prefectures of Greece (concentrates 0,4 % of the total Greek population) in contrast with the big size of the area. It is characterised by isolation and lack of infrastructure due to the inaccessibility of the area and the fact that only 5% of the area is land.

However, Grevena as supported by interviewers is the prefecture with the most comparative advantages; it is an area with a bright future full of challenges and perspectives.

Based on prosperity indicators, the prefecture today, has the lowest position of development in the Region of West Macedonia in comparison with the other prefectures of the Region. What causes this disadvantageous position?

- a) Grevena is a prefecture where 60% of its area is covered by mountains
- b) It is an area that 6 – 8 months has winter something that causes difficulties in its development
- c) It is a prefecture that before the Greek accession into the EU it had traditional rate of growth. An outcome of this was the fact that Grevena had to face more (than the other prefectures) problems to adaptations and modernisation.

The above mentioned characteristics could not provide for a satisfactory income or a good quality of life making the population to emigrate. The prefecture was losing day by day the valuable factor for its development: Its human and working force.

The primary sector's share in employment has a low level of 35 %. Whilst, the secondary sector has expanded its share considerably and now accounts for just under one-third of all jobs in the region.

In West Macedonia the recession has exacerbated the problem of unemployment in both urban and rural regions, with women more seriously affected than men. Young people, in particular, have been badly hit. This has resulted not only in an exodus of such workers to other regions but also in considerable social problems.

Although the primary sector employs 35% of the labour force, it generates only 19 % of GDP. The main crops are grain cereals and fodder crops.

Fur production used to be one of the region's main manufacturing activities. Today, the fur trade has retrenched and a large number of businesses have closed down as a result of high interest rates, the cost of finance, international competition and high production costs. The rearing of animals for fur, which also contributed to the vertical integration of fur processing, is another sector that has been affected by the recession, animal numbers having fallen by some 50 %.

## **2.2 Structural Funds Programmes (1994 – 1999 and 2000 - 2006)**

### **Aims**

The region, as it has already mentioned is sparsely populated and is losing population. Lack of infrastructure is also a major barrier for Grevenas' development. Strategies aim to develop the endogenous resources of West Macedonia, to restructure the internal economic fabric, to reduce the region's isolation and protect the local environment.

During the period 1994 – 1999 the Structural Funds Programme established by the Greek government for West Macedonia contained measures such as:

- Improvement of transport infrastructure.
- Integrated development of rural areas; promotion of the endogenous potential of mountainous regions to maintain local population levels.
- Environmental protection and improvement of the quality of life.
- Improvement of social infrastructure.
- Support for the production sectors, in particular to reduce the region's dependency on energy, which dominates the regional economy, and foster employment in other sectors.
- Human resource development.

## General Spending Information

During the period 1994 – 1999 the case study region received approximately 454 million euros in support from the Structural Funds or about 7.700 euros per capita. It worth pointing out that the prefecture of Grevena and Kastoria (both belong to West Macedonia Region) had the highest Structural Fund spending per capita in Greece.

## Type of Spending

Within ESPON 2.2.1, Structural Funds spending (and the cohesion funds) has been classified into a specific typology, allowing for a more detailed analysis of European spending. The classification is based on the predominant funds involved (ERDF, ESF, EAGGF, IAGF, Cohesion), and also on the predominant character of the SF programme (Obj. 5b - rural development, Obj. 3 - social integration and humans resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fishery, rural development, (S) social integration, human resources, (CE) basic infra-structure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport. The division between the categories for Grevena can be seen in the table below. According to this typology most of the Structural Funds spending is categorized as regional development (mainly ERDF), followed by Agriculture - Rural development (mainly EAGGF).

Table 1: Type of Spending (1994 – 1999) in €mil

Region NUTSII	Region NUTS III	Id Progr	Amount Spent	EC contributions in €mil	ERDF €mil	ESF €mil	EAGGF € mil
Greece			24.890,219	16.002,765	13.281,813	2.429,792	289,020
Amounts that related to Country level			6099,040	3846,307	2293,577	1546,543	5,196
Dytiki Makedonia		Obj 1	1.717,883	1.153,938	1.123,965	9,249	20,724
Dytiki Makedonia	Grevena	Obj 1	454,291	311,182	306,089	0,164	4,928
Dytiki Makedonia	Kastoria	Obj 1	467,297	320,751	312,824	0,890	7,038
Dytiki Makedonia	Kozani	Obj 1	770,038	502,210	490,967	6,010	5,233

Dytiki Makedonia	Florina	Obj 1	26,256	19,795	14,085	2,185	3,524
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Source: Ministry of Economy and Finance

The inter-regional differences were even more considerable when viewed in terms of differences between the other prefectures of West Macedonia.

The picture from the above table is indicative of the inter-regional spending differences during the programming period 1994 – 1999 where Kozani and Florina had the highest and lowest structural fund spending respectively.

### Objective Programmes 1994 – 1999

The region of West Macedonia is eligible for objective 1 support as it is the whole Country.

The European Commission had approved an operational programme to develop the endogenous resources of West Macedonia, restructure the internal economic fabric, reduce the region's isolation and protect the local environment.

The European Community put 71% of the total investment. The rest covered by the Greek authorities and the private sector. The Community finance provided by the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF) - guidance section.

The following table presents financial information by subprogramme of the Regional Operational Programme of West Macedonia for the period 1994 – 1999, provided by the ex post evaluation of the programme (2002):

Table 2: Financial Information - ROP of West Macedonia

Sub-programmes / Measures	Total Cost €	(%)
1. Transport Infrastructure		
1.1 National Road Network	98.519.039	29,14
1.2 Regional Road Network		
2. Integrated Rural Development		
2.1 Irrigation works		

2.2 Cattle		
2.3 Forest works		
2.4 Land redistribution	72.597.179	21,47
2.5 Agricultural Tourism		
2.6 Modernisation of cattle production		
2.7 Tourism development		
2.8 Improvement of rural area infrastructure		
2.9 Training actions		
3. Environment and Quality of Life		
3.1 Protection of the environment	61.824.297	18,29
3.2 Health		
3.3 Culture		
4. Support for Productive Investment		
4.1 Exploitation of subsoil resources	16.714.794	4,94
4.2 Economic infrastructure		
4.3 SMEs support		
5. Local Development		
5.1 Basic infrastructure	32.464.954	9,60
5.2 Environment and quality of life		
5.3 Local economy support		
6. Human Resources		
6.1 Education infrastructure	42.414.814	12,55
6.2 Continuous vocational training		
7. Completion of 1989-1993 multifund OP projects	8.535.197	2,52
8. Local Employment Agreements		
8.1 ERDF actions	1.539.376	0,46
8.2 ESF actions		
8.3 EAGGF actions		
9. Technical assistance		
9.1 Technical assistance ERDF actions	3.470.483	1,03
9.2 Technical assistance ESF actions		

9.1 Technical assistance EAGGF actions		
<b>Total</b>	<b>338.071.133</b>	<b>100</b>

*Source: Managing Authority of ROP of West Macedonia – Ex post evaluation*

The various Structural Funds contributed as follows:

European Regional Development Fund (ERDF)	76.00%
European Social Fund (ESF)	5.00%
European Agricultural Guidance and Guarantee Fund (EAGGF)	19.00%

### **Cohesion Fund**

The Cohesion Fund was set up by the Treaty of Maastricht to help those Member States whose per capita GNP is less than 90% of the Community average (namely Greece, Ireland, Portugal and Spain) to adjust to the challenges of economic and monetary union by part-financing projects in the fields of the environment and trans-European transport infrastructure.

During this period the Region of West Macedonia received 6,8 million € funding from the Cohesion Fund, whilst the prefecture of Grevena did not received funding from the Cohesion. The following table presents the Cohesion Fund for the Region of West Macedonia.

Table 3: Cohesion Fund for West Macedonia

Country	Region NUTSII	Region NUTS III	CF Contribution 1994 (€mil)	CF Contribution 1995 (€mil)	CF Contribution 1996 (€mil)	CF Contribution 1997 (€mil)	CF Contribution 1998 (€mil)	CF Contribution 1999 (€mil)	Total (1994 - 1999)
Greece			337.5	104.7	0.8	32.4	553.38	21.8	1050.6
Greece	<b>Dytiki Macedonia</b>		2.6	0	0	0	4.2	0	6.8
Greece	Dytiki Macedonia	Grevena	0	0	0	0	0	0	0
Greece	Dytiki Macedonia	Kastoria	0	0	0	0	0	0	0
Greece	Dytiki Macedonia	Kozani	0	0	0	0	4.2	0	4.2
Greece	Dytiki Macedonia	Florina	2.6	0	0	0	0	0	2.6

## Results in Brief

According to the ex post evaluation of the Objective 1 Structural Funds in Greece (1994 – 1999), the Structural Funds have contributed to economic and social cohesion through the individual achievements of each Programme.

The second Community Support Framework of Greece had an important influence in boosting specific changes to policy and practices in the form of new procedures and far-reaching measures for the modernisation of organizational structures. Thus the most evident changes can be recognized in the fields of environment, energy, public administration and public infrastructure, where new legislation was introduced and new mechanisms and management units were created, which continue their operation under the 3rd CSF.

In the scope of the second Community Support Framework, the Regional Operational Programme for West Macedonia represented an opportunity for the region's economy to converge towards the EU average, aiming at the same time at achieving economic and social cohesion.

In terms of relative weights, infrastructure had the largest share (29% of the total budget), followed by rural development (21%) and environment (18%). These objectives took up approximately two thirds of the total budget, whilst the other objectives completed the total with smaller shares.

Furthermore, the Regional Operational Programme for West Macedonia has helped to job creation. It is estimated to have created (during the implementation period) 6.741 employment positions (or 80.879 man months).

The following table presents the impacts of each subprogramme in accordance to the ex post evaluation of the programme.

Table 4: Impacts by subprogramme / measure - ROP of West Macedonia

<b>Sub-programmes / Measures</b>	<b>Impacts</b>
Transport Infrastructure	<ul style="list-style-type: none"> <li>a) Reduction of region's isolation</li> <li>b) Reinforcement of intraregional and transregional communications with positive impacts on the economic and social life of the population</li> </ul>
Integrated Rural Development	<ul style="list-style-type: none"> <li>a) Improvement of the primary sector</li> <li>b) Tourism development and reinforcement of the mountainous areas</li> <li>c) Job creation and business support</li> </ul>
Environment and Quality of Life	<ul style="list-style-type: none"> <li>a) Protection of public health and environment</li> <li>b) Improvement of the Quality of life of region's population</li> <li>c) Exploitation of the historical and cultural resources of the region</li> </ul>
Support for Productive Investment	<ul style="list-style-type: none"> <li>a) Support SMEs Competitiveness</li> <li>b) Protection of the environment</li> <li>c) Job creation and business support</li> </ul>
Local Development	<ul style="list-style-type: none"> <li>a) Reinforcement of local infrastructure</li> <li>b) Protection of the environment</li> <li>c) Improvement of population's quality of life</li> <li>d) Support of local economy</li> <li>e) Improvement of the accessibility to the isolated areas of the regions</li> <li>f) Job creation</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>a) Fostering and creation of new jobs</li> <li>b) Improvement of quality and effectiveness of the development of human resources actions</li> <li>c) Reduction of social exclusion</li> </ul>

Local Employment Agreements	<ul style="list-style-type: none"> <li>a) Improvement of employment</li> <li>b) Provision of equal opportunities</li> <li>c) Adjustment of human resources capabilities in the market needs</li> </ul>
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*Source: Managing Authority of ROP of West Macedonia – Ex post evaluation*

### **Objective Programmes 2000 – 2006**

The 2000-06 Community structural assistance budget allocated to Greece amounts to a total of EUR 25 billion, compared with EUR 19.271 billion in 1994-99. Thus, the amount available for the current period is 1.1% more each year than in the previous period

The total budget for Greece available to projects under the four Community Structural Funds, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund - Guidance Section (EAGGF Guidance Section), and the Financial Instrument for Fisheries Guidance (FIFG), is divided as follows:

#### ***a) Objective 1 assistance***

Objective 1 assistance is designed to promote the development and structural adjustment of less developed regions. Only those regions whose per capita GDP is less than 75% of the Community average are eligible for Objective 1.

In 2000-06, all the Greek regions qualify for Objective 1 assistance, (East Macedonia, Central Macedonia, West Macedonia, Thessaly, Epirus, the Ionian Islands, Western Greece, Continental Greece, Peloponnese, Attica, North Aegean, South Aegean and Crete). This assistance - better known as the Community Support Framework for Greece - has an overall budget in 2000-06 for EUR 21 billion, compared with EUR 15.236 billion in 1995-99.

(Since the whole of Greece qualifies for Objective 1, Objectives 2 and 3 of the Structural Funds do not apply to it).

#### ***b) Community Initiatives***

Besides the three priority Objectives, the Structural Funds also provide finance in the new period through four Community Initiatives:

- Interreg: promoting cross-border, transnational and interregional cooperation, with a view to stimulating balanced development and spatial planning within Europe;
- Urban: financing economic and social regeneration of cities with serious structural problems, to promote sustainable urban development;
- Leader: supporting rural development;
- Equal: funding for transnational cooperation to promote new practices that guarantee full equality of opportunity in access to the labour market.

The 2000-06 budget for these Initiatives in Greece is EUR 915,8 billion, broken down as follows:

- INTERREG EUR 603,3 million
- EQUAL EUR 104,1 million
- LEADER EUR 182,9 million
- URBAN EUR 25,5 million

### *c) The Cohesion Fund*

In 2000-06 Greece should receive EUR 3.320 billion, in the fields of the environment and trans-European transport infrastructure projects.

### *d) Rural Development Policy*

Lastly, although this is not, strictly speaking, structural assistance, it is worth noting that Greece also receives rural development assistance from the EAGGF Guarantee Section. The annual rural development budget for Greece is EUR 131 million, or 3% of the total Community budget in this domain.

Within the above mentioned framework, the European Commission has approved an economic and social development programme for the Greek region of West Macedonia. The total cost of the programme amounts to around EUR 575 million. Out of that amount, the European Structural Funds will provide EUR 372 million.

The main developmental goal of the Regional Operational Programme refers to the vital need of utilizing objective developmental factors pertaining to West Macedonia

(physical resources reserve, improved geopolitical location) for the safeguarding of basic preconditions of sustainable regional development, i.e. the existence of a competitive productive base and an expanding labor market.

Moreover, the programme provides infrastructure, supports private investments to promote the role of the region, protects and improves the environment, reduces intra-regional disparities, encourages innovation and entrepreneurship and develops the region's mountainous, internal and less-favoured areas. The programme's priorities are as follows:

***Priority 1: Greater opportunities for job creation and the reduction of unemployment***

The Greek region of West Macedonia has a high rate of unemployment, mainly due to its peripheral and geographical position. Aid to businesses will focus on productive investments, which will go hand-in-hand with measures for cross-fertilization of innovation and entrepreneurship in new economic sectors. In addition to the above measures, improved skills and better training opportunities will help develop the conditions for job creation and sustainable, balanced growth. Over the duration of the programme, an estimated 2,300 jobs will be created for young people and women, with new jobs totalling 9,000.

***Priority 2: Improved trans-European networks linking the Region's productive centres***

Developing the infrastructure necessary for business is a key element for the promotion of growth of existing companies and the encouragement of new ones to locate to this region. A huge handicap for the region is the lack of an infrastructure linking its productive centres with the other productive centres of Greece and the EU. The "Egnatia" highway is designed to respond to this handicap and to break the region's isolation. This project is co-financed by the European Structural Funds.

***Priority 3: Upgrading of the urban areas***

The region has some small urban areas depending significantly on primary and secondary sectors. A special effort is needed for the development of trade and services, with the creation of adequate conditions. Unemployment also constitutes a problem for the urban centres. In this context, measures for improved skills and better training opportunities will help develop the conditions for job creation.

***Priority 4: The restructuring of trades in crisis in the local economy and support for export initiatives to new markets***

The wars in Yugoslavia have seriously sanctioned the region, which has common frontiers with FYROM and Albania. This situation provoked the fall of exports to these countries and to the rest of Europe, and caused a deep crisis in the local

economy. Restructure of trades in crisis and support for initiatives to new markets constitute the essential needs for development of this region.

***Priority 5: Sustainable development of rural areas***

There is a need to modernise the rural infrastructure and to better adapt production, in order to promote the sustainable development of rural areas. The programme is intended to promote the long-term development of West Macedonia by bolstering its competitiveness and reducing regional disparities. On the other hand, sustainable rural development must take into consideration the exceptional natural environment of the region.

***Priority 6: Integrated development of mountain areas and areas near lakes***

As there are significant intra-regional disparities in the region, the focus of this priority is investments related to the economic development of the poorest mountain areas and areas near lakes. Eco-tourism represents a big opportunity for the integrated development of these areas with many natural and cultural attractions.

***Priority 7: Technical assistance***

There is also provision for technical assistance to implement the programme. Financial support is available covering administration, monitoring and control.

The following tables present financial information by priority area of the Regional Operational Programme of West Macedonia for the period 2000 – 2006 and by type of spending, provided by the Programme Complement (2003):

Table 5: Breakdown of Finances by priority area

<b>Priority Area</b>	<b>Total Cost</b>	<b>EU Contribution</b>
1. Greater opportunities for job creation and the reduction of unemployment		
1.1 Equal opportunities	24.705.396	18.529.048
1.2 Human resources development		
1.3 Local initiatives for employment		
2. Improved trans-European networks linking		

the Region's productive centres	158.033.749	113.352.898
2.1 Transport infrastructure		
2.2 Development of business activities		
3. Upgrading of the urban areas		
3.1 Health and welfare services		
3.2 Protection of the environment		
3.3 Culture	115.887.702	86.915.775
3.4 Education infrastructure of urban areas		
3.5 Development of basic infrastructure and transport of urban centres		
3.6 Improvement of urban infrastructure and services of integrated interventions - ERDF		
3.7 Improvement of urban infrastructure and services of integrated interventions - ESF		
4. Restructuring of trades in crisis in the local economy and support for export initiatives to new markets		
4.1 Business support		
4.2 SMEs support and reinforcement	67.013.667	29.713.866
4.3 Innovation - Technology - Research		
4.4 Business cooperation networks		
4.5 Development of tourism infrastructure and activities		
4.6 Information society		
5. Sustainable development of rural areas		
5.1 Investment in agriculture		
5.2 Exploitation of water resources		
5.3 Land redistribution		
5.4 Forests	146.597.385	82.940.334
5.5 Integrated interventions and local development - ESF		
5.6 Development of rural education infrastructure		
5.7 Health and welfare of rural areas		

6. Integrated development of mountain areas and areas near lakes		
6.1 Development of basic infrastructure and transport		
6.2 Protection of the environment	52.824.650	33.015.408
6.3 Cultural protection		
6.4 Exploitation of local resources		
6.5 Integrated interventions for the development of special areas		
7. Technical assistance	10.271.460	7.703.595
7.1 Management – Dissemination of activities ERDF		
7.2 Management – Dissemination of activities ESF		
7.3 Management – Dissemination of activities EAGGF		
<b>Total</b>	<b>575.334.009</b>	<b>372.170.924</b>

Source: Managing Authority of ROP of West Macedonia – Programme Complement

Table 6: Type of Spending

Priority Area	EU Contribution	ERDF	ESF	EAGGF
Greater opportunities for job creation and the reduction of unemployment	18.529.048		18.529.048	
Improved trans-European networks linking the Region's productive centres	113.352.898	113.352.898		
Upgrading of the urban areas	86.915.775	84.714.748	2.201.027	
Restructuring of trades in crisis in the local economy and support for export initiatives to new markets	29.713.866	29.713.866		
Sustainable development	82.940.334	6.603.081	2.201.027	74.136.226

of rural areas				
Integrated development of mountain areas and areas near lakes	33.015.408	27.512.840		5.502.568
Technical assistance	7.703.595	5.502.568	440.205	1.760.822
<b>Total</b>	<b>372.170.924</b>	<b>267.400.001</b>	<b>23.371.307</b>	<b>81.399.616</b>

*Source: Managing Authority of ROP of Dytiki Makedonia – Programme Complement*

The Regional Operational Programme of West Macedonia finances projects in all the prefectures of the region (Kozani, Grevena, Kastoria and Florina).

Furthermore, Grevena, has received funding from the Operational Programmes of: Rural Development and Restructuring of the Countryside, Employment and Vocational Training, Education and Initial Vocational Training, Road Axes, Ports and Urban Development, Competitiveness, Information Society, Health - Welfare and from Community Initiatives.

### **On going evaluation of the Programme**

With reference to the performance of the R.O.P. of West Macedonia 2000 – 2006, in relation to the basic criteria of programming and implementation assessment and to the progress achieved until 30/06/2003, the performance was overall satisfactory, as demonstrated by the activation of all Measures, the induction and contracting of projects (inductions: 51% over Total Budget and 54,7% over the approved R.O.P. Public Expenditure; contracting: 37,5% over the approved R.O.P. Public Expenditure), while rates decelerate in the implementation stage of inducted projects, as exhibited by the unsatisfactory (until the time of reference) Public Expenditure absorption rates (7,9%) and the progress in the implementation of physical outputs.

Moreover within the framework of the Structural funds 2000 – 2006, the Region has received funding from programmes such as the Integrated Development Programmes for Rural Areas and the Innovative Actions. An analysis of these programmes is provided below:

#### **INTEGRATED DEVELOPMENT PROGRAMMES FOR RURAL AREAS OF DYTIKI MAKEDONIA (OPAAX)**

The Ministry of Agriculture selected 40 areas of Greece and 13 support structures for the implementation of Development of Rural Areas Integrated Programmes. Three of these areas are in West Macedonia Region and are mentioned below:

- Massif of Pieria
- Mountainous Grevena – Ano Voio
- Grammos Mt. – Kastoria – Vitsi Mt.

The programme's aims are:

- The improvement of competitiveness of agricultural productivity.
- The viable and integrated development of the Countryside.
- The conservation and improvement of the environment and the natural resources of the countryside.

The programmes are interested to investors (farmers or not, collective sectors and Organisations of Local Government) in the following sections:

- Tourism and handicraft activities
- Investments in the processing and trading of agricultural and forestry products
- Protection and show – off of the environment
- Villages renovation and development and the protection of agricultural heritage

Depending on the action and the Sector the subsidy ranges between 60 and 100%.

### **Innovative actions in the region of West Macedonia**

The European Commission has approved Euro 2.5 million for a regional programme of innovative actions “Knowledge clusters in West Macedonia” (Kclusters) for the region of West Macedonia.

During the period 2003-2004, the European funding will attract Euro 0.75 million in further investment from the public sector and Euro 0.75million form the private sector creating total resources of Euro 4 million. The programme will focus on the regional economy based on knowledge and technological innovation.

The main objective of “k-clusters” is to provide added-value services for the formulation of innovative actions based on:

- Thematic knowledge building and creation of technology poles
- Exploration of innovation issues within the thematic areas
- Support collective entrepreneurship effort in the regional public – private collaboration providing horizontal support in the innovation process
- Initiate pilot actions that will be the “quick-wins” for enhancing the innovation spirit in West Macedonia.

The diffusion of knowledge into thematic networking will initiate the development of new products and services that could be thematically categorised as follows:

- Studies of the market needs (trends, prices, new products and cost/result analysis) for the sectors of marble, energy, lignite (coal-ash) residue handling, wood and fur processing and hazardous material handling.
- Development of new products in marble, energy, lignite (coal-ash) residue handling, wood, fur and hazardous material handling.
- Implementation of an opening forum, workshops and a major conference by the end of the project in each k-cluster of marble, energy, lignite handling, wood and fur processing and hazardous material handling.

The establishment of regional and “k-cluster” cooperation is achieved with the implementation of supporting measures that signify the importance of the collective effort in achieving the objectives of the programme and contain the following actions:

- Virtual technopolis, playing the role of an electronic support unit to all clustering efforts.
- Roadmap to networking for innovation management, providing the necessary tools and methods enhancing the regional innovation capacity and the networking interoperability.
- Regional enterprise benchmarking, endorsing the competitive spirit by promoting on-line business benchmarking. A number of key personnel in the regional actors will be trained to use on-line benchmarking tools and will be certified as Qualified Benchmarking Consultants (BQC).
- Regional innovation observatory, creating integrated and multidisciplinary knowledge concerning innovative actions, approaches and technologies.
- Cluster learning Center, servicing horizontally the e-clusters in business development issues such as business planning and marketing of innovation through specialized consulting in each business unit and the e-cluster as a whole.
- Support unit for attracting third party financing, overseeing all the financial planning strategies of the clusters in order to minimize risks and advance the high performance themes of the clusters.

Overall, the objective of k-cluster is to show concrete cases of good practice on new product development and to transfer them to the larger possible number of regional firms. If successful, the same practices will be further supported by the Regional Operational Programme of West Macedonia and other relevant Community initiatives.

## **Community Initiatives**

The Region of Dytiki Makedonia has received funding (1994 – 1999 & 2000 - 2006) from the following Community Initiatives:

	SECTIONS OF THE PREFECTURES OF KOZANI AND GREVENA IN WESTERN MACEDONIA WITH COMMON SOCIAL AND ECONOMIC CHARACTERISTICS :
LEADER I	<ul style="list-style-type: none"> <li>- DIVERSIFICATION OF THE AREAS ECONOMIC STATUS THROUGH THE DEVELOPMENT OF NONRURAL ACTIVITIES</li> <li>- SUPPORT OF THE LOCAL ACTIVITIES</li> <li>- PROMOTION OF THE LOCAL NATURAL ADVANTAGES</li> <li>- IMPROVEMENT OF THE HUMAN FORCE</li> </ul>
LEADER II	THE PREFECTURES OF KOZANI AND GREVENA IN THE REGION OF WESTERN MACEDONIA (EXCEPT THE CITIES OF KOZANI AND POLEMAIDA) WITH SOCIAL AND ECONOMIC CHARACTERS
INTERREG	DEVELOPMENT PROJECT CONCERNED TO THE CROSS BORDER TRANSNATIONAL COOPERATION BETWEEN ALBANIA AND GREECE AIMED TO THE MARKET RESEARCH DEVELOPMENT AND INVESTMENT POSSIBILITIES ALSO WITH EXPERIENCE TRANSFER AND EVALUATION OF THE NATURAL RESOURCES
HORIZON	EDUCATIONAL TRAINING PROGRAMME FOR HANDICAPPED PERSONS AIMED TO THEIR INSERTION INTO THE ECONOMIC AND SOCIAL LIFE
NOW	DEVELOPMENT OF WOMEN BUSINESS ACTIVITIES THROUGH THE USE OF RECYLING AND RECOVERY OF HOUSEHOLD WASTE AND ECOLOGICAL VIGITANCE-CREATION OF THE WOMEN SUPPORT CENTER
ECOS-OUVERTURE PHARE	IMPROVEMENT AND DEVELOPMENT OF DISTRICT HEATING NETWORKS IN EUROPEAN CITIES
ENVIRONMENT MANAGEMENT & AUDIT SYSTEM	PREPARATION OF INDUSTRIAL COMPANIES IN THE WEST MACEDONIA REGION FOR THE INTRODUCTION OF THE ECO-AUDIT MANAGEMENT SCHEME
ENERGY PLANNING ON REGIONAL & URBAN LEVEL	ESTABLISHMENT OF ENERGY MANAGEMENT AGENCIES IN THE REGGIO CALABRIA PROVINCE AND THE WEST MACEDONIA REGION
LEONARDO DA VINCI (LLEURESCOLA)	LLEURESCOLA : QUALIFICATION AND LABOUR INSERTION PROGRAMME FOR EXCLUDED WOMEN IN THE EDUCATIVE SCHOOL SERVICE MARKET

LEONARDO DA VINCI (TREXCHANGE)	TREXCHANGE : TRAINERS EXCHANGE PROGRAMME TO SHARE GOOD PRACTICES AND EXPERIENCES IN WORKING AGAINST LABOUR EXCLUSION
LEI-ILE	LOCAL EMPLOYMENT INITIATIVES FOR WOMEN ENTERPRISES
LOCAL EMPLOYMENT PACT	ACTION PLAN FOR EMPLOYMENT INCREASE
ERASMUS	EUROPEAN COMMUNITY ACTION SCHEME FOR THE MOBILITY OF UNIVERSITY STUDENTS

### **3 Impacts on Spatial Development**

#### **3.1 Polycentric Development**

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.

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.

The theme of “polycentric development” cannot be identified explicitly in the 1994 – 1999 Regional Operational Programme of West Macedonia, neither there are explicit references of urban – rural partnerships in the programmes. Support has been given to the rural areas and measures supporting rural and local development can be identified.

The second report on Economic and Social Cohesion identifies rural areas as particularly important in the Cohesion countries. The report identifies three kinds of rural areas in terms of their links with the rest of the national and international economy and their remoteness from major centres of activity.

The majority of the areas of West Macedonia region including the prefecture of Grevena belongs mainly to the remote rural areas while a small number of areas belong to the intermediate rural areas that have some distance away from the urban centres but with good links to these and a reasonable level of infrastructure. Many of the settlements of the region are sparsely populated and in many cases are located far from the urban centres. Their isolation is mainly due to their mountainous nature and there are characterised by poor infrastructure, inadequate services and weak links with the rest of the economy.

The Regional Operational Programme of West Macedonia (2000 – 2006) has taken into account these problems, and has foreseen measures where their actions could lead in the “spatial development” of the prefectures. Within these measures the meaning of polycentric development can be defined on the continental, national and regional and the urban, and peri-urban scale.

Measures of the ROP aim at achieving more sustainable, polycentric strategic patterns of development in the region in the long term, for example by promoting the long-term development of the region by bolstering its competitiveness and reducing regional disparities. Priority is also given to the economic development of the rural and the poorest mountain areas and areas near lakes whilst at the same time an upgrade of the urban centres is very important for the region.

Furthermore, the existence of three priority areas of the programme (upgrading of urban areas, sustainable development of rural areas and integrated development of mountain areas), can be taken as an indication that urban – rural partnerships haven’t played a significant role in the programme design, but support has been given not only to the urban centres but in the other areas too. Through these measures the programme aims to support not only the main urban centres but also the other

suburban centres. The city of Grevena is the only urban centre of a clearly rural prefecture. The aim is to support its urban activities (as it is the capital of the prefecture) along with a decentralization of services and activities to areas around this centre.

### **3.1.1 Specialisation and role in the wider spatial system**

Spatial planning policy, that is both urban and supra-urban (national or regional) territorial planning policy, is predominantly seen in Greece as a public sector activity at all levels of state hierarchy. The main features of the Greek spatial planning system include a multiplicity of laws and regulations; predominance of a centralized, regulatory and hierarchical planning style; low level of public support and awareness; lack of efficient monitoring and control mechanisms; and unauthorized development practice. This tradition, which is rather characteristic of many Mediterranean countries, is currently being challenged by two kinds of complementary factors. The first refers to the impact of EU policies and legislation on the Greek spatial planning system. The second concerns the changes being undergone (induced or intentional) in the more general administrative, economic and societal models and behaviours at the domestic level (e.g. decentralization, deregulation, privatisation of the public sector, enforcement of civil rights, etc).

Under this double set of constraints, Greek spatial planning policy and institutions seem to be in a stage of transition. The outcome is mitigated as the direction of changes is the product of complex interactions between the pre-existing regulatory patterns and behaviours on one hand and the new conditions and challenges implied by both EU membership and domestic modernisation on the other.

In terms of the European Spatial Development Perspective (ESDP), Greece has a large metropolitan area, Athens, and a densely populated region with polycentric economic development (Kentriki Mecedonia). The rest of the territory comprises of regions with high urban densities but containing rural areas, rural areas with small and medium sized towns and a plethora of remote rural areas.

Greece is largely mountainous. It is estimated that mountainous areas cover approximately 42,3% of the Greek land area. Of the total mountainous area in terms of km<sup>2</sup>, 13,9% is situated in the region of Peloponnisos, 13,2% in Sterea Ellada, 12,2% in Ipeiros, 11,5% in Thessalia and 10% in Anatoliki Macedonia and Thraki. Alternatively, 74,2% of the land area of Ipeiros is mountainous and so is 51,9% of West Macedonia, 50% of Pelloponnisos, 49,4% of Kriti, 47,3% of Sterea Ellada and 45% of Thessalia and Dutiki Ellada respectively.

Population density as measured by inhabitants/km<sup>2</sup> is highly uneven in Greece, because of Attiki and Athens the capital city, for which the relevant index has been estimated at 906,7 in 1999. Excluding the region of Attiki, population density ranges from 32,1 inhabitants/km<sup>2</sup> in West Macedonia to 95,6 in Kentriki Macedonia.

To some extent, urban, rural, mountainous and island areas face different problems. Typically, unemployment is a major problem in urban areas and low productivity in agriculture in rural areas. Similarly, mountainous areas generally face problems of accessibility, while depopulation is often a major problem in some of the less integrated inlands. A balanced development ought to pursue policies that facilitate integration of all types of areas along the lines of sustainable development. For historical, economic and social reasons however, the model pursued in Greece has been that of centre-periphery (i.e., Athens vs. the rest of the country). A great part of the economic and social infrastructure has been concentrated in Athens. Employment in high productivity sectors and professions is also concentrated here. The question naturally following is whether this division or gap is increasing or decreasing. The evidence is clearly mixed.

Regarding the polycentricity typology that builds upon the Functional Urban Areas (FUAs), they have an important role - in line with the European Polycentricity model as they represent the majority of the population and of the economic activity. In our case, in the Prefecture of Grevena there are no Functional Urban Areas. The Region of West Macedonia and the prefecture of Grevena are not densely populated and have low urban integration

Table 7: Measures and Projects in the ESPON relevant sectors

	<b>Status During 1995 - 1999</b>	<b>Current Status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Tourism	Considered important for the rural development of the region and the reinforcement of the mountain areas	Considered important for the local economy	<u>ROP 1994 - 1999</u> Measure 2.5: Agricultural tourism Measure 2.7: Tourism development <u>ROP 2000 – 2006</u> Measure 4.5: Development of Tourism infrastructure and tourism activities	2
Industry	Mining and	The	<u>ROP 1994 - 1999</u>	2

	energy productions. There are also many small companies, that considered important for the local development and economy	development of the necessary infrastructure will promote the growth of existing companies' activities and will encourage new ones	Priority 4: Support for productive investment <u>ROP 2000 – 2006</u> Priority 2: Improved trans European networks linking the region's productive centres. Priority 4: The restructuring of trades in crisis in the local economy and support for export initiatives to new markets	
Knowledge / Higher education institutions	High importance. Provision for education infrastructure	High importance. Provision for infrastructure to urban and rural areas	<u>ROP 1994 - 1999</u> Measure 6.1: Education infrastructure Measure 6.2: Continuous vocation training <u>ROP 2000 – 2006</u> Measure 3.4: Education infrastructure of urban areas Measure 4.6: Information Society Measure 5.6: Development of rural education infrastructure	2
Decision making / Location of company HQs	-	-	-	
Administrative Status	Local / Regional	Local / Regional	Important influence through the SF	2

			programmes that provide for the economic development of the region	
Economic Base	The region depends mainly on primary and secondary sectors	Other services (tourism) and new business activities are developing	Measures that improve and support the advantages of the region and reinforce the development of the tourism sector.	1

### 3.1.2 Population / mass criterion – urban systems and rural – urban setting

The prefecture of Grevena covers a surface of 2.291 km<sup>2</sup> and it has a total population of 38.481 (2001) inhabitants (0,4 % of the Country's total and 12,8 % of the Region of West Macedonia).

The prefecture consists of 8 municipalities and 7 communities. The prefecture's population had a slight increase (4,6 %) during the last decade, with the Communities to have the highest increase compared to the municipalities, as presented in the table below:

Table 8: Population of Grevena

Municipalities / Cimmunities	Population 1991	Population 2001	Change in % 1991 - 2001
Municipality of Grevena	14.956	15.821	5,8
Municipality of Benziou	3.024	2.958	-2,2
Municipality of Gorgianis	1.475	1.707	15,7
Municipality of Deskatis	5.642	5.085	-9,9
Municipality of Irakleoton	2.936	3.180	8,3
Municipality of Theod. Ziaka	2.945	2.836	-3,7
Municipality of Kosma Aitolou	1.950	1.822	-6,6
Municipality of Chasion	2.152	2.326	8,1
Community of Abdellas	130	458	252,3
Community of Dotsikou	70	189	170
Community of Mesolouriou	135	158	17
Community of Periboliou	312	443	42
Community of Samarinis	285	719	152,3

Community of Smixis	491	492	0,2
Community of Filippeon	294	287	-2,4
<b>Prefecture of Grevena</b>	<b>36.797</b>	<b>38.481</b>	<b>4,6</b>

*Source: National Statistical Service of Greece – Census 1991 - 2001*

The regional strategies of the previous period (1994 – 1999) aimed to developed the endogenous resources of the region, to restructure the internal economic fabric, to reduce the region’s isolation and to protect the local environment, whilst in the current programming period the main developmental goal refers to the vital need of utilizing objective developmental factors pertaining to West Macedonia for the safeguarding of basic preconditions of sustainable regional development.

All programmes support the smaller towns and the rural areas, in order to facilitate growth in the suburban areas and not only the urban centres. From this point of view, the overall strategy of the programmes seems to have built up on a polycentric approach.

Actions related to urban – rural relations do not exist explicitly but support has been given to the city of Grevena (urban centre) and to the decentralization of services and activities to areas around the centre.

Measures in the previous period provided for supporting to the rural areas, whilst measures in the current programming period, such as the upgrading of urban areas, the sustainable development of rural areas and the integrated development of mountain areas are examples of the support that has been given through the programmes. The following table presents the status of the Prefecture of Grevena.

Table 8: Status of the prefecture of Grevena

	Status During 1995 - 1999	Current Status	Examples of SF influence	Rating of SF influence
Population density	Low: 16,2 inh/ km <sup>2</sup> (1991)	Low: 16,8 inh/ km <sup>2</sup> (2001)	There is a positive influence of the SF, as measures foreseen to hold back the population and to create new employment positions to reduce emigration that depopulates the rural and mountain areas.	1

Possible concentration trends	Concentration of population on the urban centres (mainly on the city of Grevena)	Concentration of population on the urban centres (mainly on the city of Grevena)	Structural funds support the development of rural and mountain areas in order keep and increase their population	2
Rural – urban status	Rural and mountain areas disadvantaged due to isolation and accessibility problems	Through transport infrastructure projects the problem of accessibility will reduce.	The "Egnatia" highway financed under the Structural Fund is designed to respond to the lack of an infrastructure linking Regions productive centres with the other productive centres of Greece and the EU and to break the region's isolation.	2
Promotion of rural – urban interaction	No interaction because of weak connection – accessibility problem	Improved connections – Reduction of isolation problems	Measures improving the national and regional road network (1994 – 1999) and measures for improving the trans-European networks linking the Region's productive centres (2000 – 2006)	2

### 3.1.3 Relation Function

The Region's ground morphology and its geographic position contributes to its isolation from the rest of the country. It must be pointed out, regarding morphology, that a big part of the transportation network is still rough during a quite big period of the winter, due to extreme weather conditions.

Egnatia Highway (Trans – European Network) that crosses the Region, along with its two vertical National Roads, connecting the region and the country with FYROM and Albania, form a network that dramatically improves the transport conditions in the Region and alter its traditional “isolation” image, mainly due to its mountainous landscape. On the other hand, the railroad network is insufficient and the two airports (Kozani and Kastoria) can only serve small passenger planes. The telecommunication

network has drastically improved over the last decade, providing the regional population with adequate services and modern facilities.

The level of telecommunication in the Region has been significantly improved in the last decade. The telecommunication network of the prefectures of West Macedonia is today characterised as complete and contemporary. All the basic inner network lines have been replaced with optical fibre cables, while the main axes connections, i.e. Kozani – Veria – Thessaloniki and Servia – Larissa, are being realised with co-axial cabling.

As far as energy is concerned, as it has already been mentioned, West Macedonia is the country's biggest power centre (75% of the produced electric power) and one of the biggest in Europe.

The Structural Funds have been extremely important for the development of the relation function of the region. The supported projects are very important for the overall spatial development of the region.

Measures related to the improvement of transport infrastructure (national and regional road network) in the previous programming period and measures related to the provision of infrastructure, supporting private investments to promote the role of the region, protecting and improving the environment, to the reduction of intra-regional disparities, to the encouragement of innovation and entrepreneurship and to the development of the region's mountainous, internal and less-favoured areas, are examples of the importance of the Structural Funds to the region.

Table 9: Relation function

	<b>Status During 1995 - 1999</b>	<b>Current Status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Accessibility and Changes in accessibility	High importance. Internal accessibility: Relatively good. The local network covers the needs of the region External accessibility:	High importance Internal accessibility: Significantly better, improved linkages of remote areas. External accessibility:	Measures improving the national and regional road network (1994 – 1999) and measures for improving the trans-European networks linking the Region's productive centres (2000 – 2006)	2

	Due to region's geographical position a big part of the transport network is inaccessible usually due to weather conditions in the winter. There is no airport or rail way.	Significantly better, the Egnatia highway will connect the region with big urban centres of West Macedonia Region and will help the connection with Central Greece and the neighbouring Countries		
Key strategic and functional networks (promoting specialization)	Physically Isolated Beginning to develop business co operations with neighbouring prefectures and regions.	Active co operations in the framework of RIS and RIS+ programmes.	<u>ROP 2000 – 2006</u> Priority 4. Restructuring of trades in crisis in the local economy and support for export initiatives to new markets  Measure 4.3 Innovation - Technology - Research  Measure 4.4 Business cooperation networks	1

### **A motorway from afar**

**If any transport route has played a key role in Greece over the centuries, it is the Via Egnatia. This is the ancient Roman road through northern Greece, which links the Adriatic to Byzantium. The present day motorway of the same name recreates the link with this historic route and its strategic importance has made it one of the 14 priority projects in the Trans-European Transport Network.**

Under construction since 1990, the Egnatia motorway (680 km long, with two lanes and a hard shoulder in each direction, except in certain mountainous areas) is due to be completed in 2006. Once completed, the journey from Kipi, on the Turkish border, to the port of Igoumenitsa, near Albania, will be reduced to 6 hours. It will serve seven airports and five major ports. The construction project will include 50 road interchanges, 350 slip roads, 1,650 bridges, spanning a total of 40 km, and 76 tunnels, totalling around 50 km in length. Together with the PATHE motorway ("Patras-Athens-Thessaloniki"), which runs to the Bulgarian border, the Egnatia motorway will form the backbone of the Greek road network. It will play a central role in developing the country's peripheral northern regions and in boosting external economic relations with the rest of Europe. In addition to connecting Greece with Turkey, nine perpendicular routes will also link the motorway to the Balkan States (Albania, Former Yugoslavian Republic of Macedonia and Bulgaria).

The main work carried out in the 1994-1999 period included the Kavala bypass (26 km), the Komotini-Mesti section in Thrace (31 km), and the Grevena-Kozani-Polymylos stretch in Western Macedonia (62 km). The Komotini-Mesti section required the building of bridges over six ravines, with piers rising as high as 70 m. Due to the presence of geological faults, the construction required the use of special technology. On the Grevena-Kozani-Polymylos section, a 435 metre-long bridge was built over the Lissos River. This required the use of the incremental launching method, the first time this method was ever used in Greece. The incremental launching method has a number of advantages over other methods, such as speeding up construction and reducing the environmental impact. Detailed archaeological excavation work had to be carried out during the construction of the Grevena-Kozani-Polymylos section.

Protecting the environment and cultural heritage are an ongoing concern for Egnatia Odos S.A. (limited company set up by the Greek government in 1997 to manage the project), which earmarks 8% of its budget for activities in these areas. This means that all building work is preceded by an impact assessment and construction companies have to comply with certain criteria.

With regard to Information and Communication Technologies, according to the interviewers, in the previous programming period, the Operational Programmes of Research and Technology and Industry promoted innovation in SMEs and the absorption of the new technology and know-how together with the development of infrastructure and technology transfer mechanisms.

In the current programming period the Operational Programmes of Information Society and Competitiveness, include measures that affect all the Greek regions and prefectures regarding Information and Communication Technologies.

During the whole period (1994 – 1999 & 2000 – 2006) important actions have taken place by the Programme RIS (Regional Innovation Strategy) and RIS+. Their implementation in the region of West Macedonia and especially in Grevena is an important step in connecting the research – innovation – new technologies with the productive sector of the region, aiming at creating a new competitive economy, new products and generally a healthy socioeconomic environment.

### **Regional Innovation Strategies under the European Regional Development Fund**

#### **Innovative Actions 2000-2002**

##### **RIS+ West Macedonia (GR)**

The main purpose of the RIS+ project of the Region of West Macedonia was the strengthening of the regional Innovation process, through the implementation of the Strategic Plan for Innovation developed during the RIS exercise. The RIS+ project translated the experiment of RIS into an applied project, in which specific and concrete actions followed the previous theoretical analysis.

While the Project maintained the five main priorities of the RIS (see below), the actions and pilot projects have been reviewed, in order to follow the recent evolutions in the regional socio-economic activities.

The RIS priorities were:

- Increase the technological capacity of firms
- Reinforce innovation financing
- Increase the endogenous technology supply
- Increase the technology transfer capability
- Support the system of technological information

Regarding the follow-up of the implementation of the 36 RIS priority actions, which were selected and approved by the end of 1998:

#### Most interesting activities / results

- A substantial acceleration of the process to incorporate Innovation within the regional mentality, as many regional actors, stakeholders and SMEs has taken place in the Project
- A significant filling of the Innovation gap, with the establishment and / or improvement of relevant support structures
- A strong interaction between the Innovation Projects and the Structural Funds, which has led to some remarkable results, such as the incorporation in the 3<sup>rd</sup> Regional Operation Program of the Regional Innovation Office, the Wood Products. Quality Laboratory, specific measures to support the technology audits and the industrial automation, etc.
- Interregional networking, both with more Innovative Regions, as well as with less innovative Regions, such as the neighboring Regions of Korce (Albania) and Bitola (F.Y.R.O.M.).

#### Comments and future activities

- The RIS+ has significantly altered the overall regional mentality on Innovation and Development issues. The regional Innovation perspective is now - more than ever - realistic and visible and the actors involved are determined in achieving the global strategic target of turning the Region of West Macedonia into an Innovation Society.
- In this sense, the combination of RIS and RIS+ is innovative in itself, due to its well-balanced mix of analytical work and empirical action. The RIS+ Project has also strengthened the local consensus building among actors of the region. Thus, representatives from the public and private sector, as well as academics, continued to cooperate to further increase the added value from the project and to maximize the benefits from the experience gained over the years.

#### **Developing a regional innovation partnership in the RIS framework**

Most firms in the region are small and family run with little technological innovation – this situation is compounded by the lack of support services in the region. Consequently, the RIS seeks to elaborate and implement a strategy and actions in support of innovation in regional SMEs and the organizations of technology supply, transfer, and demand. The objectives include:

- Understanding the factors influencing technology development and innovation and identifying the strengths and weaknesses;
- Ensuring a consensus between the public administration, the enterprises, and

higher education on the priorities for technology development and innovation support in the Region;

- Selection of specific actions to reinforce the capacity of regional businesses for innovation and technological development;
- Implementing the above projects in collaboration with the Structural Funds, the Community Initiatives designed to support innovation, and private investments.

A strong point throughout the implementation has been the strengthening of relations between the key partners. Despite the fact that it is a small region in terms of surface and population and one could expect a spirit of solidarity, this has not always occurred in practice with prefectures and even municipalities, taking individual initiatives without considering the regional dimension. In order to mobilise all the partners in the RIS exercise, the different studies were carried out through participative working groups involving an expert and members of the Steering Committee with a particular interest in the theme. The eight working groups drew up reports on the wood, fur processing, agricultural products, marble and mining, electricity production and tourism sectors and on two horizontal themes (financial support to SMEs and production systems and development programmes).

The procedure of the RIS project, innovative itself, helped many of the participants to realise that a united effort is always much more effective. Finally, the project also helped the partners to understand that good technical preparation and support of a project, particularly EU funded projects, is something indispensable for success. The RIS procedure - thinking, selecting ideas, analysing them and supporting them in a bottom - up approach – despite its difficulties, was something finally welcomed by everyone in the Steering Committee.

#### IMPACT ON REGIONAL POLICY AND FUTURE PERSPECTIVES

The main impact to date is regional consensus, the raised awareness of regional firms and actors on innovation, and the diffusion of information on technology and innovation processes and policies.

Reaching consensus was a permanent concern and implied the preparation of all decisions, from the creation of working groups to the definition of priorities and the selection of projects, in consultation with the participants in the formulation of the regional innovation strategy.

#### STIMULATING INNOVATION IN SUB-CONTRACTING CHAINS

In Dytiki Makedonia, the mining and refining of important lignite resources and the generation of electricity is carried out exclusively by Greece's Public Power Corporation (which with its mine and its four generating stations produces over 70% of Greek electricity).

The RIS permitted the development of a pilot project in this field which aims to expand the importance of local suppliers through the creation of an Information and Technology Transfer Company, designed to foster the modernisation of firms producing products and services for the PPC, provide technical back-up to suppliers, inform firms about procurement programmes and related tenders, organise events relating to the exploitation of lignite, help local businesses participate in EU energy sector research programmes

## **4 Policy Impacts**

### **4.1 Impact upon governance aspects**

The EU funding programmes for the regions has led to new forms of governance, namely partnerships, aiming at dividing responsibility and action between the private sector and the community and among all levels of governance. Moreover, partnership is one of the key principles underlying the Structural Funds.

In the Greek regions, the introduction of the EU structural policy and European Commission programmes has called for new forms of co-operation between local authorities and socio-economic city-based forces for the implementation of urban sustainability.

The highly centralised and hierarchically organised state and the lack of a viable system of sub-national governance are generally considered as the main characteristics of the Greek intergovernmental relations. The Greek State is the most centralised and interventionist state in the EU demonstrating strong resistance towards decentralisation. Examples of this centralised character are the delayed establishment (only in 1994) of second tier elected local government despite the introduction of the relevant form in 1986, the persistent reluctance of the state to rationalise the system of local government finance and competencies distribution, as well as the central role of the state in monitoring the European programmes' allocations to the local authorities.

All these have led to the extreme weakness of the local government. More specifically, the financial dependence of sub-national authorities on the central state transfers, the functional overlapping of competencies, the controlled and centralised planning development, and the role of political parties as mediators between the central administration and the municipalities are typical of the Greek intergovernmental relations and have led to the emergence of an administratively weak, highly party- politicised and state dependant local government.

In Greece, European integration has greatly affected both the Greek political system and local governance. However, legal compliance and institutional adjustments to EU regulations and directives are slow and gradual.

Despite the fact that the partnership model was in the previous programming period a new form of cooperation in the Greek Regions, interviewees supported that partnership between European Commission, the Region and the Ministry of Economy was considered innovative development and permitted a transparent organization of the Structural Funds interventions.

Furthermore, cooperation and networking between SMEs , between local government and SMEs, between business, citizens and administrations, and between administration themselves played an important role in the economic growth of the region and in the implementation of the operational programmes. This cooperation as supported by interviewees is considered as an “added value” in the preparation and implementation period of the Structural Funds.

Table 10: Governance aspects of polycentricity

	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Consistency of national and European policy goals outlined in programme documents	The Structural Fund programmes have been important in designing the national and regional programmes. The National Regional Policy is based on the European Regional Policy, instruments and objectives. No doubt Structural Funds have contributed to a particularly favourable policy environment for adjustment and adaptation.	2
Examples of promoting learning	Aid to businesses has been given for combating unemployment by continuous vocational training. Improved skills and better training opportunities developed the conditions for job creation and sustainable, balanced growth.	2

Governance innovations	-	-
Trans-national links linked to governance practices	Partnerships within the Innovative Actions and the RIS programmes	1
Inclusion of new actors and organization in partnerships	From local government to a variety of actors. Private sector has also involved in the Structural Funds projects.	1
Links to traditional democratic decision – making	Structural Funds programming and implementation is linked to traditional democratic decision – making.	1
Financial practices enabling enlargement of partnerships	-	-
Ways of avoiding the technocratic elite pluralism	Local government, Citizens and business participation	1

#### 4.2 Inclusion of the Lisbon themes

All the “Lisbon” themes are addressed within the case study in the framework of Operational Programmes, Priorities or Measures.

Especially the themes of Information society, Innovation, SMEs, Education and Employment have been promoted actively from the previous programming period.

Table11: Inclusion of Lisbon Themes in the SF

	Status During 1995 - 1999	Current Status	Examples of SF influence	Rating of SF influence
An information society for all: <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information</li> </ul>	Insufficient use of Information Communication technologies in public and private sector.	High importance. Integration of ICT in public and private sector.	Information Society projects have been supported by the Structural Funds, especially in the current programming period where a separate Operation Programme exists.	2

technologies to renew urban and regional development and promote sustainable development				
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>• Improving the efficiency and innovation and of research activities;</li> <li>• Improving the environment for research;</li> </ul>	<p>SF resources have been use for R&amp;T at SMEs, universities and research centres.</p>	<p>SF resources have been use for R&amp;T at SMEs, universities and research centres.</p>	<p>In the previous programming period there was a separate Operation Programme for Research and Technology aiming at:</p> <ul style="list-style-type: none"> <li>• Strengthening R&amp;Tin selected sectors</li> <li>• Transferring of technology and innovation</li> <li>• Strengthening restructuring the research base.</li> </ul> <p>Whilst in the current period a measure of the ROP of West Macedonia provides for Innovation, Technology and Research along with the Operational Programme of Competitiveness.</p>	2
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>• Encouraging interfaces between companies and financial</li> </ul>	<p>A major achievement of this period was the introduction of incentives to allow enterprises to introduce</p>	<p>Aid to businesses has is given for combating unemployment Improved skills and better training</p>	<p>Support to enterprises has been given through the ROP of West Macedonia (1994 – 1999) under the Priority of supporting productive investment and through the Operational</p>	2

markets, R&D and training institutions, advisory services and technological markets	environment – friendly investments. The formation of new credit framework especially for SMEs was also introduced.	opportunities developed the conditions for job creation and sustainable, balanced growth.	Programme of Industry. In the current programming period support has been given through the ROP (2000 – 2006) under the priority for restructuring trades in crisis in the local economy and providing support for export initiatives to new markets. The Operational Programme “Competitiveness” foresees also actions for SMEs	
Education and training for living and working in the knowledge society: <ul style="list-style-type: none"> <li>• Development of local learning centres</li> <li>• Promotion of new basic skills</li> </ul>	High importance	High importance	Education and Training has been one of the main areas of SF support not only in the ROP but in separate Operation Programmes in both programming periods.	
More and better jobs: <ul style="list-style-type: none"> <li>• Improving employability and reducing skills gaps;</li> <li>• Encouraging lifelong learning;</li> <li>• Reducing deficits in the service</li> </ul>	As unemployment was a major problem of the region, Enhancement of skills could reduce unemployment.	Unemployment is still a major problem.	The ESF funding for the region during the 1994 – 1999 period aimed to adapt training, guidance and employment opportunities.  During the current programming period, aid to businesses provided in the form of measures	2

economy; <ul style="list-style-type: none"> <li>• Extending equal opportunities</li> </ul>			related to improved skills and better training opportunities, developing in this way the conditions for job creation and sustainable, balanced growth.	
Promoting social inclusion: <ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and Opportunity.</li> </ul>	Very important. Provision of employment and training measures to people with disabilities and to socially excluded groups.	Attempt to establish the preventative and individualized approach and the inclusion of the disabled in regular employment and training structures.	During the period 1994 – 1999 national and regional policy towards people with disabilities and socially excluded groups was shifted significantly in favour of active measures.  In the current programming period the ROP of West Macedonia, under the Priority of “Greater opportunities for job creation and the reduction of unemployment”, tackles social exclusion.	2

## 5 Conclusions

Having described the influence of the Structural Funds on the case study area, the prefecture of Grevena, we can conclude that SF had in the previous programming period and still have in the current programming period a significant impact on the sustainable development of the region.

The Structural Funds support projects that provide a major opportunity for the region’s economy.

In the scope of the second Community Support Framework, the Regional Operational Programme for West Macedonia represented an opportunity for the region’s economy

to converge towards the EU average, aiming at the same time at achieving economic and social cohesion.

Moreover, the programmes that have been implemented in the region have the aim of providing infrastructure, supporting private investments to promote the role of the region, protecting and improving the environment, reducing intra-regional disparities, encouraging innovation and entrepreneurship and developing the region's mountainous, internal and less-favoured areas.

A general overview of the Structural Funds' impact is provided on the table below:

Table 12: Structural Funds influence on polycentric development and territorial cohesion (Rate from 0 to 2, with 0=no influence, 1= some influence, 2=important influence)

Geographical level of influence/effect  Type of influence/ effect	MICRO: regional level – i.e. effects within the case study		MESO: national, trans-national level – i.e. effects regarding the status of the region in a wide context		MACRO: European, international – i.e. effects regarding the status of the region in a wider context	
	Short Description	Ranking	Short Description	Ranking	Short Description	Ranking
Aspects explicitly targeting polycentric development	Direct					
	Indirect	Through the Regional Operational Programmes support has been given to the rural areas and measures supporting rural and local development can be identified. Priority is also given to the economic development of the rural and the poorest mountain areas	1	Measures of the ROPs aim at achieving more sustainable, polycentric strategic patterns of development in the region in the long term, for example by promoting the long-term development of the region by bolstering its competitiveness and reducing regional disparities.	1	-

<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	There is a positive influence of the SF, as measures foreseen to hold back the population and to create new employment positions to reduce emigration that depopulates the rural and mountain areas.	2	-		-	
	Indirect						
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	The SF programmes support tourism and SMEs as they considered important for the local economy and especially for the rural development and the reinforcement of the mountain areas.  Information Society and Regional Innovation Strategies are also supported.	2	The SF programmes support tourism. Measures seek to improve and support the advantages of the region and reinforce the development of the tourism sector.  Information Society and Regional Innovation Strategies are also supported.	1	The SF programmes support tourism and SMEs as they considered important for the economic development of the region	1
	Indirect						

<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Support has been given for the improvement of the national and regional road network and for the improvement of the trans-European networks linking the Region's productive centres	2	Support has been given for the improvement of the national and regional road network and for the improvement of the trans-European networks linking the Region's productive centres	2	Support has been given for the improvement of the trans-European networks linking the Region's productive centres	2
	Indirect						
<b>Strengthening of international cooperation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	Cooperation and networking between SMEs , between local government and SMEs, between business, citizens and administrations, and between administrations themselves.	2	Cooperation and networking between SMEs , between local government and SMEs, between business, citizens and administrations, and between administrations themselves.	1	Cooperation and networking between SMEs	1
	Indirect			SF and Community Initiatives supported cooperation between research institutions	1	SF and Community Initiatives supported cooperation between research institutions	1

<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	Through strategies that aim to develop the endogenous resources of the region, and reduce region's isolation, through the reduction of intra-regional disparities, and the development of region's mountainous, internal and less-favoured areas, the region has already benefited during the last years and is expected to benefit more in the near future.	2	-		-	
	Indirect	Measures encouraging innovation and entrepreneurship indirectly have a positive impact on the less favoured areas	1	-		-	
<b>Overall assessment</b> and personal impressions (e.g. your "final verdict")	Direct	Strong and positive influence of SF on regional development especially through supporting infrastructure and less-favoured areas such as rural and mountain areas.	2	Strong and positive influence of SF on territorial development especially through supporting transport infrastructure	2	Strong and positive influence of SF on territorial development in a European context especially through supporting transport infrastructure	2

Indirect	Achievement of more sustainable polycentric strategic patterns of development in the region in the long term indirectly by bolstering its competitiveness and reducing regional disparities.	2	-		-	
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## Interviews

- **Mr. Nickos Komninidis**, General Director of Planning, Regional Policy and Programming of the CSF - Ministry of Economy and Finance - Community Support Framework Managing Authority
- **Mrs. Vergopoulou Mary**, Head of Unit B' – Planning & Monitoring of C.S.F Policies and Priorities, Ministry of Economy and Finance – Community Support Framework Managing Authority
- **Mr. Mouratidis Ilias**, Head of Programming and Evaluation Unit, Managing Authority of Regional Operational Programme of West Macedonia
- **Mr. Sidiropoulos Anastasios**, Director of Programmes Department, West Macedonia Development Company
- **Mr. Michalogiannis George**, Director of Planning and Development, Prefectural Authority of Grevena

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**Research Project ESPON 2.2.1**  
**On**  
**Territorial Effects of Structural Funds**

**Case study of Laconia**



June 2004

ESPON 221 – Annex report A

## 1 Focus of Interest / Hypothesis

The aim of this study is to evaluate the Greek Prefecture of Laconia regarding the relation between the spatial performance of the NUTS III region and the type of Structural Funds that have been allocated to the region as well as the overall amount of funding that Laconia has received.

The Prefecture of Laconia belongs to the Region of Peloponnisos (NUTS II level). In the case of Greece, Structural Funds are allocated to the Regions (NUTS II level) in the framework of the Regional Operational Programmes - that exist for each of the thirteen Greek Regions – through the Community Support Frameworks. Peloponnisos has received funding from the Operational Programmes of the previous programming period (1994 – 1999) and from the current programming period (2000-2006). Laconia as a Prefecture of the Region of Peloponnisos has received funding, implementing projects to the Prefecture. It has also received funding from other sectoral Operation Programmes such as the Information Society and through Community Initiatives.

A more detailed description of the case of Laconia will be analysed in the next chapters. Where information has been provided at NUTS II level, reference will be made in the Region of Peloponnisos.

The whole of Greece, in the previous and in the current programming period benefits from Objective 1 status – regions' that have been identified as the most disadvantage parts of EU, with an overall objective to promote “the development and structural adjustment of regions whose development is lagging behind”-.

In both programming periods, all Greek Regions qualified for Objective 1 assistance, (Anatoliki Macedonia & Thraki, Kentriki Macedonia, West Macedonia, Thessalia, Epirus, the Ionian Islands, Dytiki Ellada, Sterea Ellada, Peloponnisos, Attiki, Voreio Aigaio, Notio Aigaio and Crete).

All these regions, whose GDP per capita is less than 75% of the Community average, have a number of economic characteristics that make them eligible for objective 1 funding:

- Low level of investment
- A higher than average unemployment rate
- Lack of services for businesses and individuals
- Poor basic infrastructure

Laconia is characterized of the above mentioned disadvantages. Moreover, Laconia belongs to a NUTS II region – Peloponnisos - that has benefited less from the Structural Funds than the other Greek Regions.

Furthermore, Laconia had the lowest structural fund spending per capita (less than 2.900 €per capita in relation to the other Greek prefectures in 1994 - 1999).

Despite the fact that Laconia is one of the Greek Prefectures that have received low amounts of funding it has showed a positive development regarding its regional performance.

## 2 Description

### 2.1 Case Study region

The district of the **Peloponnisos** is situated on the southwestern part of continental Greece. It comprises of five prefectures: Argolida, Arcadia, Corinth, Laconia and Messinia.

The region depends mainly on primary and secondary sectors. 76% of its inhabitants live in rural or semi-rural areas. The development deficit in the Peloponnisos Region stems from its remoteness from the centre of Europe, inadequate road links and a need for restructuring in the primary and secondary sectors. However, the Region's proximity to the metropolitan region of Attica, its extremely rich and varied cultural heritage, the quality of its natural environment and the development potential of the tourist sector are assets on which the region can build.

GDP per capita of the region is lower than the average GDP per capita of the country. The GDP per capita is 56% of the average GDP of the European Commission (2003), something that puts the region in the 182nd place among the poorest of the European Commission.

The rural region of Peloponnisos has only one airport (Kalamata) that serves the whole region whilst the port of Kalamata is the most important port in the Region. Other smaller ports are the ports of Pilos and Kyparissias in Messinia, the ports of Nafplio, Ermioni and Porto Cheli in Argolida, the ports of Astros and Leonidio in Arcadia, the ports of Corinth and Kiato in Corinth and the port of Gythio in Laconia.

The rail network of the region has many disadvantages as it is not compatible with the rest national rail network

Supporting a population of 638.942 people on 15.490 sq.km, the primary sector is the main employer in this little educated area, where there are only a Technological Education Institute in Kalamata and since 2002 a University. The level of education is low. The uneducated people, 8% of the population, are situated mainly in the Prefectures of Laconia, Messinia and Arkadia.

The prefecture of **Laconia** is situated on the south east part of Peloponnisos, it is 3.363,1 km<sup>2</sup> and has 99.674 inhabitants (0,9 of country's population). With a GDP per capita 2,9 million is situated in the 42nd place of the 72% of the average Greek GDP

per capita in 2001. At the NUTS II category Laconia is one of poorest prefectures in the European Commission (2003).

The prefecture of Lakonia is an agricultural area. In the prefecture there are also small manufacturing businesses for the elaboration of the rural products. Fishery is also developed but it covers only the areas' needs.

The 54, 9 % of the total population is occupied on the primary sector, whilst 10, 8% and 34, 3 % of the population is occupied in the secondary and tertiary sector respectively.

Laconia is one of the smallest populated prefectures of Greece (concentrates 0, 9 % of the total Greek population). However, Laconia is the land of tradition and cultural beauty; it is an area with a bright future full of challenges and perspectives.

The Prefecture population had been declining during the period of 1961 – 1991 22.965 persons (19,35%), whilst the last decade it has shown a slight increase.

This can be explained from the fact that Laconia was the prefecture that faced serious problems during the decade 1961-1971. This decade is characterised by intensive movements from the rural areas to the urban centres and to foreign countries. In particular during this period  $\frac{1}{4}$  of the population was moved ( about 23.000 persons).

In accordance with the last information provided by Eurostat, Laconia is situated at the lowest positions in the Region of Peloponnisos from an economic point of view.

As supported by interviewees the main problems that Laconia faces are infrastructure problems as in the previous programming periods; the region did not have the economic support from the Community Support Frameworks to improve its infrastructure. The regional road network is very old whilst the ports have not been improved the last forty years. The rural sector which is the main economic activity of the region faces also serious problems as there is lack of investment programmes related to this activity.



## **2.2 Structural Funds Programmes (1994 – 1999 and 2000 - 2006)**

### **Aims**

During the period 1994 – 1999 the Greek government established five main priorities for action:

- Reduction of the economy's isolation and promotion of internal integration to encourage productive investment by developing major infrastructure networks
- Improvement of living conditions
- Improvement of the competitiveness of the country's economic fabric
- Development of human resources and promotion of employment

Greece is also one of the Cohesion countries that receives important funding for major infrastructure (transport and environmental) projects in most of the regions.

As it has already mentioned lack of infrastructure is a major barrier for Laconia's development. Strategies aim to develop the endogenous resources of Peloponnisos and to promote restructuring within the region, modernisation of the economic fabric, improvement of the quality of life of the region's inhabitants and environmental protection.

The programme that was implemented under the programming agreement (Community support framework) for Greece (1994-1999 period) concluded between the European Community and the Greek national authorities to support the economy of the Peloponnisos, a region whose development is lagging behind.

### **General Spending Information**

During the period 1994 – 1999 the case study region received approximately 7,968 million euros in support from the Structural Funds or about 420 euros per capita.

Within ESPON 2.2.1, Structural Funds spending has been classified into a specific typology, allowing for a more detailed analysis of European spending. The classification is based on the predominant funds involved (ERDF, ESF, EAGGF, IAGF). The division between the categories for Laconia can be seen in the table below. According to this typology most of the Structural Funds spending is categorized as regional development (mainly ERDF), followed by Social Integration – Human Resources development (mainly ESF) whilst Laconia has not received funding from the Agriculture - Rural development (mainly EAGGF).

Table 1: Type of Spending (1994 – 1999) in €mil

Region NUTSII	Region NUTSIII	Amount Spent	EC contributions in EURO millions	ERDF (EURO millions)	ESF (EURO millions)	EAGGF (EURO millions)
<b>Country Total</b>		<b>24.890,219</b>	<b>16.002,765</b>	<b>13.281,813</b>	<b>2.429,792</b>	<b>289,020</b>
<b>Peloponnisos</b>		<b>528.346</b>	<b>339.574</b>	<b>335.978</b>	<b>3.596</b>	<b>0.000</b>
Peloponnisos	Argolida	17.189	11.077	10.953	0.124	0.000
Peloponnisos	Arkadia	21.650	14.555	14.555	0.000	0.000
Peloponnisos	Corinth	457.272	291.927	291.927	0.000	0.000
<b>Peloponnisos</b>	<b>Laconia</b>	<b>7.968</b>	<b>5.708</b>	<b>5.444</b>	<b>0.264</b>	<b>0.000</b>
Peloponnisos	Messinia	24.267	16.307	13.099	3.208	0.000

Source: Ministry of Economy and Finance

The inter-regional differences were even more considerable when viewed in terms of differences between the other prefectures of Peloponnisos.

The picture from the above table is indicative of the inter-regional spending differences during the programming period 1994 – 1999 where Corinth and Laconia had the highest and lowest structural fund spending respectively.

The Prefecture of Corinth has the first position in GDP formation. Its potential productive system is based on the concentration of manufacturing in the prefecture mainly due to its geographical position, as it is close to the Region of Attica and Athens.

### Objective Programmes 1994 – 1999

The region of Peloponnisos is eligible for objective 1 support as it is the whole Country.

The European Commission has approved an operational programme to develop the endogenous resources of the Peloponnisos and promote restructuring within the region, modernisation of the economic fabric, improvement of the quality of life of the region's inhabitants and environmental protection.

The European Community is putting up 65% of the total investment. The rest is covered by the Greek authorities and the private sector. The Community finance is provided by the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF) - guidance section.

The programme's main measures were the following:

- Development of tourism and services.
- Development of basic infrastructure and support for industry and agriculture in rural areas.
- Measures to improve the quality of life and protect the environment.
- Vocational training in support of the measures implemented in the three sectors of the economy.

The following table presents financial information by subprogramme of the Regional Operational Programme of Peloponnisos for the period 1994 – 1999, provided by the ex post evaluation of the programme (2003):

Table 2: Financial Information - ROP of Peloponnisos

Sub-programmes / Measures	Total Cost €	(%)
1. Tourism development 1.1 Tourism Transport Infrastructure 1.2 Tourism of Archaeological places 1.3 Regional Planning – urban reconstruction and urban regeneration 1.4 Complementary actions	83.094.000	22,2
2. Secondary Sector Business Support 2.1 SMEs support 2.2 Infrastructure of industry areas 2.3 Private investments' motives	17.882.000	4,8
3. Agriculture sector support and rural development 3.1 Land reclamation works 3.2 Improvement of Cattle production	87.437.000	23,4

3.3 Energy		
3.4 Laboratories rural research and protection		
3.5 Reinforcement of production activities in rural areas		
3.6 Rural development infrastructure		
3.7 Improvement and forest protection		
3.8 Reduction of isolation problems		
3.9 Employment and vocational training		
3.10 Movement of Cattle Units to other places		
4. Basic infrastructure – Quality of life	89.792.000	24
4.1 Basic transport infrastructure		
4.2 Health – Welfare infrastructure		
4.3 Garbage collection		
5. Human resources	32.428.000	8,7
5.1 Education infrastructure and employment training		
5.2 Unemployment – Continuous training		
5.3 Combating exclusion from the business market		
6. Special programme for local authorities	51.109.000	13,7
6.1 Basic infrastructure		
6.2 Environmental protection		
6.3 Local economy support		
7. Completion of 1989-1993 multifund OP projects	8.927.000	2,4
8. Implementation	3.390.000	0,9
8.1 Implementation ERDF		
8.2 Implementation EAGGF		
8.3 Implementation ESF		
<b>Total</b>	<b>374.059.000</b>	<b>100</b>

*Source: Managing Authority of ROP of West Macedonia – Ex post evaluation*

The various Structural Funds contributed as follows:

European Regional Development Fund (ERDF) 80.30%

European Social Fund (ESF)	4.40%
European Agricultural Guidance and Guarantee Fund (EAGGF)	15.30%

### Cohesion Fund

The Cohesion Fund was set up by the Treaty of Maastricht to help those Member States whose per capita GNP is less than 90% of the Community average (namely Greece, Ireland, Portugal and Spain) to adjust to the challenges of economic and monetary union by part-financing projects in the fields of the environment and trans-European transport infrastructure.

During the period of 1994 – 1999 the Region of Peloponnisos received 123, 11 million € funding from the Cohesion Fund, whilst the prefecture of Laconia did not received funding from the Cohesion.

The following table presents the Cohesion Fund for the Region of Peloponnisos. Corinth and Messinia received the whole funding for the motorway of Corinth - Tripoli - Kalamata .

Table 3: Cohesion Fund for Peloponnisos

Region NUTSII	Region NUTS III	CF 1994 (€mil)	CF 1995 (€mil)	CF 1996 (€mil)	CF 1997 (€mil)	CF 1998 (€mil)	CF 1999 (€mil)	Total 1994 - 1999
<b>Country</b>		<b>337,5</b>	<b>104,7</b>	<b>0,8</b>	<b>32,4</b>	<b>553,38</b>	<b>21,8</b>	<b>1050,58</b>
<b>Peloponnisos</b>		<b>13,5</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>108,61</b>	<b>0</b>	<b>123,11</b>
Peloponnisos	Argolida	3,1	0	0	0	0	0	3,1
Peloponnisos	Arkadia	10	0	0	0	0	0	10
Peloponnisos	Corinth	0,4	0	0	0	106,81	0	107,21
Peloponnisos	Lakonia	0	0	0	0	0	0	0
Peloponnisos	Messinia	0	0	0	1	1,8	0	2,8

### Results in Brief

According to the ex post evaluation of the Objective 1 Structural Funds in Greece (1994 – 1999), the Structural Funds have contributed to economic and social cohesion through the individual achievements of each Programme.

The second Community Support Framework of Greece had an important influence in boosting specific changes to policy and practices in the form of new procedures and far-reaching measures for the modernisation of organizational structures. Thus the most evident changes can be recognized in the fields of environment, energy, public administration and public infrastructure, where new legislation was introduced and new mechanisms and management units were created, which continue their operation under the 3rd CSF.

In the scope of the second Community Support Framework, the Regional Operational Programme for Peloponnisos represented an opportunity for the region's economy to converge towards the EU average, aiming at the same time at achieving economic and social cohesion.

In terms of relative weights, infrastructure and agriculture sector - rural development had the largest share (24% and 23, 4 of the total budget respectively), whilst tourism development had 22% of the total budget. These subprogrammes took up approximately two thirds of the total budget, whilst the other objectives completed the total with smaller shares.

Furthermore, the results from the implementation of the Regional Operational Programme of Pepolonnisos were positive:

- Improvement and expansion (17%) of the regional road network
- Expansion of the water supply network (20%)
- Improvement and expansion of the forest road network (16%)
- Increase in health infrastructure (45% expansion in bed capacity)
- Education ( 19% increase of school rooms)
- Private investments for the improvement of competitiveness in 48 manufacturing companies
- Creation of 35 agricultural tourism accommodation units and 20 tourism businesses
- Improvement and expansion of 320km mountain and rural road network
- Interventions on 25.000 m<sup>2</sup> of archaeological areas
- Local development and improvement of quality of life for the mountain and rural population
- 4.617 people were educated whilst support and vocational training has been given to 1.158 social excluded people

Furthermore, Laconia, has received funding from the Operational Programmes of: Energy, Continuous Training and Employment Promotion, Research and Technology, and Development of Agriculture.

The Community Initiative LEADER II also was implemented in three areas of the region of Peloponnisos (Parnonas - Laconia, North Peloponnisos and Mani).

### **Objective Programmes 2000 – 2006**

The Commission has approved an economic and social development programme for Peloponnissos Region for the period 2000-2006. Funding for the programme amounts to almost EUR 698,69 million, of which EUR 457.19 million will come from the EU Structural Funds. The private and public sectors will contribute EUR 89,09 million and EUR 152,39 million respectively).

The programme is designed to promote the long-term development of Peloponnisos by strengthening its competitiveness and reducing regional disparities. To achieve this, the programme seeks to draw on the Region's proximity to the metropolitan region of Attica, strengthen existing infrastructure and create the right conditions for balanced development by focusing more on environmental problems. The strategies and priorities set out in the operational programme are geared to unlocking this potential. The main priorities are:

#### ***Priority 1: Exploiting the region's immediate vicinity to the metropolitan region of Attica***

The region's proximity to the metropolitan region of Attica is its most important advantage. The development of adequate infrastructure will help to transform this advantage into thousands of new jobs. The programme should create 3,985 permanent jobs, strengthen the existing infrastructure and create the right conditions for balanced development by focusing more on environmental problems.

#### ***Priority 2 : Sustainable rural development***

There is a need to modernise the rural infrastructure and to better adapt the production to promote sustainable development of rural areas. The programme is intended to promote the long-term development of Peloponnisos by bolstering its competitiveness and reducing regional disparities. On the other hand, sustainable rural development must take into consideration the exceptional natural environment of the region.

#### ***Priority 3: Strengthening and improvement of tourism***

Peloponnisos has wild mountains with precious natural and cultural beauties and exceptional seashores. The programme will help with the diversification and improvement of the tourist product by improving and promoting mountain activities, cultural assets, and the tourism infrastructure of its mountains by ameliorating the existing infrastructure and creating the conditions for lasting development by taking more into consideration environmental problems.

***Priority 4: Improvement of urban and semi-urban centres***

The European funds granted to the region will allow a positive demographic development, through the exploitation of economic dynamics and prosperity. The urban and semi-urban centres of the region depend significantly on the primary and secondary sectors. A special effort is needed for the development of tourism and services. The programme will provide support to health, welfare, and environmental amenities in the urban and semi-urban centres of the region.

***Priority 5: Support and development in the field of human resources***

Assistance to the business sector will centre on productive investment and will be accompanied by measures to stimulate cross-fertilisation of innovation and entrepreneurship in the sectors of the new economy. In addition to these measures, better training opportunities will help develop the right conditions for creating new jobs and achieving sustainable, balanced growth.

***Priority 6: Technical assistance***

There is also provision for technical assistance to implement the programme. Financial support is available covering administration, monitoring and control.

The following tables present financial information by priority area of the Regional Operational Programme of Peloponnisos for the period 2000 – 2006 and by type of spending, provided by the Programme Complement (2003):

Table 4: Breakdown of Finances by priority area

<b>Priority Area</b>	<b>Total Cost</b>	<b>EU Contribution</b>
<b>1. Exploiting the region's immediate vicinity to the metropolitan region of Attica</b>	<b>251.570.000</b>	<b>166.875.000</b>
1.1 Road and Rail infrastructure		
1.2 Improvement of ports' infrastructure		
1.3 Reinforcement of private investments for SMEs expansion and modernisation		

1.4 Improvement and expansion of business areas		
1.5 Enlargement and modernisation of SMEs productive and management operation activities		
<b>2. Sustainable rural development</b>	<b>237.821.000</b>	<b>154.087.500</b>
2.1 Protection of the environment, countryside reconstruction and sustainable management of natural resources		
2.1.1 Solid and liquid waste management and water supply management		
2.1.2 Basic agricultural infrastructure		
2.1.3 Forest protection		
2.1.4 Fishing shelters		
2.1.5 Reinforcement, modernisation and reorganisation of agricultural production		
2.1.6 Implementation of innovative actions in agricultural production		
2.1.7 Health – welfare infrastructure in the countryside.		
2.1.8 Education infrastructure in rural areas		
2.2 Development of the mountainous and less advantageous areas		
2.2.1 Road construction in the mountainous and less advantageous areas		
2.2.2 Cultural heritage of the mountainous and less advantageous areas		
2.2.3 Improvement of basic technical and social infrastructure		
2.2.4 Integrated interventions for the development of rural areas		
2.2.5 Development and human resources support		
<b>3. Strengthening and improvement of tourism</b>	<b>96.650.000</b>	<b>51.750.000</b>
3.1 Development of tourism infrastructure		
3.2 Protection and exploitation of archaeological and cultural resources		

3.3 Implementation of innovative actions for the modernisation, reconstruction and competitiveness of tourist SMEs		
3.4 Tools for supporting the tourist product of the region		
<b>4. Improvement of urban and semi-urban centres</b>	<b>86.700.000</b>	<b>65.025.000</b>
4.1 Health – welfare infrastructure of urban and semi-urban centres		
4.2 Education infrastructure of urban and semi – urban centres		
4.3 Regeneration , upgrade of urban and semi – urban centres		
4.4 Solid and liquid waste management of urban and semi – urban centres		
4.5 Local development of urban and semi – urban centres		
4.6 Development and human resources support of urban and semi – urban centres		
<b>5. Support and development in the field of human resources</b>	<b>17.300.000</b>	<b>12.975.000</b>
5.1 Human resources development / improvement		
5.2 Local initiatives for employment promotion		
5.3 Employment opportunities for women		
<b>6. Technical assistance</b>	<b>8.649.896</b>	<b>6.487.422</b>
7.1 Technical assistance ERDF		
7.2 Technical assistance ESF		
7.3 Technical assistance EAGGF		
<b>Total</b>	<b>698.690.896</b>	<b>457.199.922</b>

Source: Managing Authority of ROP of Peloponnisos – Programme Complement

Table 5: Type of Spending

Priority Area	EU Contribution	ERDF	ESF	EAGGF
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Exploiting the region's immediate vicinity to the metropolitan region of Attica	166.875.000	166.875.000		
Sustainable rural development	154.087.500	70.575.000	4.125.000	79.387.500
Strengthening and improvement of tourism	51.750.000	51.750.000		
Improvement of urban and semi-urban centres	65.025.000	62.025.000	3.000.000	
Support and development in the field of human resources	12.975.000		12.975.000	
Technical assistance	6.487.000	5.274.999	1.100.310	0,112
<b>Total</b>	<b>457.199.922</b>	<b>356.499.999</b>	<b>21.200.310</b>	<b>79.499.613</b>

*Source: Managing Authority of ROP of Peloponnisos – Programme Complement*

The Regional Operational Programme of Peloponnisos finances projects in all the prefectures of the region (Argolida, Arcadia, Corinth, Laconia and Messinia).

Furthermore, during this programming period Laconia has received funding from other Operational Programmes such as Competitiveness, Information Society, etc., and from the Community Initiatives Equal and Leader Plus 2000 – 2006.

Moreover within the framework of the Structural funds 2000 – 2006, the Region has received funding from programmes such as the Innovative Actions.

#### **Innovative actions in the region of Peloponnisos**

The European Commission has approved a regional programme of innovative actions for Peloponnisos region. During the period 2002-2003, the EU provided 1.913.600 Euro towards the total cost of the programme which was 2.565.000 Euro; the balance provided by the public sector (478.400 Euro) and by the private sector (173.000 Euro) in the region. The programme included the elaboration of a regional strategy in the field of regional economies based on knowledge and technological innovation, by promoting the concept, the culture and the practice of innovation amongst SME and inhabitants.

In adopting this decision, Michel Barnier, Member of the Commission, said “the aim of the ERDF innovative actions 2000-06 is to improve the quality of structural fund spending in those regions which are lagging behind or are coping with industrial Change. These programmes provide the regional actors with a laboratory for experimentation and risk-taking

which are crucial in facing up to the new challenges for regional development. I am convinced that this programme will strengthen the capacity of innovation in the Peloponnisos Region and contribute to its development strategy.”

**The objectives:**

The regional program for innovative actions aimed at providing the Peloponnisos Region with a coherent regional strategy and a program of actions able to develop the strengths and opportunities of the region. This program also concentrated on overcoming the weaknesses and threats linked to its geographical environment.

This program focused on two fields:

- Injection of knowledge and technological innovation in each of the three sectors (eco-tourism, support for SME, promotion of local traditional products) of the regional economy, through innovative pilot actions on products or services with leader potential for the region’s economy and demonstration effect for the promotion of the concept and practice of innovation in the region;
- Development of the rural information society facility to enhance entrepreneurship capacity and the quality of life through exploitation of ICTs by small rural communities; creation of a regional development information service to enhance the capacity of the institutions and communities of the region to participate to development process.

**The actions:**

The program carried out the following actions :

- Development of an action plan for innovation’s funding and a regional partnership;
- Creation of a regional eco-tourism support centre;
- Creation of a virtual business incubator;
- Assistance for business co-operation for traditional products development;
- Establishment of information society services for rural areas;
- Establishment of a regional development information service;
- Pilot actions for the dissemination and awareness raising of the results of the previous actions.

### **3 Impacts on Spatial Development**

#### **3.1 Polycentric Development**

The spatial system of the region of Peloponnisos is built around the prefecture of Conrith which is one of the most developed prefectures of the region along with

Argolida and Messinia. Corinth is also one of the urban centres of the Region. Other urban centres are Kalamata, Tripoli (the capital of the region), Argos, Nafplio, Loutraki and Sparti (the urban centre of Laconia).

In the meso and macro context the development strategies of the region concentrate on strengthening activities around Corinth as it has the first position in GDP performance. Its productive system is based on the concentration of the manufacturing sector in the prefecture and on its geographical position which is close to the region of Attica.

In the 1994 – 1999 Regional Operational Programme of Peloponnisos there was no explicit reference to polycentrism or urban – rural relationships. The measures included in the programme did not take into account the functional relations between urban centres and their surrounding areas. Their focus was based on supporting rural areas and providing socio – economic support.

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.

The majority of the areas of Peloponnisos region including the prefecture of Laconia belongs mainly to rural areas while a small number of areas belong to the intermediate rural areas that have some distance away from the few urban centres. Many of the settlements of the region are sparsely populated and in many cases are located far from the urban centres, mainly due to the poor infrastructure.

The Regional Operational Programme of Peloponnisos (2000 – 2006) has taken into account these problems, and has foreseen measures where their actions could be considered coherent with the theme of polycentricity. Within these measures the meaning of polycentric development can be defined on the continental, national and regional and the urban, and peri-urban scale.

The programme provides support to the rural, the mountainous and the less advantaged areas, whilst there are measures aiming at improving the urban and semi-urban centres and the relationship between them.

The overall aim of the programme is the achievement of sustainable, polycentric patterns of development in the long-term, by bolstering region's competitiveness and reducing regional disparities.

### **3.1.1 Specialisation and role in the wider spatial system**

Spatial planning policy, that is both urban and supra-urban (national or regional) territorial planning policy, is predominantly seen in Greece as a public sector activity at all levels of state hierarchy. The main features of the Greek spatial planning system include a multiplicity of laws and regulations; predominance of a centralized,

regulatory and hierarchical planning style; low level of public support and awareness; lack of efficient monitoring and control mechanisms; and unauthorized development practice. This tradition, which is rather characteristic of many Mediterranean countries, is currently being challenged by two kinds of complementary factors. The first refers to the impact of EU policies and legislation on the Greek spatial planning system. The second concerns the changes being undergone (induced or intentional) in the more general administrative, economic and societal models and behaviours at the domestic level (e.g. decentralization, deregulation, privatisation of the public sector, enforcement of civil rights, etc).

Under this double set of constraints, Greek spatial planning policy and institutions seem to be in a stage of transition. The outcome is mitigated as the direction of changes is the product of complex interactions between the pre-existing regulatory patterns and behaviours on one hand and the new conditions and challenges implied by both EU membership and domestic modernisation on the other.

In terms of the European Spatial Development Perspective (ESDP), Greece has a large metropolitan area, Athens, and a densely populated region with polycentric economic development (Kentriki Mecedonia). The rest of the territory comprises of regions with high urban densities but containing rural areas, rural areas with small and medium sized towns and a plethora of remote rural areas.

Greece is largely mountainous. It is estimated that mountainous areas cover approximately 42,3% of the Greek land area. Of the total mountainous area in terms of km<sup>2</sup>, 13,9% is situated in the region of Peloponnisos, 13,2% in Sterea Ellada, 12,2% in Ipeiros, 11,5% in Thessalia and 10% in Anatoliki Macedonia and Thraki. Alternatively, 74,2% of the land area of Ipeiros is mountainous and so is 51,9% of West Macedonia, 50% of Pelloponnisos, 49,4% of Kriti, 47,3% of Sterea Ellada and 45% of Thessalia and Dutiki Ellada respectively.

Population density as measured by inhabitants/km<sup>2</sup> is highly uneven in Greece, because of Attica and Athens the capital city, for which the relevant index has been estimated at 906,7 in 1999. Excluding the region of Attica, population density ranges from 32,1 inhabitants/km<sup>2</sup> in West Macedonia to 95,6 in Kentriki Macedonia.

To some extent, urban, rural, mountainous and island areas face different problems. Typically, unemployment is a major problem in urban areas and low productivity in agriculture in rural areas. Similarly, mountainous areas generally face problems of accessibility, while depopulation is often a major problem in some of the less integrated inlands. A balanced development ought to pursue policies that facilitate integration of all types of areas along the lines of sustainable development. For historical, economic and social reasons however, the model pursued in Greece has

been that of centre-periphery (i.e., Athens vs. the rest of the country). A great part of the economic and social infrastructure has been concentrated in Athens. Employment in high productivity sectors and professions is also concentrated here. The question naturally following is whether this division or gap is increasing or decreasing. The evidence is clearly mixed.

Regarding the polycentricity typology that builds upon the Functional Urban Areas (FUAs), they have an important role - in line with the European Polycentricity model as they represent the majority of the population and of the economic activity. In our case, in the Prefecture of Laconia there are no Functional Urban Areas. The Region of Peloponnisos and the prefecture of Laconia are not densely populated and have low urban integration

Table 6: Measures and Projects in the ESPON relevant sectors

	<b>Status During 1995 - 1999</b>	<b>Current Status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Tourism	Considered important for the regional planning of the area	The improvement of the tourist product is considered very important. This will be done by improving and promoting mountain activities, cultural assets, etc.	<u>ROP 1994 - 1999</u> Priority 1: Tourism Development <u>ROP 2000 – 2006</u> Priority 3: Strengthening and improvement of Tourism	2
Industry	Potential growth area but limited to certain sub sectors (food, beverages and wood). There are also many small	Potential growth area but limited to certain sub sectors (food, beverages and wood).	<u>ROP 1994 - 1999</u> Priority 2: Secondary Business Support Measure 2.2: Infrastructure for industry areas <u>ROP 2000 - 2006</u> Measure 1.4:	1

	<p>companies, which considered important for the local development and economy.</p> <p>The development of the necessary infrastructure will promote the growth of existing companies' activities and will encourage new ones</p>		<p>Improvement and expansion of business areas</p>	
<p>Knowledge / Higher education institutions</p>	<p>High importance. Provision for education infrastructure</p>	<p>High importance. Provision for infrastructure to urban and semi-urban centres and to rural areas</p>	<p><u>ROP 1994 - 1999</u></p> <p>Measure 3.9: Employment and vocational training</p> <p>Measure 5.1: Education infrastructure and employment training</p> <p><u>ROP 2000 – 2006</u></p> <p>Measure 4.2: Education infrastructure of urban and semi-urban centres</p> <p>Measure 2.1.8: Education infrastructure of rural areas</p>	<p>2</p>
<p>Decision – making / Location of company HQs</p>	<p>-</p>	<p>-</p>	<p>-</p>	

Administrative Status	Local / Regional	Local / Regional	Important influence through the SF programmes that provide for the economic development of the region	2
Economic Base	The region depends mainly on primary and secondary sectors	Other services (tourism) and new business activities are developing	Measures that improve and support the advantages of the region and reinforce the development of the tourist product by improving and promoting mountain activities, cultural assets, etc.	1

### 3.1.2 Population / mass criterion – urban systems and rural – urban setting

The prefecture of Laconia covers a surface of 3.636 km<sup>2</sup> and has a total population of 99.674 (2001) inhabitants (0,9 % of the Country's total and 15,6 % of the Region of Peloponnisos).

The prefecture consists of 20 municipalities and 1 community. The prefecture's population had a slight increase (4,2 %) during the last decade. The population of the municipalities and the community are presented in the table below:

Table 7: Population of Laconia

Municipalities / Communities	Population 1991	Population 2001	Change in % 1991 - 2001
Municipality of Sparti	16.242	18.025	11,0
Municipality of Anatoliki Mani	2.024	2.125	5,0
Municipality of Asopou	3.666	4.192	14,3
Municipality of Voion	7.802	7.820	0,2
Municipality of Geronthron	2.034	1.961	-3,6
Municipality of Gytheio	7.542	7.946	5,4
Municipality of Elos	5.992	6.599	10,1
Municipality of Zaraka	1.696	1.531	-9,7
Municipality of Therapnon	2.999	3.057	1,9

Municipality of Krokeon	2871	2.835	-1,3
Municipality of Molaon	5.472	5.609	2,5
Municipality of Manemvasias	3.950	4.642	17,5
Municipality of Mystra	4.582	4.599	0,4
Municipality of Niaton	2.557	2.669	4,4
Municipality of Inountos	2.649	2.653	0,2
Municipality of Itylou	4.985	5.244	5,2
Municipality of Pellanas	3.863	3.375	-12,6
Municipality of Skalas	6.919	5.869	-15,2
Municipality of Sminous	1.537	1.907	24,1
Municipality of Faridos	4.849	5.342	10,2
Community of Elafonisos	725	744	2,6
<b>Prefecture of Laconia</b>	<b>95.616</b>	<b>99.674</b>	<b>4,2</b>

Source: National Statistical Service of Greece – Census 1991 - 2001

The regional strategies of the previous period (1994 – 1999) aimed to developed the endogenous resources of the region, to restructure the internal economic fabric, to improve the quality of life of region's inhabitants and to protect the environment

In the current programming period the main developmental goal refers to the long-term development of Peloponnisos by strengthening its competitiveness and reducing regional disparities.

All programmes support the rural areas, in order to facilitate growth in the these areas and not only in the urban centres. From this point of view, the overall strategy of the programmes seems to have built up on a polycentric approach.

Actions related to urban – rural relations do not exist explicitly but support has been given to the urban centre of the region and to the decentralization of services and activities to the semi-urban centres.

Measures in the previous period provided support to the rural areas, whilst measures in the current programming period, provide support for the mountainous and the less advantageous areas and for the urban and semi-urban centres. The following table presents the status of the Prefecture of Laconia.

Table 8: Status of the prefecture of Laconia

	Status During 1995 - 1999	Current Status	Examples of SF influence	Rating of SF influence
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Population density	Low: 26 inh/km <sup>2</sup> (1991)	Low: 27,4 inh/km <sup>2</sup> (2001)	There is a positive influence of the SF, as measures foreseen to a positive demographic development, through the exploitation of economic dynamics and prosperity Create also of new employment positions to reduce emigration that depopulates the rural and mountain areas is also foreseen.	2
Possible concentration trends	Concentration of population on the urban centre of Laconia, Sparti	Concentration of population on the urban centre of Laconia, Sparti	Structural funds support the development of rural, mountainous and of the less advantageous areas in order to keep and increase their population.	2
Rural – urban status	Rural and mountain areas disadvantaged due to accessibility problems	Through transport infrastructure projects the problem of accessibility will reduce.	The improvement and expansion of the regional road network which is financed especially in the current programming period help to overcome the accessibility problems.	2
Promotion of rural – urban interaction	No interaction because of weak connection – accessibility problem	Improved connections – Reduction of accessibility problems	Measures for improving the regional road network and the road of the mountainous and less advantageous areas (2000 – 2006)	1

### 3.1.3 Relation Function

Laconia's terrain is characterized by a mountainous landscape. It is dominated by the parallel mountain ranges of Parnon and Taigetos. Laconia's morphology and its

geographic position contribute to the accessibility problems the region has with the rest of the country. Region's accessibility depends totally on the road network and on the internal ship connections (only in good weather conditions).

The highway of Corinth – Tripoli – Kalamata will improve the connection of the prefecture with the urban centres of Peloponnisos and with the rest of the Country.

On the other hand, Peloponnisos' railroad network is insufficient and the only airport (Kalamata) can only serve small passenger planes (a new airport is going to open in Tripoli, that is going to serve the prefecture of Laconia). The telecommunication network has drastically improved over the last decade, providing the regional population with adequate services and modern facilities.

The Structural Funds have been extremely important for the development of the relation function of the region. The supported projects are very important for the overall spatial development of the region.

Measures related to the improvement and expansion of the regional road network in the previous programming period and measures related to the provision of infrastructure for the mountainous and less advantageous areas, in the current programming period, measures supporting private investments for SMEs expansion, protecting and improving the environment, reducing intra-regional disparities, encouraging innovative actions in agricultural production and tourism for the development of the region's mountainous, rural and less-favoured areas, are examples of the importance of the Structural Funds to the region.

Table 9: Relation function

	<b>Status During 1995 - 1999</b>	<b>Current Status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Accessibility and Changes in accessibility	High importance. Internal accessibility: The local network covers the needs of the region External accessibility: Depends only	High importance. Internal accessibility: Significantly better, improved linkages of mountainous and less advantageous	Measures improving and expanding the regional road network and the network of the mountainous and rural road network (1994 – 1999). Furthermore, measures (2000 – 2006) provide support for road, rail and port infrastructure for the	2

	to the road network. There is no airport or rail way.	areas. External accessibility: Significantly better, The highway of Corinth-Tripoli-Kalamata will connect the region with the urban centres of Peloponnisos and Attica and with the rest Country.	exploitation of region's vicinity to the metropolitan region of Attica.	
Key strategic and functional networks (promoting specialization)	Beginning to create partnerships between local authorities for the development of the region.	Active co operations in the framework of the innovative actions; programmes	One of the strategic priorities of the Operational Programme of the Region of Peloponnisos (2000 – 2006) is the promotion of innovation and the introduction of new technologies in the production and services' sectors of the Region. Measure 2.1.6 Implementation of innovative actions in agricultural production Measure 3.3 Implementation of innovative actions for the modernisation, reconstruction and competitiveness of tourist	1

			SMEs	
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With regard to Information and Communication Technologies, according to interviewees, in the previous programming period, the Operational Programmes of Research and Technology and Industry promoted innovation in SMEs and the absorption of the new technology and know-how together with the development of infrastructure and technology transfer mechanisms.

In the current programming period the Operational Programmes of Information Society and Competitiveness, include measures that affect all the Greek regions and prefectures regarding Information and Communication Technologies.

During the whole period (1994 – 1999 & 2000 – 2006) important actions have taken place by the project RIPE. Its implementation in the region of Peloponnisos and its prefectures is an important step in promoting the innovation to small and medium-sized enterprises of the region helping, in this way, at their growth, so that they can remain competitive and contribute to the broader economic and social growth of the region.

**RIPE project**

The RIPE Project (Regional Innovation for Peloponnisos) is a program aiming to the import of innovation in the Region of Peloponnisos and it's being implemented within the framework of the general European Program "Innovative Actions 2000-2006". Similar programs are being implemented in the entire Europe (roughly 133 programs), within the framework of an effort of the E.U. to promote the innovation to small and medium-sized enterprises of the Region and to help, in this way, at their growth, so that they can remain competitive and contribute to the broader economic and social growth of the region. The Project has duration of 24 months and its actions cover the entire Region of Peloponnese. The financial contribution of the E.U. amounts to 1.913.600 Euros, the national contribution to 478.000 Euros, while the private contribution is 173.000 Euros.

The aim of the RIPE project is to strengthen and support all the institutions and citizens of the Region of Peloponnisos. More specifically it is addressed:

- To small and medium-sized enterprises of the Region
- To ecotourism entrepreneurs and to tour operators

- To enterprises that are activated in the production and disposal of local traditional products
- To development institutions of the Region
- To professional associations, social institutions, local institutions and citizens of the Region of Peloponnisos.

The RIPE:

- Supports and promotes enterprises that are activated in certain concrete economic sectors, in which the Region of Peloponnisos has some advantages.
- Offers to the Region the tools and the education on the new information technologies, so that it will no longer be isolated from development.
- Delivers to the Region a plan for getting financial support for innovative actions from the Community Support Framework for the period 2004-2006 or even for the next C.S.F.

### **Integrated Information System of Regional Development**

This action was implemented by the Argolida Chamber in collaboration with the Regional Fund of Peloponnisos and it is one of the main actions of RIPE project -Regional Innovation for Peloponnisos. Through this action an Integrated Information System was developed, which primarily consists of four discrete thematic areas :

- Watch of news, products, technologies of three economic sectors (food & drinks, tourism, agricultural and home equipment)
- Business guide for new investments in Peloponnese
- Benchmarking technique for the Region`s companies
- Innovation measurement through the innovation indicators of the Region of Peloponnisos

The information system also provides information on the projects that are being implemented by public Regional bodies (prefectures, municipalities, etc.) or by ministries for the Region of Peloponnisos. Furthermore, many studies on innovation and regional policy issues are available and can be downloaded and there are also links to all the regional public administration bodies.

Basic objective of this action is to improve the effectiveness of the processes followed in formulating the Region`s development policy and planning. The information system is supporting this objective by collecting and disposing information material which can improve substantially the planning and the implementation of the Regional growth policy.

The basic target groups of the information system are entrepreneurs, local authorities and the Region`s citizens.

## **4 Policy Impacts**

### **4.1 Impact upon governance aspects**

The EU funding programmes for the regions has led to new forms of governance, namely partnerships, aiming at dividing responsibility and action between the private sector and the community and among all levels of governance. Moreover, partnership is one of the key principles underlying the Structural Funds.

In the Greek regions, the introduction of the EU structural policy and European Commission programmes has called for new forms of co-operation between local authorities and socio-economic city-based forces for the implementation of urban sustainability.

The highly centralised and hierarchically organised state and the lack of a viable system of sub-national governance are generally considered as the main characteristics of the Greek intergovernmental relations. The Greek State is the most centralised and interventionist state in the EU demonstrating strong resistance towards decentralisation. Examples of this centralised character are the delayed establishment (only in 1994) of second tier elected local government despite the introduction of the relevant form in 1986, the persistent reluctance of the state to rationalise the system of local government finance and competencies distribution, as well as the central role of the state in monitoring the European programmes' allocations to the local authorities.

All these have led to the extreme weakness of the local government. More specifically, the financial dependence of sub-national authorities on the central state transfers, the functional overlapping of competencies, the controlled and centralised planning development, and the role of political parties as mediators between the central administration and the municipalities are typical of the Greek intergovernmental relations and have led to the emergence of an administratively weak, highly party- politicised and state dependant local government.

In Greece, European integration has greatly affected both the Greek political system and local governance. However, legal compliance and institutional adjustments to EU regulations and directives are slow and gradual.

Despite the fact that the partnership model was in the previous programming period a new form of cooperation in the Greek Regions, interviewees supported that partnership between European Commission, the Region and the Ministry of Economy was considered innovative development and permitted a transparent organization of the Structural Funds interventions.

Furthermore, cooperation between local authorities, organisations and SMEs, played an important role in the economic growth of the region and in the

implementation of the operational programmes. This cooperation as supported by interviewees is considered as an “added value” in the preparation and implementation period of the Structural Funds.

Table 10: Governance aspects of polycentricity

	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Consistency of national and European policy goals outlined in programme documents	The Structural Fund programmes have been important in designing the national and regional programmes. The National Regional Policy is based on the European Regional Policy, instruments and objectives. No doubt Structural Funds have contributed to a particularly favourable policy environment for adjustment and adaptation.	2
Examples of promoting learning	<ul style="list-style-type: none"> <li>➤ Vocational training in supporting the three measures of the economy</li> <li>➤ Continuous training</li> <li>➤ Assistance to business centres accompanied by the combination of innovation, entrepreneurship and better training opportunities</li> <li>➤ Innovative actions in agricultural production and tourism development</li> </ul>	<b>2</b>
Governance innovations	<p>According to the expression used by the ROP «the innovation and information society actions are the base for the increase of productivity and competitiveness of the regional economy, as well as for the creation of new products and services of the Region’s economy».</p> <ul style="list-style-type: none"> <li>▪ The development agency of Parnon, born out of a common desire to address severe local problems, is the first cooperation of this kind coordinating actions to the benefit of all participating organisations.</li> </ul>	<b>2</b>

	<ul style="list-style-type: none"> <li>▪ The Regional Center of Ecotourism</li> <li>▪ Tele-cottages</li> </ul>	
Trans-national links linked to governance practices	Partnerships within the Innovative Actions and the RIPE project	1
Inclusion of new actors and organization in partnerships	From local government to a variety of actors. Private sector has also involved in the Structural Funds projects.	1
Links to traditional democratic decision – making	Structural Funds programming and implementation is linked to traditional democratic decision – making.	1
Financial practices enabling enlargement of partnerships	-	-
Ways of avoiding the technocratic elite pluralism	Local government, Citizens and business participation	1

#### The development agency of Parnon

Rural decline and deindustrialisation, whilst being very different problems, have common characteristics which can be addressed through a partnership approach focusing on the strengths of the local area.

As agriculture declined and few new jobs created, the large mountainous area of Parnon, in Peloponnisos, experienced an economic downturn. A development agency was then established bringing together a number of public and private organisations in the area to develop the region. The agency is a partnership between local authorities and agricultural cooperatives, cultural associations, the Local Union of Municipalities of Arcadia and Lakonia and 42 private individuals in the area.

Each partner owns shares in the agency, with the largest shareholder being the municipalities with 75% and the smallest being private individuals with 1.4%. The partnership has 120 members and a nine-person board of directors to oversee the agency's activities. A president, vice-president and managing director are elected by the general assembly, made up of all shareholders.

The partnership development plan focuses on:

- the development of the primary sector, focusing on natural climate and terrain

advantages;

- the development of agri-tourism;
- conservation and protection of the environment, including developing the use of renewable energy sources;
- cultural expression and creativity.

The Agency is also responsible for the management of LEADER II and provides information to the local population on EU funding programmes and training to partnership members.

The agency has developed links with other local authorities and provides support to them in the analysis of local conditions, surveys and research.

Born out of a common desire to address severe local problems, the Parnon development agency is the first cooperation of this kind coordinating actions to the benefit of all participating organisations. The success of the early work of the agency has been a catalyst for further informal partnerships and cooperation in the region.

#### Chamber Laconia – RIPE Project – “Regional Center of Ecotourism” - Prefecture Laconia, Gythion

It involves planning and creation of a center; with fundamental objective the promotion of new soft forms of tourism, as the ecotourism, agri-tourism tourism of countryside, marine tourism, etc. The aim is to upgrade traditional tourist products of Peloponnisos, as well as the appointment of various new forms of eco-tourist dimension. Based therefore on concrete researches in the European and world level, various similar cases are analyzed extensively where the eco-tourist product was drawn and was elected, through the use of advanced technologies of telecommunication and information.

This has as result the explicit planning of the completed product of eco-tourist dimension, where the final user is the citizen / tourist, in national and international level. The eco-tourist center initially has its base in Gythion, in the region of Laconia. It is calculated however, that after the completion and beginning of the operation and also the presentation of viability of the center, the idea and technological infrastructure of concrete eco-tourist project, will lead to the creation and other similar projects and to the remainder regions of Peloponnisos region. The objective is the direct briefing and service of citizens/tourists, especially in the sector of benefit of electronic information and services, as well as in the use of innovative operational applications, aiming at the automatic search and finding of the place that from those who are interested. The whole system is planed to support processes of on-line reservations, as well as multiple bases of data with all the relative eco-tourist information.

#### Tele-cottages – Information Society for Countryside areas

It involves two tele - Centers (Tele-Cottages), which initially will function in two from the

prefectures of Region of Peloponnisos. The basic aim of these centers is the familiarization of citizens and students of the region, with the various new applications of Society of Information.

The objective is the direct briefing, service and education of citizens, especially in the sector of benefit of electronic services, as well as in the use of innovative operational applications. These Tele-centers are even equipped with modern technological systems, in the frame of information technology and communications.

Basic services:

The tele-Centres will provide the following services:

- Education and familiarization of students and citizens, in simultaneously informative systems and programs.
- Education, via computers, on issues of special interest. For example, how the businessmen of various sectors, exploit new technology can achieve the projection of their enterprises through the use of the internet or their networking with corresponding enterprises of abroad etc.
- Use of installations by the citizens, for information, for educational or professional aims.
- Use of installations for transactions with the public sector e.g. publication of certificates, submission of applications, briefing on various subsidized operational programs, etc
- Exploitation of special software for the service of enterprises and the promotion of business dexterity, as for example platforms of manufacture of web pages, electronic shops, use of applications of safety, etc

#### 4.2 Inclusion of the Lisbon themes

All the “Lisbon” themes are addressed within the case study in the framework of Operational Programmes, Priorities or Measures.

Especially the themes of Innovation, Education and Employment have been promoted actively from the previous programming period.

Table11: Inclusion of Lisbon Themes in the SF

	<b>Status During 1995 - 1999</b>	<b>Current Status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>

<p>An information society for all:</p> <ul style="list-style-type: none"> <li>• Improving access to communications infrastructure, especially among excluded groups;</li> <li>• Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>Insufficient use of Information Communication technologies in public and private sector.</p>	<p>High importance. Integration of ICT in public and private sector.</p>	<p>Information Society projects have been supported by the Structural Funds, especially in the current programming period where a separate Operation Programme exists.</p>	<p>2</p>
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>• Improving the efficiency and innovation and of research activities;</li> <li>• Improving the environment for research;</li> </ul>	<p>SF resources have been use for R&amp;T at SMEs, universities and research centres.</p>	<p>SF resources have been use for R&amp;T at SMEs, universities and research centres.</p>	<p>In the previous programming period there was a separate Operation Programme for Research and Technology aiming at:</p> <ul style="list-style-type: none"> <li>• Strengthening R&amp;T in selected sectors</li> <li>• Transferring of technology and innovation</li> <li>• Strengthening and restructuring the research base.</li> </ul> <p>Whilst in the current period measures of the ROP of Peloponnisos provide for Innovative actions in the agriculture and</p>	<p>2</p>

			the tourism sectors.	
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>SMEs support has been given and private investments' motives.</p>	<p>Structural funds provide for:</p> <ul style="list-style-type: none"> <li>Reinforcement of private investments for SMEs expansion and modernization</li> <li>Innovative actions for the modernization, reconstruction and competitiveness of tourist SMEs</li> </ul>	<p>Support to enterprises has been given through the ROP of Peloponnisos (1994 – 1999) under the Priority of the Secondary business support and through the Operational Programme of Industry.</p> <p>In the current programming period support has been given through the ROP (2000 – 2006) under the priorities of “Exploiting the region's immediate vicinity to the metropolitan region of Attica” and “Strengthening and improvement of tourism”. The Operational Programme “Competitiveness” foresees also actions for SMEs</p>	2
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres</li> </ul>	<p>High importance</p>	<p>High importance</p>	<p>Education and Training have been one of the main areas of SF support not only in the ROP but in separate Operation Programmes in both</p>	2

<ul style="list-style-type: none"> <li>• Promotion of new basic skills</li> </ul>			programming periods.	
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>• Improving employability and reducing skills gaps;</li> <li>• Encouraging lifelong learning;</li> <li>• Reducing deficits in the service economy;</li> <li>• Extending equal opportunities</li> </ul>	<p>As unemployment was a major problem of the region, employment training and continuous training could reduce unemployment.</p>	<p>Unemployment is still a major problem.</p> <p>Local Initiatives foreseen for employment promotion. The ROP provides also for women by supporting employment positions.</p>	<p>The ESF funding for the region during the 1994 – 1999 period aimed to adapt training, guidance and employment opportunities.</p> <p>During the current programming period, the aim is that better training opportunities will help develop the right conditions for creating new jobs and achieving sustainable, balanced growth.</p>	2
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and Opportunity.</li> </ul>	<p>Provision of employment and training measures to socially excluded groups.</p>	<p>Provision for employment opportunities to women</p>	<p>During the period 1994 – 1999 national and regional policy towards people with disabilities and socially excluded groups was shifted significantly in favour of active measures.</p> <p>In this period a measure of the ROP tackles social exclusion. In the current programming period the ROP Peloponnisos supports employment positions for women.</p>	2

## **5 Conclusions**

Having described the influence of the Structural Funds on the case study area, the prefecture of Laconia, we can conclude that SF had in the previous programming period and still have in the current programming period a significant impact on the sustainable development of the region.

The Structural Funds supported projects that have led to the economic growth of the region by establishing the appropriate conditions for the sustainable economic development of the region. Their role as it has been supported by interviewees was and still is very important in the improvement of basic infrastructure of the region (transport, environment, education, health & welfare).

The implementation of the Regional and Sectoral Operation Programmes in the region and the projects funded under the framework of the Community Initiatives and Innovation Actions programmes have helped to promote economic growth, innovation, new jobs, development of new sectors and activities, education and training, creating in this way a better quality of life and contributing to the broader and social growth of the region.

A general overview of the Structural Funds' impact is provided on the table below:

Table 12: Structural Funds influence on polycentric development and territorial cohesion (Rate from 0 to 2, with 0=no influence, 1= some influence, 2=important influence)

Geographical level of influence/effect  Type of influence/ effect	MICRO: regional level – i.e. effects within the case study		MESO: national, trans-national level – i.e. effects regarding the status of the region in a wide context		MACRO: European, international – i.e. effects regarding the status of the region in a wider context	
	Short Description	Ranking	Short Description	Ranking	Short Description	Ranking
Aspects explicitly targeting polycentric development	Direct					
	Indirect	Through the Regional Operational Programmes support has been given to the rural and mountainous areas and measures supporting rural and local development can be identified. Priority is also given to the economic development of less advantaged areas	1	Measures of the ROPs aim at achieving more sustainable, polycentric strategic patterns of development in the region in the long term, for example by promoting the long-term development of the region by bolstering its competitiveness and reducing regional disparities.	1	-

<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	There is a positive influence of the SF, as measures foreseen to hold back the population of the rural and mountainous areas by creating new employment positions	2	-		-	
	Indirect						
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	The SF programmes support tourism and SMEs as they considered important for the local economy and especially for the rural development and the reinforcement of the mountain areas.  Information Society and Regional Innovation Strategies are also supported.	2	Region's proximity to the metropolitan region of Attica, its extremely rich and varied cultural heritage, the quality of its natural environment and the development potential of the tourist sector are assets on which the region can build.  Information Society and Regional Innovation Strategies are also supported.	2	The SF programmes support tourism as it is considered important for the economic development of the region	1
	Indirect						

<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Support has been given for the improvement of the national and regional road network.	2	Support has been given for the improvement of the national and regional road network and for connecting Laconia with the highway of Corinth – Tripoli - Kalamata which provides access to the main urban centres of Peloponnisos, to Attica and to the rest of the country.	2	-	
	Indirect						
<b>Strengthening of international cooperation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	Cooperation between local authorities and SMEs, between business, citizens and administrations, and between administrations themselves.	2	Cooperation between local authorities and SMEs, between business, citizens and administrations, and between administrations themselves.	1	-	
	Indirect			SF and Community Initiatives supported cooperation between research institutions	1	SF and Community Initiatives supported cooperation between research institutions	1

<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	Through strategies that aim to develop the endogenous resources of the region, and reduce region's isolation, through the reduction of intra-regional disparities, and the development of region's mountainous, rural and less-advantaged areas, the region has already benefited during the last years and is expected to benefit more in the near future.	2	-		-	
	Indirect	Measures encouraging innovation and entrepreneurship indirectly have a positive impact on the mountainous, on the rural and on the less advantaged areas	1	-		-	
<b>Overall assessment</b> and personal impressions (e.g. your "final verdict")	Direct	Strong and positive influence of SF on regional development especially through supporting infrastructure (transport, environment, education, health & welfare) and the less-favoured areas such as rural and mountain areas.	2	Strong and positive influence of SF on territorial development especially through supporting infrastructure (transport, environment)	2	-	

Indirect	Achievement of more sustainable polycentric strategic patterns of development in the region in the long term indirectly by bolstering its competitiveness and reducing regional disparities.	2	-		-	
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## Interviews

- **Mrs. Vergopoulou Mary**, Head of Unit B' – Planning & Monitoring of C.S.F Policies and Priorities, Ministry of Economy and Finance – Community Support Framework Managing Authority
- **Mr. Skouras Anastasios**, Head of Programming and Evaluation Unit, Managing Authority of Regional Operational Programme of Peloponnisos
- **Mr. Koutris Panagiotis**, Head of Monitoring and Management Unit, Managing Authority of Regional Operational Programme of Peloponnisos
- **Mr. Fourkas Konstantinos**, Nomarch of the Prefectural Authority of Laconia (interview published in the Greek publication “Prefectures of Greece” 5 / 2004
- **Mr. Koulogeorgiou Panagiotis**, Consultant of the Prefectural Authority of Laconia

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## **REGIONAL POLICY IN GREECE IN RELATION TO EUROPEAN REGIONAL POLICY**

The regional problem in Greece is characterised by difficult geography and limited natural resources. The topography of the country, comprised as it is of extensive mountain ranges and numerous islands, makes transport and communications costly and complicated. In addition, there are significant economic disparities between the industrialised areas, basically Athens and Thessaloniki, and the agricultural regions. On the other hand, the expansion of economic activities in the more prosperous areas – Athens, in particular – is constrained by congestion and environmental concerns. Moreover, even the more prosperous parts of the country are relatively poor in an EU-15 context, a factor which creates a certain tension between national industrial policy and regional development objectives.

### **Strategies**

The overt objective of Greek regional policy is to promote productive investment in the less-developed regions and to encourage the relocation of activities away from the Athens area. However, since the late 1980s, the range of projects that are eligible for regional aid in Athens and Thessaloniki has been expanded significantly. This is essentially a reflection of the tension noted above between regional and industrial policies; in a European context, there are compelling arguments for concentrating resources on areas which have at least some potential to compete with regions in other parts of the EU. Nevertheless, it remains the case that higher rates of assistance are focused on the northern border zone, Thrace and the peripheral islands, the so-called Region D areas.

### **Instruments**

Historically, Greek regional aid policy has comprised two essentially distinct packages – a fiscal package and a financial package. Until the late 1980s, the financial package was the more important but legislation in 1990 substantially reinforced the fiscal element and made the Tax Allowance the most important incentive. This remained the case under Law 2234 of 1994, though the financial package was strengthened. Legislation in 1998 provided for five different forms of incentive: a Capital Grant, an Interest Subsidy, a Leasing Subsidy, a Tax Allowance and so-called “Special Incentives” for larger projects. Under this legislation, only new establishments have a choice between the fiscal and the financial package; existing establishments in principle qualify only for the fiscal package, albeit subject to a list of exceptions which benefit large projects in particular.

### **Spatial targeting**

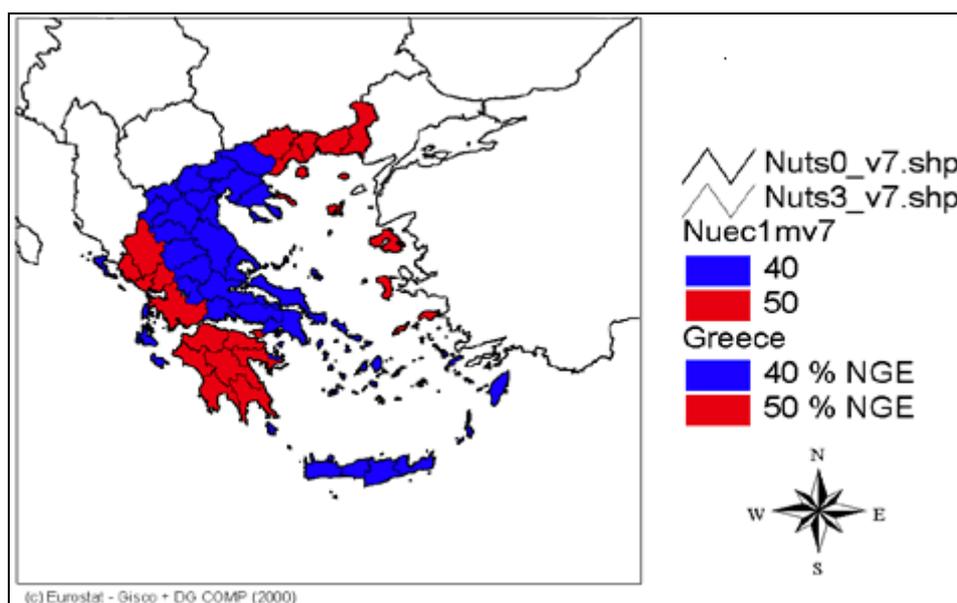
All of Greece qualified for support under Article 87(3)(a) over the 2000-06 period. On the other hand, the award ceilings agreed with the Commission were lowered. The aid ceiling is 50 percent in Anatoliki Makedonia, Thraki, Ipeiros, Dykiti Ellada, Peloponissos and Voreio Aigaio and 40 percent elsewhere in Greece. While these represent significant reductions on the previous EC ceilings, they are broadly in line with the previous national ceilings. In most cases, they remain well above awards actually made.

**Table 3-1: EC Ceilings**

Region	Previous Ceilings	EC	Previous Award	Population (%)
Region D – Thrace	75% nge		57%	} 14
Region D – border region	67.9% nge		45%	
Region D – remainder	64% nge		40% <sup>(1)</sup>	
Region C	58.2% nge		40% <sup>(1)</sup>	30
Region B	54.2% nge		30% <sup>(1)</sup>	14
Region A	47.4% nge		25% <sup>(1)</sup>	42

Note: <sup>(1)</sup> These are the rate maxima for manufacturing firms producing “state of the art products” or new products, research organisations, high technology services and software firms.

**Figure 3-36: Greek regional aid map**



### Governance

The institutional arrangements for regional policy in Greece are centralised, although there is some limited “deconcentration” of incentive administration. Policy is primarily the responsibility of the Ministry of Finance and National Economy. At the regional level, the local offices of the Ministry, the Regional Agencies of Private Investments are responsible for small projects. In addition, EOMMEX (the national organisation for SMEs and craft trades) administers certain SME investments while ELKE (the Hellenic Centre for Investment) is responsible for large inward investment projects.

**Table 3-2: Territorial Units in Greece**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
	NUTS I	4
	NUTS II	13
Nomoi	NUTS III	51

## **GREEK REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

Spatial objectives are included in the National Regional Policy. Over the past two decades, institutional reform and administrative procedures have incorporated spatial planning and planning policy at the national and regional scale in the framework of economic planning and of development programmes. In the '80s, spatial planning became incorporated in the total physical planning (regulatory plans, general city plans) and in the environmental protection programmes (Law 1650/86). Meanwhile, with the regional development programmes financed by the EU (such as the Mediterranean Integrated Programmes and the Community Support Programmes) spatial policy perspective was necessary to be included in the National Regional Policy.

Within this framework National Regional Policy makes reference to the following strategic axes: (i) Balanced development of the urban system and the rural space; (ii) Development and complementarity of the basic infrastructures networks; (iii) Promotion and protection of the natural environment; and (iv) Promotion and protection of cultural heritage.

Regional policy is implemented through the Regional Operational Programmes (ROPs). Within this framework ROPs measures are included which can be related to territorial cohesion. This includes, for examples, interventions for increased accessibility (ie. to contrast the isolation of islands and rural/mountainous/sparsely populated areas). The interventions foreseen in the OPs combine the goals of internal territorial coherence and external connectivity.

The concept of Territorial Balance can be seen in the OPs too, as there are measures referring to a structure that should provide a minimum level of development of basic infrastructure and access to services. The achievement of social and economic cohesion through the reduction of disparities can be seen the end goal of the OPs. Territorial Cohesion is targeted mainly at an inter-regional and national level.

Polycentric strategies can be identified in the National Regional Policy at the Regional Operational Programmes. Polycentric development is seen as a major force for economic development. The ROPs include measures that can be related to polycentric development, for example, the programmes support the development of urban centres and the connections between them and the rural areas. Polycentrism is targeted mainly at an inter-regional and national level. This can be seen in the Regional Operational Programme of Epirus where measures support the urban centres to become regional centres of development.

The programmes include the following types of interventions for polycentric development: (i) developing more spatial balance and equity in the sense of diminishing regional disparities; (ii) strengthening the competitive position of urban regions; and, (iii) special actions for the development and protection of islands, mountainous areas and rural areas.

# Ireland



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Ireland

Prepared by

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STRATHCLYDE  
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**NORDREGIO**

Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Irish data collection**

With regard to the ESPON 2.2.1 country study of Ireland, the focus of the analysis of the Structural and Cohesion Fund assistance in the 1994-1999 period was on the NUTS II level.

A distinct feature of the Irish Community Support Framework for 1994-99 was that Ireland was defined as a single (NUTS II) region for Structural Fund purposes (unique in the EU, as other Member States with full Objective 1 status such as Greece and Portugal operated individual regional programmes). The CSF's goals, strategies and mechanisms were defined at national level, the Operational Programmes had national coverage - regional objectives, quantified targets and projected expenditure were not specified by region.

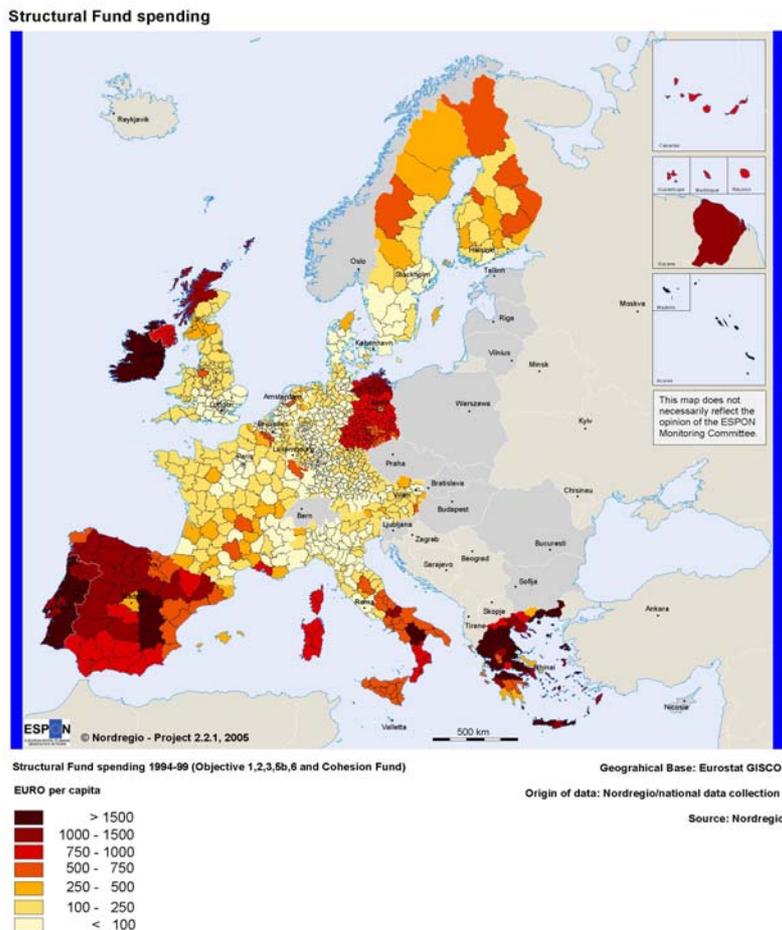
Further, the eight NUTS III Regional Authority areas in Ireland (set up in 1994) did not have a well-defined role in Structural Fund implementation during the period, and no formal financial allocations were made to the individual regions. In any case, the programme closure expenditure information available was not subdivided territorially.

In the case of Ireland, therefore, the data for Structural Fund expenditure was drawn from the draft closure reports submitted to the European Commission for each of the following Operational Programmes: Environmental Services; Economic Infrastructure; Industrial Development; Human Resources Development; Local, Urban & Rural Development; and Transport, in addition to Cohesion Fund data. As such, the attribution of expenditure to the NUTS III level was a technical exercise, made on the basis of population. This also applies to the data for the Cohesion Fund.

A further problem with the available data was the currency of the expenditure - there was some inconsistency in how available expenditure was expressed for the period i.e. data was variously expressed in Irish Pounds, Euros and Ecus and had to be converted.

## THE STRUCTURAL FUNDS IN THE EU15

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).



### **What kind of regions?**

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro* / *meso* levels as regards spending *per capita*.

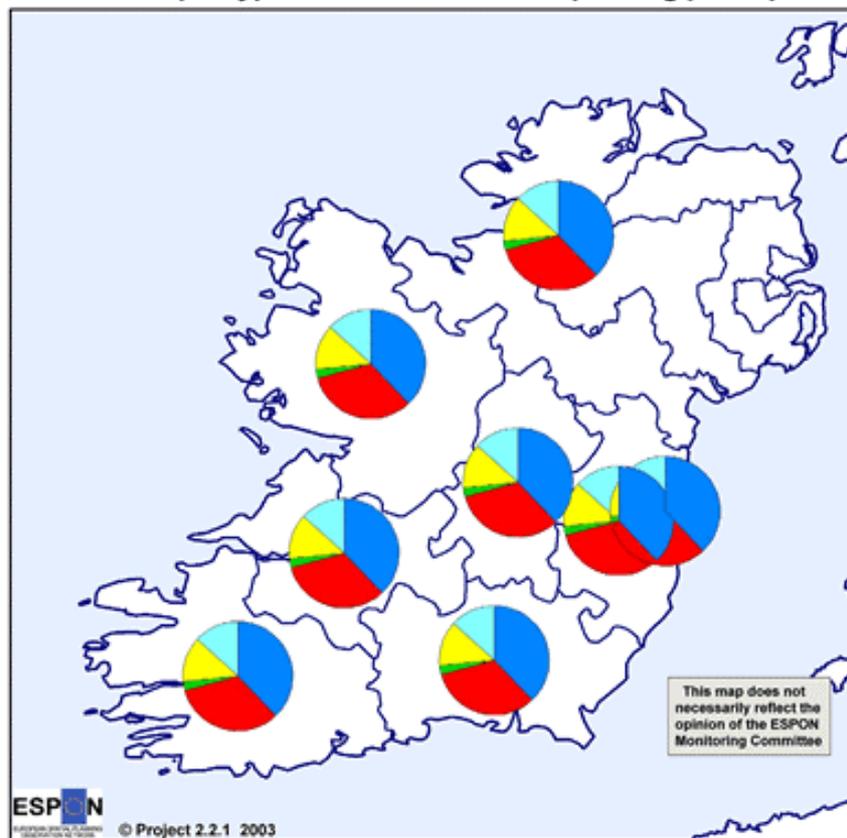
An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

### **STRUCTURAL FUNDS IN IRELAND**

During the period 1994-99, Ireland was designated as an Objective 1 region in its entirety. A distinct feature of the Irish Community Support Framework for 1994-99 was that Ireland was defined as a single (NUTS II) region for Structural Fund purposes (unique in the EU, as other Member States with full Objective 1 status such as Greece and Portugal operated individual regional programmes). In addition, as one of the cohesion countries, Ireland was eligible to receive assistance from the Cohesion Fund.

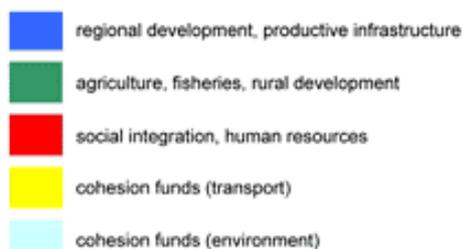
### Distribution per type of Structural Funds spending per capita



Geographical Base: Euostat GISCO

Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database

### Distribution per type of SF spending per capita



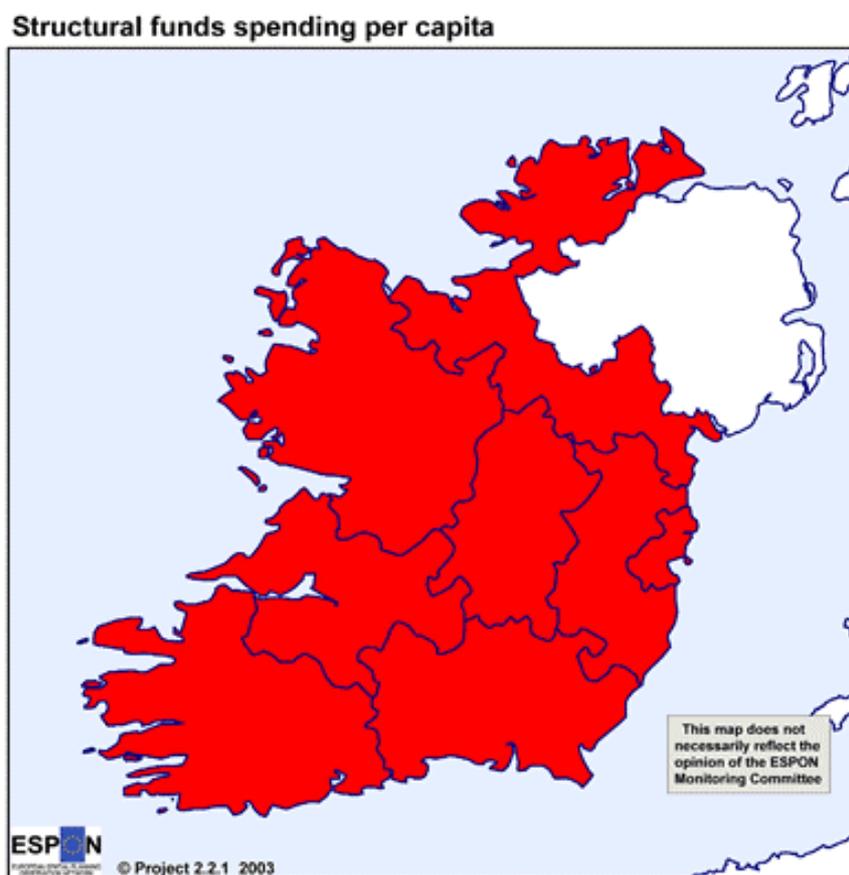
The 1994-99 CSF involved €5,581 million of EU funding (€2,523 million from the ERDF, €1,953 million from the ESF, €1,058 from the EAGGF and €47 million from the FIFG). An additional €1,530 million was to be provided by the Cohesion Fund.

The Irish CSF was administered through nine individual Operational Programmes, covering four main priorities: infrastructure, productive investment, human resources and local development.

### Regional Structural Funds spending

The map of Structural and Cohesion Fund expenditure in Ireland shows the same picture as is shown in the EU 15 map (at NUTS II level). As an Objective 1 region

and cohesion country, the entire territory falls into the highest category for Structural Fund spending per capita of > 1000 euro.



Geographical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database

**SF spending per capita**



Because of the method of attributing the expenditure data across NUTS III regions on the basis of population due to the unavailability of regional-level data (see above), the map shows uniform results across the country for Structural Fund spending per capita. This is also true for the map showing distribution by type of Structural Fund spending per capita. This may not be an accurate reflection of the expenditure – there were no formal allocations made to individual regions but it is likely that the Dublin region would receive a major share; however, the highest *per capita* expenditure might have been expected in the weakest regions with relatively smaller populations.



## **Case Study of Southern and Eastern Region**

*ESPON 2.2.1: Work package 6*

Irene McMaster

May 2004

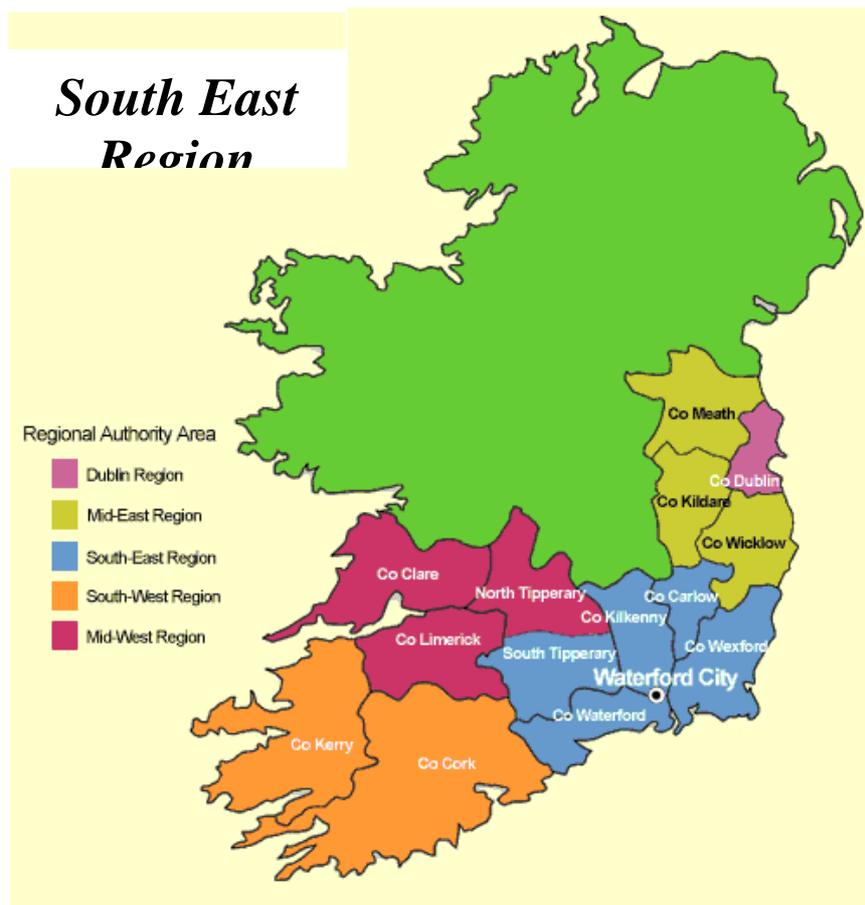
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ESPON 221 – Annex report A

## 1 SOUTHERN AND EASTERN REGION

The following report focuses on the Southern and Eastern Region, (S&E region), of Ireland. During the 1994-1999 programming period Ireland was a single Objective 1 region. In the current period, 2000-2006, the country has two NUTS II regions, which were negotiated in the context of the Agenda 2000. The S&E region has a six-year phasing out regime for Objective 1 Structural Funding. In the context of this study there are a number of key issues that make this region a particularly useful and interesting case study. First, the region has experienced considerable economic growth whilst benefiting from Structural Funds. Second, the S&E region contains the economic core and driver of the country – Dublin. Third, development disparities between the S&E region and the rest of the country have increased the profile of territorial development goals within Irish regional and spatial planning. Finally, the concepts of polycentric development and balanced economic development are gaining policy prominence in the country’s policy thinking and in practice.

**Figure 37: Southern and Eastern Region**



Source: <http://www.seregassembly.ie/region/map.asp?temp=text&lang=en>

## 2 DESCRIPTION

### 2.1 CASE STUDY REGION: SOUTHERN EASTERN REGION

The S&E region is one of two NUTS II regions in Ireland and comprises of five constituent NUTS III Regional Authority areas (Dublin, the Mid-East, South-East, South-West and Mid-West). The region has a land area of 36,414 sq. kilometres (53 percent of the area of the State). It is the most densely populated of the Irish NUTS II regions, with 73 per cent of the national population. The population is largely concentrated in a small number of urban centres, in particular Dublin. Dublin contains around 30 per cent of the national population and is acknowledged as the powerhouse of the recent expansion in the Irish economy. Key indicators for the Region are set out in Table 3.

**Table 3: S&E Region Population and Urbanisation**

	State	S&E Region
Population (000's) % Total	3,626	73%
Area (Sq Km) % Total	68,895	53%
Urban: Rural	58% : 42%	68% : 32%
Pop Density (per Sq Km)	53	73
Major Urban Centres	5	4
Towns over 10,000	23	16
Towns (5,000-10,000)	26	18

Source: CSO Census of Population, 1996 and

<http://www.seregassembly.ie/region/region.asp?temp=text&lang=en>

The economic profile of the region is profoundly shaped by the economic performance of the Dublin. A sectoral breakdown of employment in the S&E region shows that 21 per cent of the labour force is employed in Commerce, Insurance, Finance and Business Service and 17 per cent are employed in professional services.<sup>45</sup> The region accounts for four fifths of the national output in manufacturing, building and construction and market and non-market services.<sup>46</sup> The regional unemployment rate, in 1999, was 5.4 per cent and below the national average.<sup>47</sup>

<sup>45</sup> <http://www.seregassembly.ie/region/region.asp?temp=text&lang=en>

<sup>46</sup> Fitzpatrick Associates (2003) Ex Post Evaluation of Objective 1, 1994-1999 National Report – Ireland, January 2003.

<sup>47</sup> <http://www.seregassembly.ie/region/region.asp?temp=text&lang=en>

In 1994 Ireland was one of the less developed economies of the EU. Since then, the country and, in particular, the S&E region has experienced considerable economic success. However, economic development still remains imbalanced. The S&E region retains pockets of deprivation in specific areas and strong regional disparities. A number of smaller towns, villages and areas in the region are still lagging behind in terms of economic development. The increasing non-viability of small farming enterprises due to difficult market access, poor land and poor infrastructure has been a major factor in the depopulation of the more rural and remote areas in the S&E Region. Unemployment rates in such areas are significantly above the regional average. High rates of unemployment are recorded in some part of the major urban centres of Dublin, Cork city, Limerick city and Waterford city. Areas of deprivation can also be found in the other urban centres in the Region such as Tralee, Ennis, Wexford, Kilkenny, Clonmel and Carlow.<sup>48</sup>

Looking to the future it is seen as essential that catalysts for economic development such as the availability and quality of human capital, the presence of educational and training facilities, a well developed physical infrastructure and a strong urban structure are exploited, so that economic growth can be more evenly distributed throughout the Region.<sup>49</sup> According the South East Regional Assembly, investment in infrastructural facilities and urban and village renewal will also increase the attractiveness of less developed areas within the region and encourage more spatially balanced socio-economic development.

## **2.2 STRUCTURAL FUNDS PROGRAMMES**

Ireland is commonly regarded as a Structural Funds success story. The country benefited more from the Funds in per capita terms than any other Member State over the 1994-1999 period. During this period, the whole country was designated Objective 1 and there was no administrative differentiation in NUTS II areas. Currently, the Southern and Eastern Region qualifies for Structural Funds under a phasing out regime for Objective 1.

### **1994-1999 Programming Period**

For the 1994-1999 period the National Development Plan and accompanying Community Support Framework (CSF) identified four priority areas for expenditure in Ireland.

1. Support for productive investment

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<sup>48</sup> <http://www.seregassembly.ie/region/region.asp?temp=text&lang=en>

<sup>49</sup> <http://www.seregassembly.ie/region/region.asp?temp=text&lang=en>

2. Infrastructure
3. The development of human resources
4. Harnessing the potential of local initiatives

These priorities formed the basis of operational programmes for Industry, Agriculture, Fisheries, Tourism, Economic Infrastructure, Environmental Services, Human Resources, Local and Rural Development and Transport. Funds were also provided for Technical Assistance and a single project to develop Tallaght Hospital. Figure 38 illustrates how these programmes correspond to the main development priorities.

**Figure 38: 1994-1999 Structural Funds Programmes**

Operational Programmes /		Main Sub-Programmes	
<b>Priority 1</b>	Industrial Development OP Agriculture, Rural Development and Forestry OP: <ul style="list-style-type: none"><li>On farm investment</li><li>Structural Improvement</li><li>Farm Diversification</li><li>Advisory Services, Research, Human Resources</li><li>Forestry Development and Support</li><li>Second Instalment Groups</li></ul> Fisheries OP Tourism OP	<b>Priority 2</b>	Transport OP: <ul style="list-style-type: none"><li>National Economic Development</li><li>Regional Economic Development</li></ul> Economic Infrastructure OP Environmental Services OP: <ul style="list-style-type: none"><li>Water Services</li><li>Waste Management Service</li><li>Coastal Protection</li><li>Monitoring Environmental R&amp;D</li></ul> Tallaght Hospital - Single Project
<b>Priority 3</b>	Human Resources OP: <ul style="list-style-type: none"><li>Initial Education and Training</li><li>Continuing Training For the Unemployed</li><li>Re-integration for the socially excluded</li><li>Adaptation to industrial change</li><li>Improvement of the quality of Training Provision</li></ul>	<b>Priority 4</b>	Local Urban and Rural Development OP: <ul style="list-style-type: none"><li>Local Enterprise</li><li>Integrated Development for Disadvantaged areas</li><li>Urban and Village Renewal</li></ul>

Source: <http://www.euireland.ie/ireland/ireland/>

In total the Structural Funds contributed approx. IR14.5 billion to the CSF for the period 1994-1999. This was complemented by public and private sector funding which brought the projected expenditure to over IRE8 billion (€10.1 billion), see Table 4.

**Table 4: CSF Funding 1994-1999**

<b>Community Support Framework 1994-1999 (1994 prices)</b>								
<b>Indicative estimates MECU - All Funds</b>								
Operational Programme	Total	Total Structural Funds	ERDF	ESF	FIFG	EAGGF	National Contrib.	Private Contrib.
Industry	2844	1029	720	154		155	361	1454
Agriculture	1767	915		62		853	357	495
Fisheries	177	78	25	6	47		20	70
Tourism	806	456	453	102			104	246
Economic Infrastructure	319	109	108				140	71
Environmental Services	126	78	78				34	14
Human resources	2362	1732	160	1572			630	
Local Urban and Rural Devel.	420	257	180	57		20	110	153
Transport	1406	888	888				518	
Tallaght Hospital	130	39	39				91	
Technical Assistance	12	9	9				3	
<b>Total CSF</b>	<b>10369</b>	<b>5589</b>	<b>2561</b>	<b>1953</b>	<b>47</b>	<b>10928</b>	<b>2368</b>	<b>2412</b>

Source: <http://www.euireland.ie/ireland/ireland/>

Table 5 details regional spending for the 1994-1999 programming period. In total these regions received IR £3342.92 of Structural Funds money, and a total of IR £ 4130.93 through the CSF. Key projects include improved access to the ports in the South East, infrastructure and water management improvements in the Mid West, infrastructure improvements in the South West, Midlands and Mid-East. Major projects in the Dublin region included INTERREG Ireland/Wales - Dublin Port Terminal Building; Northern Cross Motorway; National Museum at Collins Barracks; Restoration work at Iveagh Gardens; Temple Bar Cultural Developments. The INTERREG programme assisted in the development of a new high-speed rail service between Dublin and Belfast.<sup>50</sup>

In terms of implementation, all 1994-1999 Structural Funds were channelled through Government Departments. The Department of Finance had overall responsibility for

<sup>50</sup> Government of Ireland, National Development Plan 1994-1999, Dublin: The Stationary Office and Fitzpatrick Associates (2003) Ex Post Evaluation of Objective 1 1994-1999, National Report ESPON 221 – Annex report A

the CSF. Management of individual Operational Programmes was the responsibility of the relevant Government Department e.g. the Department of Marine and Natural Resources is responsible for the Fisheries Operational Programme. The relevant state bodies undertook activities that were supported by the various Operational Programmes.

Table 5: Regional Spending 1994-1999

Region	Counties	Total CSF	Structural 1 Funds	% Share of Structural 1 Funds	Population	Per Capita IR (S/Fs)
<b>Border</b>	Donegal, Leitrim, Cavan, Louth, Monaghan, Sligo	1325.91	706.12	15.44%	407,295	1,733.68
<b>West</b>	Galway City & County, Mayo, Roscommon	1050.88	523.63	11.70%	352,53	1,486.49
<b>Mid-West</b>	Clare, Limerick City & County, Tipperary (NR)	847.92	444.18	9.71%	317,069	1,400.89
<b>South-West</b>	Cork City and County Kerry	1256.68	671.84	14.69%	546,640	1,229.04
<b>South-East</b>	Kilkenny, Carlow, Wexford, Waterford City & County, Tipperary (SR)	853.77	471.39	10.31%	391,517	1,204.01
<b>Midlands</b>	Offaly, Longford, Westmeath, Laois	632.24	299.51	6.55%	205,542	1,457.17
<b>Mid-East</b>	Kildare, Meath, Wicklow	540.32	288.69	6.10%	347,407	830.98
<b>Dublin</b>	Dublin, Dun Laoghaire-Rathdown, Fingal, South Dublin	2150.78	1167.31	25.53%	1,058,264	1,103.04
<b>Total</b>		8658.50	4572.62		3,626,067	1,262.09

Source: <http://www.euireland.ie/ireland/regions/index.htm#w>

## 2000-2006 Programming Period

Ireland's new National Development Plan (NDP) for 2000-2006 period provides a national framework for the investment of £40 billion over seven years in Irish infrastructure, education, training, industry, agriculture, forestry, fishing, tourism, social inclusion, rural and regional development. The funding is organised into six

operational programmes - Economic and Social Infrastructure, Employment and Human Resource Development, Productive Investment, two regional operational programmes (one for the Border, Midland and West region, and one for the Southern and Eastern region), and the Peace operational programme (to promote peace and reconciliation between communities in the border region with Northern Ireland).

The focus of the NDP is significantly different from that in the previous programming period. During the 1994–1999 period, the key issues were employment creation, training and economic growth. The new NDP is operating in a set of circumstances where the economy had expanded considerably, unemployment has decreased to 4 percent (Spring 2001), leaving both labour and skills shortages in many sectors. Consequently, the main focus of the NDP is the urgent need to address infrastructure bottlenecks and regional imbalances. There is also a renewed commitment to address social inclusion issues for those who have not benefited from the rapid economic growth of the late 1990s.

Importantly, the plan is not designed primarily to draw down Structural and Cohesion Funds; rather it is presented as a development plan for an affluent economy and society. The scale of national provision is very high - the NDP represents an investment package of 40.588 billion punts at 1999 prices. The Plan's total investment is expected to be matched by an estimated 6.4 billion Punts of private investment drawn in through the application of Public Private Partnerships. The indicative breakdown of expenditure by region is outlined in Table 6.

*Table 6 National Development Plan Allocations (2000-2006) by Region*

<b>Programme</b>	<b>S&amp;E £IR millions</b>	<b>BMW £IR millions</b>	<b>Total £IR million</b>
Economic and Social Infrastructure	12,918	4,692	17,610
Employment and Human Resources	7,054	2,834	9,893
Productive Investment	2,856	1,653	4,509
S&E Regional Programme	2,986	-	2,986
BMW Regional Programme	-	2,084	2,084
CAP accompanying measures	1,456	1,949	3,405
Peace Programme		100	100
<b>All Programmes</b>	<b>27,274</b>	<b>13,313</b>	<b>40,588</b>

*Source: National Development Plan*

The new the Southern and Eastern Region's Operational Programme has four main priorities: Local Infrastructure, Local Enterprise Development, Agriculture and Rural Development and social Inclusion and Childcare, see Table 7. The key measures under each priority are set out in Table 8.

**Table 7: Financial Allocations**

Priority	Total OP expenditure	Total CSF	Structural Fund Contribution	Matching Public expenditure	Private Contribution
Local Infrastructure	3,045.12	785.46	273.77	246.75	264.94
Local Enterprise Development	625.50	375.71	110.03	101.55	164.64
Agriculture and Rural Development	543.23	316.84	67.60	67.60	181.64
Social Inclusion and Childcare	1,164.87	255.40	120.34	101.20	33.86
<b>Total</b>	<b>5378.72</b>	<b>1733.41</b>	<b>571.74</b>	<b>517.10</b>	<b>644.57</b>

Source: Operational Programme for the S&E Region p. 35

**Table 8: Priorities and Measures of the S&E Regional Operational Programme**

Priority	Measure
Local Infrastructure	<ul style="list-style-type: none"> <li>Non-national Roads</li> <li>Rural Water</li> <li>Waste Management</li> <li>Urban and Village Renewal</li> <li>E-Commerce/Advanced Communications</li> <li>Regional Airports</li> <li>Seaports</li> <li>Culture, Recreation and Sports</li> </ul>
Local Enterprise Development	<ul style="list-style-type: none"> <li>Tourism</li> <li>Micro-enterprises</li> <li>Regional Innovation Strategies</li> <li>Forestry</li> <li>Fishery, Harbours</li> <li>Aquaculture Development</li> </ul>
Agriculture and Rural Development	<ul style="list-style-type: none"> <li>General Structural Improvement</li> <li>Alternative Enterprises</li> <li>Rural Development</li> <li>Services for Agriculture and Rural Development</li> </ul>
Social Inclusion and Childcare	<ul style="list-style-type: none"> <li>Childcare</li> </ul>

	Equality Community Development and Family Support Crime Prevention Youth Services Local Development
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*Source: Operational Programme for the S&E Region p. 35*

The managing authority for the CSF is the Department of Finance. For the OP on Economic and Social Infrastructure and the Cohesion Fund the Department of Environment and Local Government Infrastructure is the managing authority and is also responsible for spatial planning. The Department of Enterprise, Trade and Employment manages the OPs for the Productive Sector and Human Resources Development. The regional OPs are managed by the Regional Assemblies.

## COMMUNITY INITIATIVES

In the 1994-1999 period Ireland participated in the following EU programmes:

- Interreg II CI (EIRE-Wales)
- Interreg II CI (EIRE-Northern Ireland)
- Interreg II CI Atlantic Area
- Interreg II CI North Western Metropolitan area
- SME CI - total expenditure was around €72.8 million. The aim was to help SMEs to adapt to the single market
- Employment Community Initiative 123.2 million € the aim of the programme is to contribute to the
- Urban CI (Dublin-Cork)
- PEACE CI (Ireland-Northern Ireland)
- also the LEADER programme, PESCA Programme and RETEX initiative.

In the 2000-2006 period four Community Initiatives will operate in Ireland: INTERREG, LEADER +, EQUAL and URBAN. Of particular relevance to this report is the S&E region's participation in the Ireland/Wales INTERREG 111A Programme. Key priorities of this programme include: encouraging the economic, social and technological development of the cross-border area (business and enterprise development, rural development and diversification, education, training and human resources development, communications in technology and transport); achieving sustainable growth by enhancing the overall quality of the cross-border area

(marine and coastal development and the environment, culture, heritage and tourism).<sup>51</sup> The PEACE II programme runs from 2000-2004 and is targeted at the Border Counties and Northern Ireland.

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<sup>51</sup>[http://europa.eu.int/comm/regional\\_policy/sources/docgener/evaluation/doc/obj1/ireland.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/obj1/ireland.pdf)

### 3 IMPACTS ON SPATIAL DEVELOPMENT

#### 3.1 POLYCENTRIC DEVELOPMENT

The impact of Structural Funds on polycentric development is extremely difficult to measure. This is especially the case in Ireland where very rapid growth, which can be attributed to a range of factors, has had a huge influence on spatial development patterns in the country. The Structural Funds are commonly viewed as a key element of economic growth in the country. However, recent evaluations of the impact of EU Funds are more conservative.<sup>52</sup> Padraic White, former Managing Director of IDA Ireland, stated that Structural Funds have played a minor role in Ireland's economic resurgence compared with national competitiveness programmes. In practice, the EU funds simply came at an opportune time for Ireland. He estimates that EU funds contributed up to 10 per cent of the growth in the 1990s whereas foreign direct investment generated about 40 per cent of it.<sup>53</sup> A recent report by Price Waterhouse Coopers found that

*“The direct effect of structural and cohesion funds have been modest for Ireland. Several other factors have been identified as contributing to Ireland's economic success including a combination of stable public finances, strong flows of inward investment, especially from the US, and the Social Partnership have all played an important role along with the opportunities presented by the Single Market. Perhaps the most significant aspect of Ireland's recent economic success is that it has come at time when the economic importance of the Structural and Cohesion Funds has been falling steadily. This reflects the Irish Government's success in developing favourable economic and tax conditions”.*<sup>54</sup>

In this context, firm conclusions about the direct impact of EU funding on the spatial development structure of the country are extremely difficult to draw. However it is possible to highlight to what extent the concepts of polycentricity and balanced development were considered in the strategies for Structural Funds expenditure in the region.

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<sup>52</sup> Berry, F Bradley, J and Hannan, A (2001) The Single Market, The Structural Funds and Ireland's Economic Growth <http://www.ucd.ie/economic/staff/barry/papers/jcms.PDF> and <http://www.pwc.com/extweb/ncpressrelease.nsf/0/CF2FA13ECC26D88780256C520057ECC7?OpenDocument>

<sup>53</sup> <http://www.pwc.com/extweb/ncpressrelease.nsf/0/CF2FA13ECC26D88780256C520057ECC7?OpenDocument>

<sup>54</sup>

<http://www.pwc.com/extweb/ncpressrelease.nsf/0/CF2FA13ECC26D88780256C520057ECC7?OpenDocument>

The overall relevance of polycentric development is extremely variable overtime in the S&E region. In the 1994-1999 programming period the concept was not really considered. The Structural Funds programmes were generally focused on the overall objective of national development and targeted support to disadvantaged areas. However, sub-regional review Committees were able to feed into the programming process and many regions, which now make up the S&E region, did emphasise issues related to spatial development trends in the country. The South East Regional Committee concluded that key priorities should include addressing the problem of sub-regional peripherality in a Community context.<sup>55</sup> The Mid-West also emphasised the peripheral location of the sub-region. However, in the main programming documents themselves, spatial development objectives, and in particular polycentric development, are not strongly reflected.

More recently, balanced development, polycentric development and rural urban partnership, is a much more explicit part of the Structural Funds programmes. The 2000-2006 National Development Plan makes provision for a National Spatial Strategy (NSS). These provisions state that the NSS will draw upon the European Spatial Development Perspective and will take account of the fundamental goals of European policy, notably:

- economic and social cohesion
  - conservation of natural resources and cultural heritage
  - more balanced competitiveness of the European territory,
- and the ESDP's policy orientations for spatial development:
- polycentric spatial development and a new urban-rural relationship,
  - parity of access to infrastructure and knowledge, and
  - wise management of the natural and cultural heritage.<sup>56</sup>

Whilst the approach taken has been shaped by the ESDP it is also firmly rooted in national and regional development needs. Key concerns for the S&E region include:

- the needs of Dublin as a European capital city region set against the desire to ensure the promotion of growth and development in other areas;
- the interdependence between urban and rural areas and the spatial implications of continuing major structural changes in agriculture;
- the land use implications of a major house-building programme over the next 10 years, the appropriate balance between suburban development and urban

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<sup>55</sup> Government of Ireland, National Development Plan 1994-1999, Dublin: The Stationary Office p. 204

<sup>56</sup> Government of Ireland, National Development Plan for Ireland 2000-2004, The Stationary Office: Dublin, p. 45

regeneration and the need for special policies for coastal zones and other high amenity areas; and

- possibilities for enhanced North-South co-operation with particular reference to the regional strategy "*Shaping our Future*" which has been prepared for Northern Ireland.<sup>57</sup>

The S&E Regional Operational Programme for 2000-2006 also highlights key spatial development concerns. Within the region growth in the population of Dublin and other urban centres has placed considerable strains on infrastructure and demands on housing and services. Meanwhile, there are smaller towns and villages which are lagging behind in terms of economic development and which require investment in infrastructural facilities and urban and village renewal. According to the programme, investment in these centres will encourage more spatially balanced socio-economic development and will ease capacity constraints in the major urban areas.<sup>58</sup> The region is therefore emphasising an approach which focuses on sustainable, equitable and spatially balanced development through:

- consolidating and building on the Region's recent economic performance, especially regarding employment and reductions in long-term unemployment, thereby maintaining the Region's key role in national economic competitiveness
- addressing urban congestion and general bottlenecks to growth, particularly as regards economic and social infrastructure and human resources
- facilitate more balanced and sustainable economic growth across the Region
- further develop counter balances to Dublin, relieving pressure on the capital and its hinterland, and distributing growth more evenly throughout the Region
- support the further development of agriculture, agribusiness and the seafood sector
- promote social inclusion in deprived urban and rural areas
- maintain a viable rural economy.<sup>59</sup>

Part of the region's spatial development approach includes the development of 'Gateways'. These are strategically placed urban centres with a strategic location relative to the surrounding territory, good social and economic infrastructure and support services. The gateways are intended to act as a focus for public and private

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<sup>57</sup> Ministry of the Environment (2000) '*National Spatial Strategy - Scope & Delivery*'

<http://www.irishspatialstrategy.com/docs/scope.pdf>

<sup>58</sup> Government of Ireland, Southern & Eastern Regional Operational Programme 2000-2006, Dublin: The Stationary Office p. 10

<sup>59</sup> Government of Ireland, Southern & Eastern Regional Operational Programme 2000-2006, Dublin: The Stationary Office p. 25

investment, which in turn should give them the capacity to drive national and regional development and spread economic growth through linkages with surrounding areas. Strategically located medium sized hubs are also designated, which should support, and be supported by, gateways as well as link out to wider rural areas. At the same time, special provisions are to be made for Dublin, both in terms of its economic and social links with rest of the country, but also in terms of its unique range of problems, mainly arising from the problems of congested development and widening internal disparities within the capital city.<sup>60</sup>

Within the S&E region, the four major urban centres – Dublin, Cork, Limerick and Waterford – already function as Gateways. According to the Regional Operational Programme and NSS, outside of these locations a number of other larger towns and clusters in the Region are showing the potential to attract development to both themselves and their respective zones of influence. The formal designation of Gateways, and their related functional areas in the S&E region, is included in the National Spatial Strategy, see Figure 39.

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<sup>60</sup> Raines, P. (2001) The Spatial and Urban Dimensions in the 2000-06 Objective 1 Programmes Ireland. Country Report for Polverari L and Rooney ML with Bachtler J, McMaster I, Raines P, Böhme K and Mariussen A (2001) The Spatial and Urban Dimensions in the 2000-06 Objective 1 Programmes, Report to DG XVI of the European Commission, Brussels.

Figure 39: National Development Gateways and Strategic Spatial Roles



Key

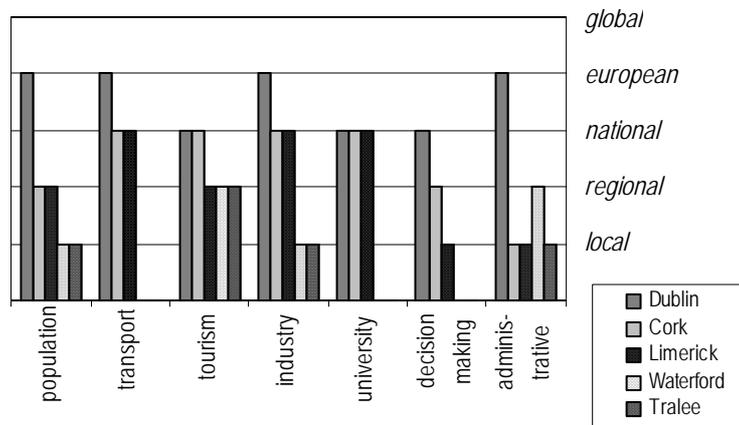
Strategic Spatial Roles

- |   |               |   |                      |
|---|---------------|---|----------------------|
|  | Consolidating |  | Development Gateways |
|  | Reinforcing   |  | Linked Gateways      |
|   |               |  |                      |

Source: McMaster I (2004) *Spatial Development Policy in Ireland: Lessons for the New Member States?*, Paper at ECPR Workshop European "Spatial Politics or Spatial Policy for Europe?", Uppsala, Sweden, 13-18 April. Department of the Environment, Heritage and Local Government

### 3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM

According to ESPON 1.1.1, the S&E region has five Functional Urban Areas. Four of these centres are designated as development Gateways in the National Spatial Strategy. In contrast, Tralee is designated as a development hub for the South West of the region.



Dublin ( $\Sigma 1$ ) → “MEGA”

Cork, Limerick ( $\Sigma 2$ ) → “transnation/national”

Waterford, Tralee ( $\Sigma 2$ ) → “regional/local”

Overall, the region has an open economy, but a peripheral location within Europe. At the macro-level, the regional economy has become highly integrated into European and global markets. Much of this development is centred round Dublin. In and around the city service industry is now dominating the economy (retail and wholesale, finance and businesses). There is also high rate of SME business start-ups.

At the national level, and also at the meso-level, internal development disparities remain a problem. However, it is hoped that the growing strength of the gateway cities of Cork, Limerick/Shannon, Galway and Waterford means there is potential for increased development in the west of the country to act as a counter weight to the pull east and the dominance of Dublin. At a more micro-level, the S&E Regional Operational Programme states that there is a strong economic and policy justification for targeted intervention to redress inter and intra regional imbalances, e.g. between urban and rural areas of the region.

As a result of these evolving patterns of spatial development balanced regional development is identified as a key strategic objective for the S&E region during the 2000-2006 period. More generally the objective of balanced development across the country is an increasingly important objective for national government. As a result, numerous interventions aim at supporting 'ESPON-relevant' sectors.

## **Tourism**

Support for tourism has played a key role in Structural Funds interventions in the region. The 2000-2006 S&E regional operational programme contains a dedicated tourism measure, which offers support for the development of major tourist attractions, special interest pursuits, tourism and environmental management, angling and marine tourism. In line with the overall objective of more balanced economic development, a central aim is to develop a better sub-regional spread for the industry and, thus, alleviate pressure on hot-spot urban centres and distributing the benefits more widely. Mechanisms through which these objectives are promoted include improving access to rural communities and support for building up clusters of attractions and tourist facilities in previously under developed areas.

## **Industry**

As previously noted, Structural Funds programmes have taken on a more 'regional' approach and aimed to spread economic development more evenly throughout the country and the region. They have also increasingly shifted from a focus on job creation, in the 1994-1999 programme, to an emphasis on the type of economic development and embedding industries in the local economy, e.g. through promoting R&D and enterprise expansion. For instance, Enterprise Ireland has used support from the ERDF to establish Innovation Partnerships with the purpose of supporting collaboration between enterprises and Universities and colleges.<sup>61</sup>

The Interreg IIIa programme has also provided support for an innovative, cross-border approach to business development. Celtic Enterprise and Business Support Network were awarded grant aid in order to develop an enterprise and business support network between South East Ireland and South West Wales. The project aims to facilitate exchange of best practice and joint projects. The network is made up of business support organisations, which have a role in supporting SME development.<sup>62</sup>

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<sup>61</sup> [http://www.csfinfo.com/docs/case\\_studies/04\\_enterprise\\_ireland.pdf](http://www.csfinfo.com/docs/case_studies/04_enterprise_ireland.pdf)

<sup>62</sup> [http://www.csfinfo.com/docs/case\\_studies/13\\_interreg3a\\_irl\\_wales.pdf](http://www.csfinfo.com/docs/case_studies/13_interreg3a_irl_wales.pdf)

In the S&E region the considerable industrial growth which has taken place around urban centres in the region has not filtered through to many more remote and coastal areas. According to the S&E Regional Operational Programme, Dublin, Cork, Limerick and Waterford have witnessed increased in employment of up to 30 per cent, while many rural and coastal regions have experienced little or no growth. The regional operational programme aims to support development in these areas through the development of SMEs and micro-enterprises. Key investment priorities are research, local enterprise, tourism and indigenous sectors.

### **Knowledge / Higher education institutions**

In addition to the promotion of direct enterprise-education links, Structural Funds in the region have supported improved access to educational and training opportunities. The Regional Innovation Strategy measure of the 2000-2006 ROP notes that, “one of the significant barriers to balanced regional development is the lack of facilities for third-level graduates and research institutes to create appropriate employment in their own locality.”<sup>63</sup> The ROP makes provision for facilities in the regions which can provide incubator space in close proximity to Universities and colleges in order to support the establishment of high-potential companies and promote the role of institutes of technology.

### **Decision-making / Location of company HQs**

In the 2000-2006 period emphasis has shifted away from a focus on the Dublin region as a business location. There is now greater emphasis on inward investment to less economically developed parts of the region - investments focus on improving their ‘attractiveness’ as a business location. For instance, support is provided for the improvement of local infrastructure, particularly as poor road infrastructure has been identified as a key disincentive to inward investment and development bottleneck in the region.

### **Connectivity and Transport**

According to the Mid Term Evaluation of the 1994-1999 National Development Plan for Ireland, without investment from the Structural Funds transport bottlenecks would have been much worse in Ireland. However, given Ireland’s peripheral location in Europe, the country’s rapid economic growth and resulting pressure on transport, accessibility and transport remain key concerns for development programmes.

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<sup>63</sup> Government of Ireland, Southern & Eastern Regional Operational Programme 2000-2006, Dublin: The Stationary Office p. 68

Regarding international links, in the S&E Regional Operational programme there is particular emphasis on the development of seaports. Seaport facilities are recognised as crucial for the transport of Ireland exports to international markets. All of the country's major seaports are in the S&E region. Planned expenditure for ports in the S&E ROP runs to €45.7 million. Part of this investment will focus on improved inter-modal connections, especially with road and rail networks. Cross border land links have been supported by the development of an improved rail service to Northern Ireland, see box 1.

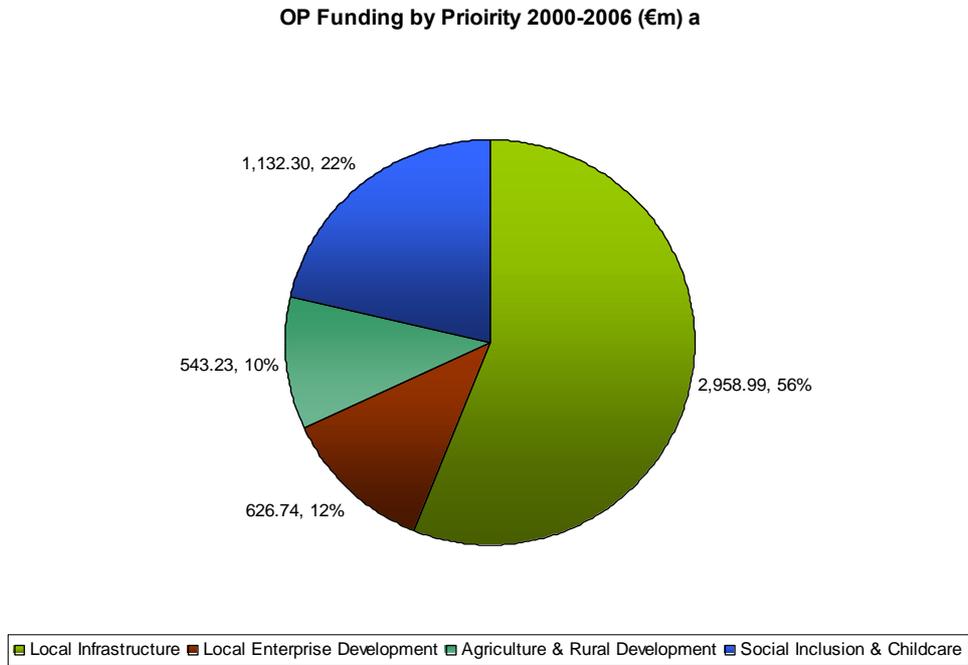
Box 1: Transport Links

Northern Ireland Railways and Iarnod Eireann have developed a new 'Enterprise Rail Service'. The service focuses on the Dublin-Belfast Economic Corridor and aims to contribute to promoting further commercial, industrial and tourism links. The development is part of the European High Speed Rail Network and was funded with grants up to 85 per cent from the ERDF and Cohesion Fund. Introduction of new high speed Enterprise trains was facilitated by a complex cross-border engineering operation to up-grade 113 route miles of rail track to carry the 90mph train.

Resources from the Cohesion Fund have also supported the development and improvement of road links, e.g. the Drogheda Bypass. The bypass, opened in June 2003, is seen as offering improvements at the national, regional and local level. At the national level it forms a new part of the Euroroute E01 linking key seaports at Larne, Belfast, Dublin and Rosslare and major airports in Belfast and Dublin. It also forms part of the Trans European Network. At a regional level, the bypass is part of the nationally strategic M1 motorway which runs from Dublin through to centres in Northern Ireland. At the local level the bypass has reduced traffic congestion brought improvements to local communities and businesses through improvements in environment and accessibility

Investment in local infrastructure is also a key development priority. As previously mentioned, inadequacies in local road and public infrastructures have been identified as development bottlenecks in the region. As a result, Structural Funds programmes for 2000-2006 have devoted substantial resources to infrastructure development and reconstruction.

**Figure 40: ROP Funding by Priority 2000-2006(€m)**



**Source: Mid-Term Evaluation of the S&E Regional Operational Programme p. 25**

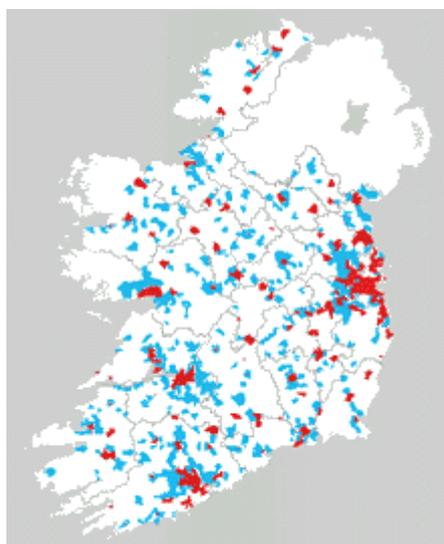
	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Tourism	Identified as a sector with significant employment potential. Priorities include provision for major international convention centre, development of marketing, development of natural heritage, and investment in tourism training	Emphasis on development of local tourism in rural regions and as a way to promote balanced regional development. The S&E region is well placed to benefit from further increased in tourism numbers	Total planned expenditure on tourism in the S&E 2000-2006 OP was €5.2 million.  Support for building up regional clusters of attractions.	2
Industry	Key aim of Structural Funds spending in Dublin was to provide and maintain the number and types of sustainable jobs. Whereas other areas in the region were still aiming to tackle high unemployment levels, combat peripherality and diversify the rural economy.	Substantial Growth – strong base of industry and services	Local enterprise priority to facilitate more balanced development throughout the region.	2
Knowledge / Higher education institutions	Recognition of the need to respond to the diffusion of new technologies and the need for education and training.	The region has extensive training and educational facilities in particular a strong network of third level institutions.	Programme aim to embed R&D culture into firms and build RTDI collaboration networks (greater collaboration between RTI ‘supply’ side (further and higher education) and the demand side (business).	2
Decision-making / Location of company HQs	Aim to improve the attractiveness of Ireland (as a whole) as a location for new	Substantial Growth	Range of factors of have influenced development (not just Structural Funds)	2

	enterprises	Now emphasis on encouraging inward investment in less economically developed areas within the region		
Administrative status	/	/	/	/
Economic base	In the 1994/1999 period the economy was seen to be entering a new phase in its development where there was significant potential to continue the country's growth, but also intensified competition for internationally mobile investment.	Dublin city and the surrounding three Dublin counties accounted for 38.9% of the national GVA (1999). The GVA of the greater Dublin region is 47.9% of the national total.  Many of the other parts of the region have also advanced economically	Structural Fund support for R&D, development for the development of Indigenous Industry – improving the competitiveness of Irish-owned industry.  Development of internationally –traded services  Increase linkages between indigenous and foreign owned industry	2

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

Ireland has a relatively small population of 3.9 million. The population is relatively dispersed with about 58 per cent living in urban areas and 42 per cent living in rural areas. Towns with populations of between 10,000 and 40,000 are mostly concentrated in the SE region, see Figure 41.<sup>64</sup> Dublin city and its suburbs is the main population centre with a population of between 1 and 1.1 million.<sup>65</sup>

**Figure 41: Urban Centres in Ireland**



#### Key

- Population over 5,000
- Urbanising areas close to urban centres which have high population density, low reliance on farming and high levels of commuting to

Source: <http://www.irishspatialstrategy.ie/urbantrends.shtml>

According to the National Spatial Strategy, the population of the country is growing and it is likely to increase by half a million over the next 20 years. On the basis of recent trends it is projected that four-fifths of this growth could take place in and

<sup>64</sup> Department of the Environment, Heritage and Local Government National Spatial Strategy for Ireland 2002-2020: People, Places and Potential, Dublin: The Stationary Office p. 20

<sup>65</sup> Department of the Environment, Heritage and Local Government National Spatial Strategy for Ireland 2002-2020: People, Places and Potential, Dublin: The Stationary Office p. 20

around the greater Dublin area. The Dublin region has already experienced substantial economic growth and, associated, population increases. The 2002 preliminary Census Report indicates that the population of the greater Dublin region in 2002 was just over 1.5 million, and increase of over 185,000 in the eleven years since 1991 when the Greater Dublin Area's population was 1.35 million.<sup>66</sup>

These patterns of development have posed important challenges for the promotion of balanced territorial development and for Structural Funds programmes. The main pressures are on key urban areas in the S&E, especially in terms of pressures on housing and transport provision. However, pressure on urban regions also has had a knock-on effect on urban-rural links. The importance of linkages between urban and rural regions is now gaining an increased profile. In past programming periods documentation tends to treat rural development as distinct area of action. Programme priorities for 2000-2006 still place emphasis on rural development and the distinct challenges faced in urban areas. However, there are also numerous references to linkages between urban and rural areas and the mutual benefits which can be derived from them. For instance, the 2000-2006 National Development Plan recognises there is potential for synergies through the co-ordinated development of urban areas and their rural hinterlands. Under the 2000-2006 Operational Programme for Economic and Social Infrastructure investment in roads and environmental services have aimed to make it more attractive for industry to locate away from the larger urban centres and thus increase the opportunity for people living in rural areas to be employed locally. In addition, public transport investment will also make it easier to commute to jobs in larger urban centres.

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<sup>66</sup> Fitzpatrick Associates (2003) Ex Post Evaluation of Objective 1, 1994-1999 National Report – Ireland, January 2003 p. 24.

	Status during 1994 -1999	Current status	Possible Structural Funds influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Population density/ Possible concentration trends	Dispersed pattern of human settlement and economic activity combined with the dominance of Dublin	Population concentrated in urban centres in the S&E	Aim of S&E OP to address urban congestion  Aim to develop counter balances to Dublin  Local infrastructure priority to tackle congestion in major urban centres.	2
Rural-urban status Promotion of rural-urban interaction	Urban and rural development commonly treated as separate development issues.	Increased emphasis on rural-urban linkages	Aim to support development of agriculture and maintain a viable economy also promote economic development opportunities in rural areas	2
“Best practices” of promoting rural-urban interaction	/	/	National Spatial Strategy – recognition that urban and rural areas are ‘intrinsically interdependent due to complex flows of people and services’ p. 51	/

### 3.1.3 RELATION FUNCTION

Infrastructure provision has been a major element of Structural Fund spending in the S&E region. Transport infrastructure and services are identified in programming documents as inadequate in many areas, especially in the most densely populated areas, and a serious constraint to growth. Improvements to internal road transport infrastructure between regions and within the region is seen as crucial to enhancing the competitiveness of the productive sector and promoting balanced regional development. It is also recognised that transport developments must keep pace with evolving patterns of spatial development in the region. For instance, there is evidence that Dublin is becoming a ‘Dispersed City’ with hi-tech industries located round the city edge are drawing their workforces from places up to and beyond.<sup>67</sup>

Key actions have focused on:

- Improving access to and from the main ports and airports are vital to offset the negative effects of peripherality.
- Relieving congestion in Dublin, e.g. Port Access Tunnel, improvement of Bus provision and light urban railway system, LUAS
- Investments in mainline rail links to improve regional public transport provision
- Investments in the main roads network, e.g. Dublin radial routes - largely funded through the Cohesion Fund.

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<sup>67</sup> Department of the Environment, Heritage and Local Government National Spatial Strategy for Ireland 2002-2020: People, Places and Potential, Dublin: The Stationary Office

	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Accessibility/changes	Peripheral location, small open economy, importance of inward investment. In contrast to Member States internal infrastructure system is under developed  Cost effective air and sea services supported by necessary infrastructure are crucial	Deficiencies persist which are a focus for SF and national investment	Improve access within the region to employment, training and social opportunities	3
Key strategic and functional networks (promoting specialization)	/	/	/	/

## 4 POLICY IMPACTS

### 4.1 IMPACT UPON GOVERNANCE ASPECTS

In many respects the Structural Funds have had a significant impact on governance in the region. In particular, experience of the Structural Funds has impacted upon regionalisation. In the past, the centralised nature of the Irish administrative system mitigated against the development of regional structures. The Irish Government sought to tackle disparities on a national basis. Therefore, regional policy in Ireland was effectively national industrial policy with a commitment to achieve an equitable spread of development across the regions of the country.

Debate about regional government/decentralisation gained momentum after reform of the Structural Funds emphasised geographically-based programmes drawn up in consultation with local and regional authorities. In January 1994 eight Regional Authorities were allocated responsibility for the coordination of public services in the regions, for planning the regions overall development requirements and the subsequent monitoring and evaluation of E.U. Structural & Cohesion Funds. This seemed to fit well with the direction of Structural Fund reform. The 1994-1999 programmes for EU Structural and Cohesion Policy laid greater emphasis on the role of regions and the importance of Spatial Planning Policy to guide investments. For instance, revised Structural Fund regulations increased the monitoring and evaluation requirements and consultation procedures required at regional level. However, in many respects this is a relatively limited role, which does not greatly impact upon the strong role of central government ministries and agencies in policy development, policy implementation and the allocation of resources.

More recently, and again in connection with EU funding requirements, the Government established two new 'group regional authorities' whose territorial coverage corresponds to two new NUTS II regions. To an extent, the new regional structures have increased the influence of the regional level in the development of key policy documents, such as the National Development Plan. They also represent a notable decentralisation of responsibility to the regional level by providing, for the first time, for *regional* programmes in the National Development Plan and for *regional authority management* of such programmes. Regional operational programmes were drawn up in consultation between the Government and the new group regional authorities. Moreover, the group regional authorities are responsible for the management of the regional operational programme for their region; this contrasts sharply with the previous position where the management of Structural Fund programmes was the exclusive preserve of Government Departments in Ireland.

Relative to the position in the early 1990's, Ireland has undertaken a significant level of regionalisation and has improved synergy between the national and regional levels

To a great extent, these developments are related to EU funding requirements. However, changes in national economy and shifts in approaches to regional policy and economic development policy have also directed the course of change. The process of regionalisation should also be viewed as on going in the country. For instance, regional-level institutions, and Regional Authorities in particular, are pressing for a greater role in the policy process. The Association of Irish Regions suggests that Regional Authorities are underused and have not fulfilled their potential as key nodes for the co-ordination of strategic approaches to development.<sup>68</sup> The Association puts forward the regional-level as the most practical level for vertical and horizontal integration of strategies and plans.

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<sup>68</sup> Association of Irish Regions, (2001) Co-ordination of Strategic Planning in Ireland, Submission to the Department of Environment and Local Government, available from [http://www.midlands.ie/documents/MRA/Assoc%20of%20Irish%20Regions%20submission%20to%20DOELG\(final\).pdf](http://www.midlands.ie/documents/MRA/Assoc%20of%20Irish%20Regions%20submission%20to%20DOELG(final).pdf)

	<b>Examples of SF influence (priorities, measures, projects etc.)</b>	<b>Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)</b>
Consistency of national and European policy goals outlined in programme documents	National and EU Funding priorities are integrated into the National Development Plan	2
Examples of promoting learning	Increasingly integrated approach to development, which is in contrast to the centralised and sectoral approaches pursued in the past. Policy innovations such as gender mainstreaming.	2
Governance innovations	Partnership and regionalisation	2
Trans-national links linked to governance practices	Strong co-operation with northern Ireland and cross-border working	2
Inclusion of new actors and organisation in partnerships	Regional authorities and new regional offices of development agencies	2
Links to traditional democratic decision-making	Tradition of consultative policy making in the region	1
Financial practices enabling enlargement of partnerships	/	/
Ways of avoiding the technocratic elite pluralism	Consultative policy making	1

## 4.2 INCLUSION OF THE LISBON THEMES

Communication, e-commerce, innovation and business development are all key targets of Structural Funds programmes in the region. Information Society and the knowledge economy offer important opportunities for development in the region, which is already well-endowed with educational infrastructure, strategic investors and a skilled labour force. However, it also poses infrastructural and service challenges. For example, an advanced communications/electronic commerce sector is essential to and a catalyst for continued economic development. The 2000-2006 NDP states that it is important that the country should not fall behind in the provision of the basic infrastructure to support the development of the information society. As a result, the S&E regional operational programme has an e-commerce measure with an allocation of €45.7 million.

Parts of the region are already served as part of the communication companies' investment in broadband and telecommunications links. However, the S&E Regional Operational Plan notes that those communities which are not covered will be deprived of economic advantages which the availability of advanced communications can offer. This will have an adverse affect on balanced development, be a hindrance to decentralisation and deter the inward migration of skilled workers and enterprises. Therefore, in some cases, funding, available through Structural Funds programmes, has been used to leverage and accelerate private investment in advanced information and communication infrastructure and services to enable the electronic provision of public services, including education services, virtual libraries welfare and health services. Under the Operational Programme for Economic and Social Infrastructure particular support is offered to roll-out key telecommunications infrastructure to economically and socially disadvantaged regions.

Investment in RTDI is also a central focus of Structural Funds programming in the region. For instance, projects have been funded which aim to:

- strengthen research capacity in the Universities and state research institutes in order to meet the RTDI and skills needs of the economy,
- offer supports to encourage students into careers as researchers,
- increase the quality and quantity of RTDI links between business and universities,
- help firms develop innovative product, services and processes
- increase the scale of RTDI investment in Ireland, and
- embed R&D culture in SMEs.

	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>• Improving access to communications infrastructure, especially among excluded groups;</li> <li>• Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	Community employment development programme, community youth training programme - up date and retrain people. Early school leavers promote breaking down of traditional patterns of occupational segregation	Access of excluded groups is still a focus for the programmes, but there is also now strong emphasis on balanced development and equal access across the region	Peripheral remote and less developed areas targeted	1
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>• Improving the efficiency and innovation and of research activities;</li> <li>• Improving the environment for research;</li> </ul>	Emphasis on R&D, but also wider objective of simply providing jobs – not only 'higher status' jobs	Strong emphasis on improving the environment for research and innovation and embedding research into the Irish economy.	<p>Transnational projects to further co-operation between Universities in Ireland and abroad.</p> <p>Under 2000-2006 NDP support for telecommunication infrastructure projects to establish Metropolitan Area Networks.</p>	1
Creating a business friendly environment for	Strong emphasis on encouraging closer links	Enhance the knowledge base of the economy and		1

<p>SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>between colleges and industry, supporting innovation, enterprise and applied R&amp;D and the creation of a dynamic human resources to assist boosting competitiveness in firms/.</p>	<p>entrepreneurship and adaptability through capability enhancement in research and technology</p>		
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	<p>Support for local enterprise, community groups, co-operatives and individuals. Pre-start up advice and training assistance during start-up</p>	<p>Development gateways</p> <p>Training and skills training, e.g. in tourism</p>	<p>Address skill shortage balanced development by addressing skills needs in each region</p> <p>Training for R&amp;D to provide graduates with skills in R&amp;D techniques and set-up their won business.</p>	1
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps;</li> <li>Encouraging lifelong learning;</li> <li>Reducing deficits in the service economy;</li> <li>Extending equal opportunities</li> </ul>	<p>Recognition of the need to improve the skills in the economy in order to improve competitiveness</p>	<p>Ensure education system is equipped to increased use of ICT</p>	<p>Life long learning and flexible access to training opportunities</p> <p>Link training to changing needs of business and industry</p>	1
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>Improvement of skills;</li> <li>Promotion of wide access to knowledge and opportunity.</li> </ul>	<p>Need to maintain and enhance participation rates in education especially for disadvantaged groups and encourage the reintegration of socially excluded groups.</p>	<p>Equality mainstreaming</p> <p>Equal territorial access through emphasis on balanced regional development</p>	<p>Human resources Op – equality of access to education and training, enhancing the quality of vocational training development of life long learning flexible access to</p>	

			education and training	
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## 5 CONCLUSIONS

Direct and measurable impacts of Structural Funds on spatial development trends, approaches and priorities are extremely difficult to assess. However, this case study demonstrates that there are areas where Structural Funds in Ireland have funded priorities, measures and projects or promoted priorities and practices that are in line with the goals outlined in the European Spatial Development Perspective.

It is also possible to track an evolution where spatial development concerns have gradually gained a greater profile in national policy objectives and the Structural Funds programmes. In the 1994-1999 programming period there were coincidental links to ESDP-type objectives in programming documentation. Similarly, Structural Fund projects, particularly large infrastructure investments had significant spatial development impacts. However, the aim of more balanced spatial development has only recently really come to the fore. In part, this change is linked to the economic development requirements of the region, but it also reflects developments in EU policy. As a result of these changes, EU policy priorities and regional development objectives appear to be increasingly related. Areas where the impact of the Structural Funds is particularly apparent are in regional governance and the implementation of policy. In these areas the Structural Funds have introduced innovative policy practices, reinforced existing strengths and enhanced regional participation in development planning.

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	R/anking*
<i>Type of influence/ effect</i>	Direct	/	/	/	/	/	
	Indirect	Commitment to the development of key centres distributed across the region as development gateways	1	/	/	Aim to retain Dublin as a European Capital	0
<b>Aspects explicitly targeting polycentric development</b>	Direct						
	Indirect	Rapid increase and concentration of population in Dublin region. Aim is now for more balanced development and effective management of population growth	1	Rapid increase and concentration of population in Dublin region. Aim is now for more balanced development and effective management of population growth	1	/	/
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct						
	Indirect						

<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	Structural Fund projects and priorities aimed at promoting competitiveness of localities in the region	1	Structural Funds Fund promotion of economic development and transport links through Interreg and TENS	1	Promotion of Integration with global and EU economies	0
	Indirect	Promotion of new development agendas influenced by the Structural Funds. Also particular aim to embed R&D into the regional economy and increase skills and training opportunities	2	Transnational cooperation in business support networks across-border economic development	1	Aim to develop the region as a European centre for R&D and high value/high skill investments, e.g. pharmaceuticals and internationally traded services	1
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	On going, major investments in rail, sea port, air and road infrastructure		Investment in cross-border road and rail infrastructure and sea ports		Investment in links with the sea of the EU, through sea and air links	1
	Indirect	/		/		/	
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	/	/	Strengthening of existing links with the UK and , specifically Northern Ireland and Wales through Interreg.	2	/	/
	Indirect	/	/	/	/	/	/
<b>Diminishing regional divergence,</b>	Direct	/	0	/	/		/

increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Indirect	Increased growth has at in some places contributed to increasing disparities which Structural Funds programmes have attempted to address	1	/	/	Structural Funds programmes obviously aim to promote economic cohesion and integration with the rest of the EU. The S& E region has shifted from a position as a lagging region, with Objective 1 to a centre for economic growth.	1
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct						
	Indirect	The impact of the Structural Funds on spatial development in Ireland is evolving. Structural Funds programme and projects are increasingly addressing, or at least aware of, spatial development patterns and goals. In contrast in the 1994-1999 programmes there was not such a pronounced regional or spatial development focus	1	Cross Border Co-operation has been important in the region.	1	As a very open economy with large amounts of FDI, Structural Funding in the region has had to take into account ‘global’ perspective	1

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Interviews with relevant policy actors were also carried out, including representatives of the Ministry of Finance, Enterprise Agencies, Department for Enterprise Trade and Employment. These interviews, conducted as part of this study and a review of regional policy, carried out for the EoRPA consortium of European governments,<sup>69</sup> clarified the report's findings. Key contacts have included: Anne O'Donoghue, Kathleen Quinlan (Enterprise Ireland), Noirin Lynch, Ray Bowe (IDA), Pat Kelly and Margaret Ryan (Dept Enterprise Trade and Employment) and representatives of the Ministry of Finance.

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<sup>69</sup> <http://www.eprc.strath.ac.uk/eprc/projectLookup.cfm?ID=96> .

## **REGIONAL POLICY IN IRELAND IN RELATION TO EUROPEAN REGIONAL POLICY**

Up until the end of 1999, Ireland as a whole was classified as an Objective 1 region by the European Commission. The emphasis of industrial policy was on national rather than regional development. In recent years, the national economy has grown rapidly. A combination of attractive inward investment conditions matched with targeted education strategies, social partner agreements on wage restraint and intervention from the Structural Funds, resulted in record expansion in the economy and substantial employment creation. Notwithstanding this, regional disparities persist. The economic divide is fundamentally east-west, with the traditional Designated Areas mainly in the west of the country.

### **Strategies**

Over the 1994-99 period, the key strategic issues were employment creation, training and economic growth. A National Development Plan (NDP) with revised priorities was published in November 1999 for the 2000-06 period. The NDP reflected a very different set of circumstances. The economy had expanded considerably and unemployment had decreased to historically low levels, leaving both labour and skills shortages in many sectors. The key concerns related to the urgent need to address infrastructural bottlenecks and regional imbalances.

In line with the aim of balanced regional development, the NDP made provision for a National Spatial Strategy (NSS). The NSS was launched in late 2002. It sets out a new long-term, strategic approach to “planning for the development of the country at national, regional and local level”.

### **Instruments**

There are a wide variety of policy instruments through which the objectives of Irish industrial policy are pursued. The main incentives are the following:

- IDA-Ireland Incentive Schemes: A discretionary, project-related package of financial assistance including: capital grants, employment grants, research and development grants, management development and training grants, interest relief grants and loan guarantees (on loans raised for fixed assets) and rent subsidies in specified areas. These incentives are available for industrial development projects in the manufacturing and certain designated financial services.

- Enterprise Ireland Indigenous Industries Programme: A discretionary, project-related package of financial assistance including: management development grants, mentor grants and research and development grants (covering feasibility studies, support for product and process development, and technology acquisition), training grants for start-up cases. Equity is increasingly being used to replace and to complement employment or capital grants. Enterprise Ireland revised its funding approach in May 2003. The approach applies to manufacturing and internationally traded services client companies, or potential clients of Enterprise Ireland or Shannon Development. It has five distinct categories of funding: exploring new opportunities, high potential start-up companies (HPSUs), existing company expansion, building international competitiveness and research and development.

### Spatial targeting

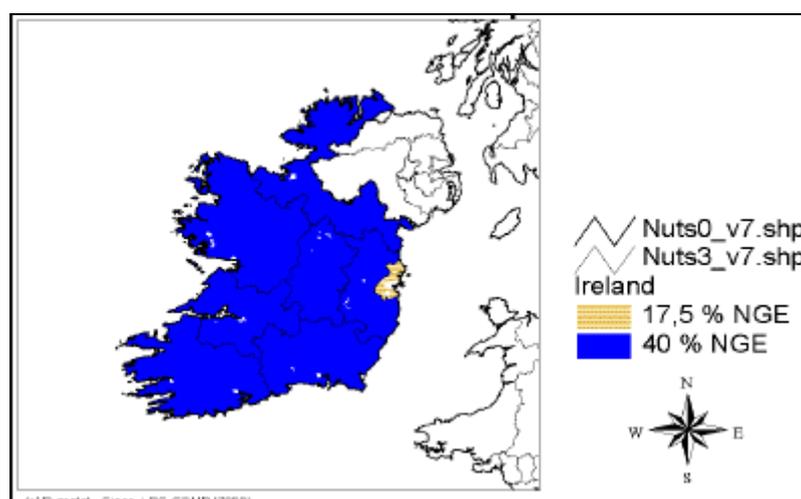
Regional policy in Ireland has, until recently, taken the form of *national* industrial policy. While a distinction was made between Designated and Non-Designated Areas in terms of award maxima, support was available *throughout* the country. The regionalisation now agreed in the context of the Structural Funds – and reflected also in the operation of the regional aid guidelines – means that Ireland has had to move towards a more differentiated regional policy.

Under the regional aid guidelines, it was clear from the outset that the whole of Ireland would qualify for aid under either Article 87(3)(a) or Article 87(3)(c). The open questions concerned the breakdown between these two categories and the award ceilings within them. In making their submission to the Commission, the Irish authorities assumed that the BMW Objective 1 region would qualify under Article 83(3)(a) and proposed a 40 percent ceiling in line with the guidelines.

For the rest of the country, a proposal was made for a general ceiling of 20 percent, but with lower maxima in the Mid-East (18 percent) and Dublin (17.5 percent)<sup>70</sup>. After a process of negotiation, agreement was reached on these ceilings. In the BMW region and Dublin they came into force from 1 January 2000; in contrast, in the other areas award maxima will be gradually reduced from 40 percent in 2000 to the ceilings set in 2004.

These ceilings are significantly lower than those that previously applied. The national maxima in 1999 were 60 percent in the Designated Areas (holding 28 percent of the national population) and 45 percent in the Non-Designated Areas (the remainder). These, in turn, were considerably below the State aid ceilings agreed with the Commission authorities – 75 percent net in the *Gaeltacht* areas (2.4 percent of the population), 71.4 percent net in the remaining Designated Areas and 57.3 percent net in the Non-Designated Areas.

**Figure 3-1: Irish regional aid map**



<sup>70</sup> The south and eastern region contains 73.4 percent of the national population, with some 9.6 percent in the Mid-East and 29.2 percent in Dublin.

### **Governance**

At the national level, the Department for Enterprise, Trade and Employment is the main regional policy ministry. The Department also has policy responsibility for the two main development agencies involved in the delivery of regional policy: IDA-Ireland (for multinationals) and Enterprise Ireland (for indigenous industry). Both have balanced regional development as a key objective and, in recent years, have adopted more regionalised structures. Regional offices have been upgraded to take on more responsibility for local development decisions.

At regional level, eight Regional Authorities were established in 1994. These are composed of representatives of the constituent county councils and county boroughs. The Regional Authorities have responsibility for the coordination of public services in the regions, for planning the regions' overall development requirements and the subsequent monitoring and evaluation of Structural Funds. They have no legislative or financial competencies. Two new 'Group Regional Authorities' were created for the post 2000 period. Their territorial coverage corresponds to the two new NUTS II regions. They have responsibility for promoting the co-ordination of the provision of public services in their areas; advising the Government on the regional dimension of the NDP (which is now significant); monitoring the general impact of EU assistance programmes under the Community Support Framework (CSF) in their areas; and managing regional programmes in the CSF.

**Table 3-1: Territorial Units in Ireland**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
Country	NUTS I	1
Regions	NUTS II	2
Regional Authority Regions	NUTS III	8

## **IRISH REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

Regional policy in Ireland does make reference to spatial concepts. In line with the aim of balanced regional development, the NDP makes provision for a National Spatial Strategy (NSS). The NSS sets out a new long-term, strategic approach to “planning for the development of the country at national, regional and local level”. After an extensive consultation process, the Taoiseach and Minister for the Environment formally launched the Strategy on 28 November 2002.

In terms of its impact on regions, the Strategy aims to facilitate growth in all regions of the country. To achieve this goal, the Strategy’s approach is the designation on regional gateways - “strategically placed engines of growth”. Dublin, Cork, Limerick/Shannon, Galway and Waterford are identified in the National Development Plan as existing gateways. Additional gateways identified in the Strategy include Dundalk and Sligo and “linked gateways” Letterkenny/(Derry) and Athlone/Tullamore/Mullingar. Linked gateways require two or more strong towns to work in partnership to promote economic and social development within their region. The Strategy views building on the existing strengths of these areas as a key part of promoting balanced regional development. More generally, the gateways are intended to act as a focus for public and private investment, which in turn gives them the capacity to drive national and regional development. Strategically located medium sized hubs are also designated, which should support and be supported by gateways as well as link out to wider rural areas. Allocation of 'gateway' status to some towns rather over others and local rivalries meant the process of establishing has had a strong political element. However, it is now hoped that regions and localities can come together and act cohesively to drive economic and regional development. Structures and mechanisms to integrate the Strategy into planning and activities at the level of government departments, state agencies, regional and local levels are to be put in place. For instance, implementing the NSS now requires that “Regional Planning Guidelines” be put in place across the country and that the Strategic Planning Guidelines for the Greater Dublin Area be reviewed. These guidelines will take the form of a single document and will act as a regional framework for the development plans.

The NDP makes no specific reference to the term territorial cohesion, but it does state the following:

the central regional policy objective in the Plan is to achieve balanced regional development in order to reduce the disparities between and within the two regions and to develop the potential of both to contribute to the greatest possible extent to the continuing prosperity of the country. A prerequisite for implementation of the policy is the achievement of the macro-economic objectives on which the Plan is based so that the necessary resources for investment can be made available. It will also require an integrated and flexible approach to the development and implementation of sectoral policies and coordinated investment in areas such as transport, education and housing.

The first steps towards the implementation of the policy can be undertaken before the completion of the National Spatial Strategy. The development of the existing Gateways and larger urban centres ... The subsequent National Spatial Strategy will set out a more detailed framework for this, but, from the outset of the NDP, investment within and between the Regions will take full account of regional development policy. Investment under the various Operational Programmes in the Plan will be consistent with this policy and other Plan objectives. ( p. 46)

This implies the promotion of cohesion at a national level. The National Development Plan does refer to polycentrism. In making provision for the National Spatial Strategy, the NDP states that this should draw upon the European Spatial Development Perspective (ESDP) and take into account of the fundamental goals of European policy: (i) economic and social cohesion; (ii) conservation of natural resources and cultural heritage and (iii) more balanced competitiveness of the European territory, and (iii) the ESDP's policy orientations for spatial development: polycentric spatial development<sup>1</sup> and a new urban-rural relationship; parity of access to infrastructure and knowledge; wise management of the natural and cultural heritage. It is not surprising, then, that NRP and ERP are coincident and strongly reflecting the spatial goal of territorial cohesion.

The designation of regional gateways is particularly strongly linked to the concept of polycentrism. In practice, allocation of 'gateway' status to some towns rather over others and local rivalries meant the process of establishing has had a strong political element. However, the gateways will not operate in isolation but, rather, will be dependent on support, infrastructure and links with surrounding areas. An emphasis on the associated economic benefits for surrounding areas – such as infrastructure improvements and the potential to develop linkages – is seen as a way to help justify and 'sell' the possibly controversial issue of singling out a particular centre as a gateway. Given the sensitivities involved, it is perhaps not surprising that progress with respect to the nomination of gateways slowed in the run-up to the election in May 2002.

Polycentric development in the NDP (p.45) is understood as decentralized territorial development with several urban centres of national/regional scale and a large number of dynamic towns and urban clusters, well distributed throughout Ireland, including the more peripheral and rural areas.

# Italy



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Italy

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Italian data collection and statistical elaborations**

The collection and elaboration of data on 1994-99 Structural Fund expenditure was undertaken on the basis of the methodology elaborated to this purpose by Infyde/Nordregio. This requested a calculation of the effective value in Euros of Structural Funds implemented in Italy in the programming documents for the period 1994-99 (Objectives 1, 2, 3 and 5b), the aggregation of expenditure information according to the RASCI typology (i.e. looking at the amount spent under each programme in relation to each Fund) and the elaboration of expenditure data per NUTS III.

The application of such methodology presented a number of difficulties for Italy which related to both the availability of final expenditure information and the territorial disaggregation of such information.

### ***Availability of final expenditure***

When the data gathering was undertaken (spring 2003), final implementation data validated by the Commission was not yet available. The data utilised for the exercise were hence those made available by the Ministry of Economy and Finances (pre-final data referred to the period up to July 2003 for the Objective 1 and up to September 2002 for Objectives 2, 3 and 5b). The final contribution of each fund has been calculated on the basis of the expenditure as defined above, such data may therefore be underestimated.

### ***Territorial disaggregation of expenditure***

#### *(i) Elaboration of expenditure information by NUTS II region:*

- for the 1994-99 period the monitoring of expenditure by project or by region was not compulsory. Monitoring data were gathered by measure and by programme. As such, financial allocations and expenditure data at the regional level are not always available (not even from each Managing Authority).
- some multi-regional interventions (eg. the big infrastructure projects of the OP Railways and TLC for the Objective 1) cannot be subdivided by region because both the expenditure and the outcomes are distributed across the whole of the regions of the Objective 1. In such cases where the data by regions cannot be obtained even from the Final Implementation Reports, the territorial allocation by region has been made according to a pro-quota weighting on the basis of the population. This methodology is correct in that the expenditure portion which has been subdivided pro quota is overall acceptable (see table below).

Objective	Availability of NUTS II data	Regionalisation pro quota	Total
Obj. 1	71,2%	28.8%	100%
Obj. 2	100%	-	100%
Obj. 3	76%	24%	100%
Obj. 5b	100%	-	100%

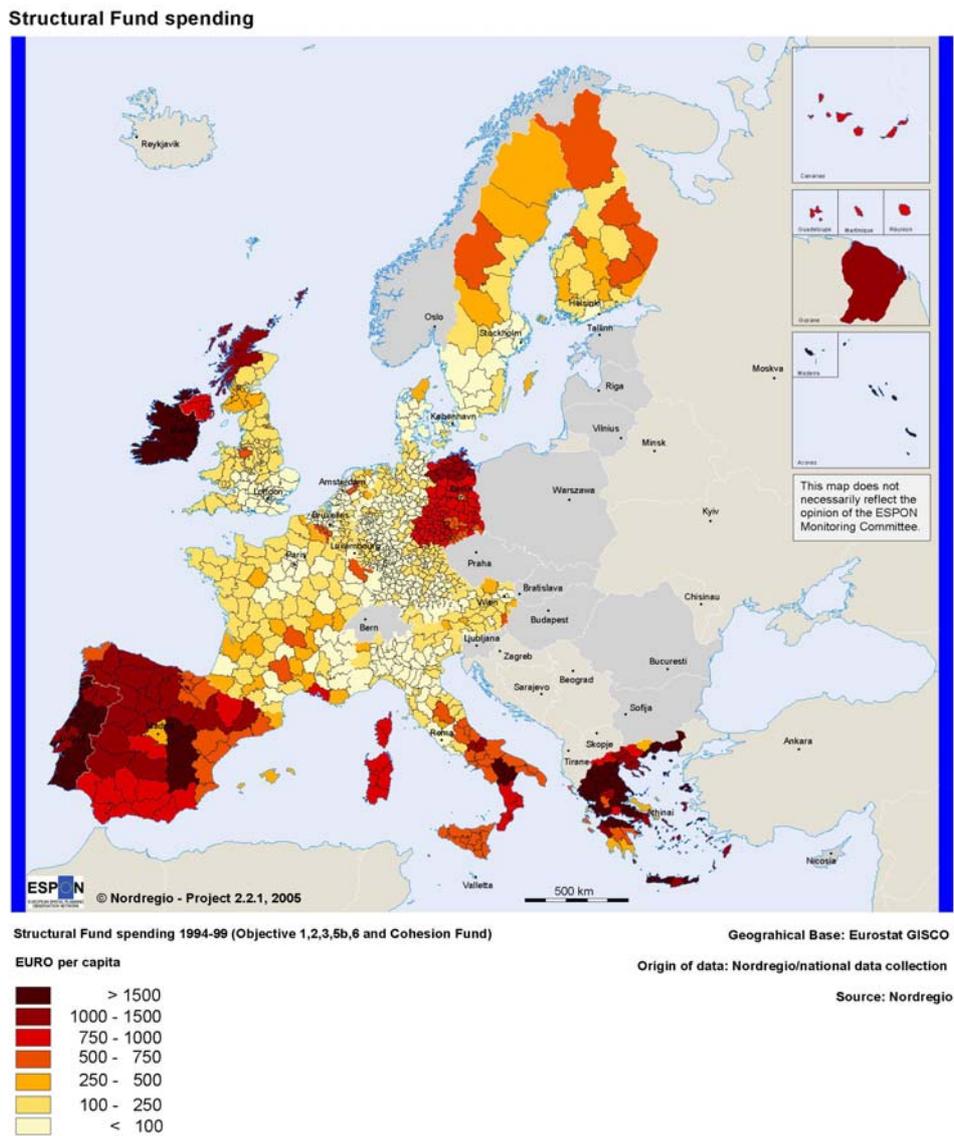
#### *(ii) Elaboration of expenditure information by NUTS III:*

- Given that no statistics exist on Structural Fund expenditure for the NUTS III level, the NUTS II level data has been taken as the starting point for the redistribution pro-quota at NUTS III level.
- However, for the Centre-North of Italy, where only parts of the territory were (and are) eligible to European regional policy, this implied considering the real population resident in the eligible areas (i.e. the population in each NUTS III that was included in the Objective 2 and 5b maps). The work has entailed therefore an aggregation for each NUTS III region of the eligible population in each municipality (NUTS V), with attribution of a code 'Area-Objective'.
- For those municipalities which were only partly eligible (eg. Rome), moreover, some adjustments were made on the basis of qualitative considerations, such as estimates on the real interested population, weight of foreseen investments and others.

### **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).



**What kind of regions?**

ESPON 221 – Annex report A

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

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. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

## STRUCTURAL FUNDS IN ITALY

The eligibility of Italy to European regional policy in the 1994-99 period reflected the dual character of economic development in the Country. The South of the Country, the so called Mezzogiorno was entirely eligible to Objective 1 assistance, whilst the more developed Centre-North regions (Valle d'Aosta, Piemonte, Lombardia, Trentino Alto Adige, Veneto, Emilia Romagna, Toscana, Umbria, Marche and Lazio) received support under the Objectives 2, 3, 4, 5a and 5b. Special status was acknowledged to region Abruzzo, which was considered eligible to the Objective 1 only until the 31 December 1996.

The Structural Fund map was the framework for the implementation of the following interventions:

- In the Mezzogiorno (*Objective 1*), a Community Support Framework operated which included 24 multi-regional Operational Programmes, managed by national competent administrations; 11 regional Operational Programmes,

managed by the regional administrations; a number of Global Grants and one Large Project (Gioia Tauro Port);

- In the Centre-North of the Country, eligible to the Objectives 2, 3, 4, 5a and 5b the following programmes operated:
  - 11 Single Programming Documents for the **Objective 2** for the period 1994-96 and for the period 1997-99;
  - A CSF for the **Objective 3** with 14 regional OPs and 4 Multi-regional OPs
  - A programme for the **Objective 4** (with 14 regional and 3 multi-regional sub-programmes)
  - 1 Single Programming Document for the **Objective 5a (IFOP)** and a number of interventions under the **Objective 5a (FEOGA)**
  - 13 Single Programming Documents for the **Objective 5b** (for the whole 1994-99 period).
- In Italy as a whole, interventions funded by the following **Community Initiatives** were also implemented: Leader II, Interreg II, Fishery, Rechar II, Retex II, SME, Resider, Konver, Urban, Adapt, Employment.

### **Regional Structural Funds spending**

As shown by the following map the distribution by Fund of EU Structural expenditure in Italy follows a pattern that is clearly connected to the eligibility status of each region. Objective 1 regions present an overall homogenous partition of expenditure between the three funds, with a clear predominance of the Regional Development Fund (ERDF). In the Centre-North, instead, the situation is more differentiated, due to the fragmentation of the maps. Large portions of Lombardia and Emilia Romagna, for example, appear dominated by ESF. Again reflecting the maps, ERDF funding is often concentrated in only a few provinces (NUTS III) of each region: in Lombardia, for example in the provinces of Milan and Varese; in Toscana, in the provinces of Firenze, Arezzo, Pisa and Livorno; in Umbria, in the province of Terni and so on.

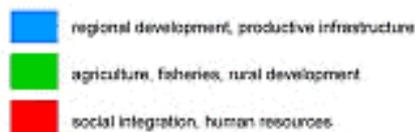
*Map 2: Per capita distribution of Structural Fund spending by type*

### Distribution per type of Structural Funds spending per capita



Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

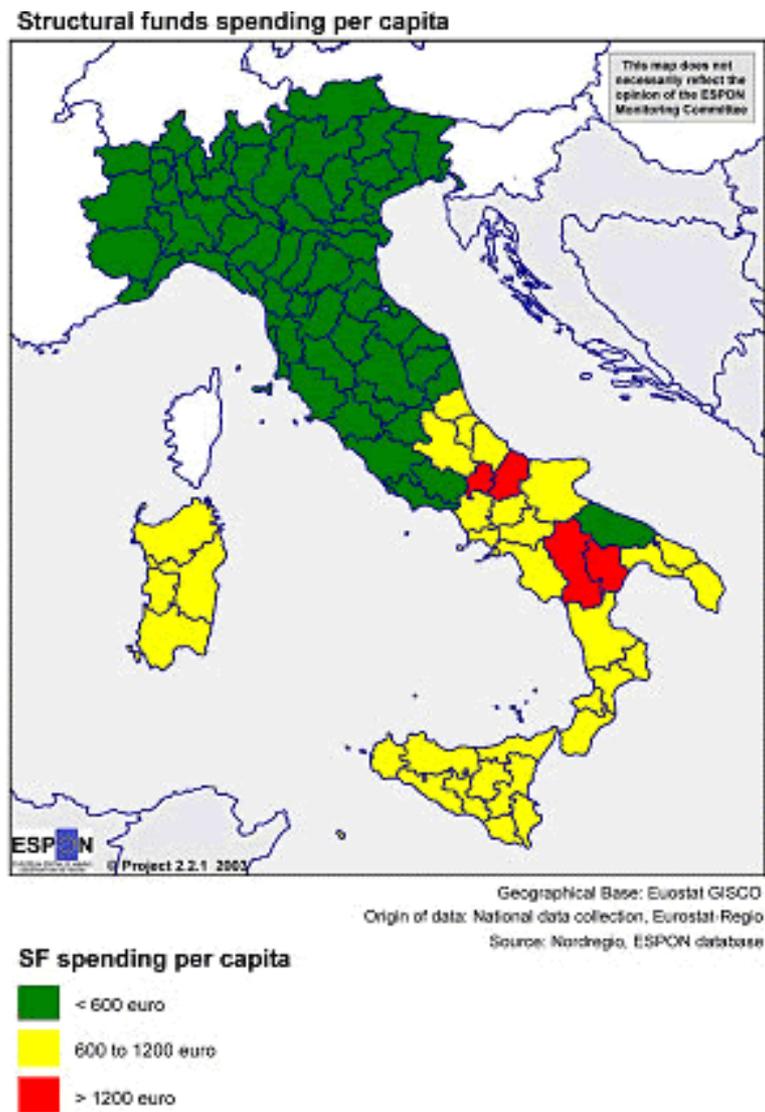
### Distribution per type of SF spending per capita



The picture that emerges when looking at per capita expenditure (*Map 3* below) is not surprising: as shown by the following map, overall Structural Fund expenditure is concentrated in the South of the country which benefited from the Objective 1. The whole part of the territory that was not eligible to the Objective 1, received less than €600 per head.

Within the Objective 1, most regions spent an overall amount of Structural Funds of between €600 and €1,200 Euros, with two main exceptions: the regions Molise and Basilicata spent overall more than €1,200 per capita; whilst the province of Bari in Puglia, spent an overall amount of resources per capita lower of €600, similarly to the regions of the Centre-North.

Map 3: Structural Fund spending per capita



In general, the less developed regions (in the Mezzogiorno) clearly received more funding than the more developed ones of the Centre-North. However, the distribution of expenditure within the Mezzogiorno does not seem to have necessarily reflected the relative GDP per head situation, for example, Calabria received less resources per capita than Molise and Basilicata.

### Structural funds and performance of Italian regions

The final map, in the next page, illustrates the relationship that can be established between Structural Fund spending and the change in the performance of each region, relative to the national average, over the period 1996-2000. It shows whether each province in Italy improved or got worse in terms of GDP per head in comparison to the rest of the provinces in Italy and how this relates to the Structural Fund expenditure, classified, as in the previous map, in three classes (less than €600, between €600 and 1,200 and more than €1,200).





## **Case Study of Calabria**

ESPON 2.2.1: Work package 6

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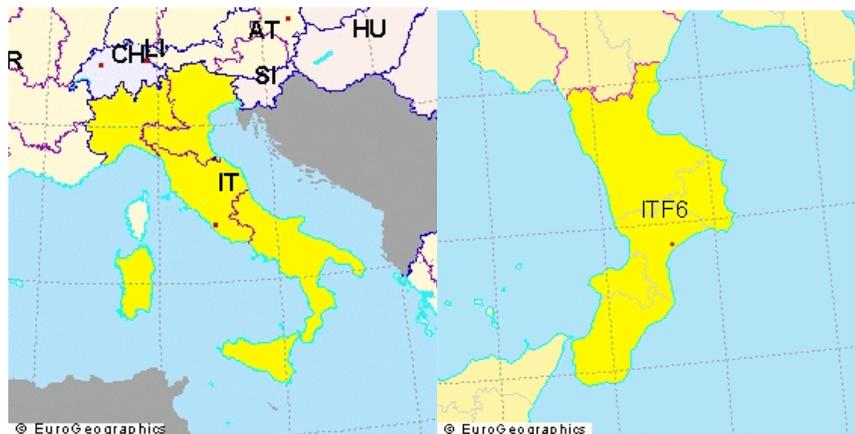
ESPON 221 – Annex report A

## ESPON 2.2.1

### Case study Calabria

## 2 DESCRIPTION

### 2.1 CASE STUDY REGION



Calabria is the least developed region of Italy and one of the least developed in Europe, with a GDP index 2000, at the NUTS III level, ranging between 54.6 and 66.6%. In 1998 the regional GDP was about 59% of the EU average. From 1996 the GDP has registered changes between – 2.3 and + 3.7 points.

Long-term data show that the income differences between Calabria and the rest of Italy increased over the 1980 - 1998 period and that this variation was due to the low rate of capital accumulation (limited amount and reduced investment growth) in the region.

However, though the gaps in income and investment indicators remain wide, differences in terms of private consumption<sup>71</sup> indicators have tended to narrow. The paradox of a poor economy with affluent consumption levels can be explained, to a great extent, by the considerable amount of national financial transfers that make the regional economy dependent on external factors.

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<sup>71</sup> See the Background analysis of the Operational Regional Programme pag. 5  
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The economic structure of the region is weak. The contribution of agricultural and industrial sectors to the regional income is less than 25%, with a progressive decrease in the relative weight in the last 20 years. Within industry, the building sector accounts for about the 7% of the regional product. The large service sector mainly consists of local and traditional activities, small scale commerce and public sector. Services to firms (financial services, insurance etc.) are scarcely diffused.

The productive sector consists of a fragmented array of micro enterprises. Analysis of the distribution of firms (outside the agriculture sector) shows that the majority (69.9%) have 1 working unit; 15% have 2 working units and 10.34% have from 3-5 working units. Firms are not linked in clusters, except for some signs of aggregation that have been recently observed in the area of the Piana di Sibari (near Rossano).

In 1998 the unemployment rate was 26.8%, with a significant increase (+ 28.4%) between 1993 – 1998. Women and young people are particularly affected: the female unemployment rate is double that of the male rate, while 64 out of 100 of those aged between 15 and 24 are unemployed. The irregular employment in building sector and small firms is largely diffused.

<i>Sector</i>	<i>Added value</i>	<i>Contribution to employment</i>
Agriculture	6,54%	23%
Industry	17,21%	18%
Industry (strict sense)	10,27	7-8%
Service and public sector	76,26	59%

Year 1996

The infrastructure endowment is poor and accounts for 50.4% of the Italian average. However, if water and energy infrastructure are insufficiently developed (17.3% and 30.9% compared with the Italian average) the transport and communication infrastructure can be considered physically sufficient for regional needs (80% of the Italian average). The main problems of the communication and transport are not related to a structural deficit but to their management: there is lack of an efficient network of services for people and goods, and the railway network in poor condition (especially the on the Ionian coast).

Despite a long coast-line, unpolluted sea water and a strong cultural heritage Calabria has limited tourist flows in comparison to neighbouring regions of the Mezzogiorno and Italy. The attractiveness of the region in 1996 - measured as tourism presence per capita - was 2.59% compared to 2.71% (Italian Obj. 1 area average) and to 5.20% (Italian average). After a long crisis (1989-93), an increase in tourism was registered in terms of number of visitors and duration of the stay.

Although these overall conditions place Calabria among the regions that are most lagging behind, there are some signs of potential and areas with excellent development prospects. Development poles can be identified in the port of Gioia Tauro (the major transshipment hub in the Mediterranean), in the Piana di Sibari (food industry district), and in the tourist areas of Tropea/Capo Vaticano, Soverato, Isola di Capo Rizzuto where a concentration of economic activities can be appreciated.

Calabria is isolated from the flows of international exchange. In 1998, regional exports accounted for 438 billion lira, about 0.1% of the national export. In relation to the regional GDP, export accounts for 1.4%, while the ratio is 11.9% for the Mezzogiorno and 35.4% for centre/north regions. At the same time, the region has not been able to attract significant levels of foreign investment in recent years, due to the region's peripheral position and its low level of economic infrastructure, especially water and energy.

The demographic situation shows stable population trends. The education level of the population is relatively high, and the shortage of economic and job opportunities means that many young, qualified people leave the region in order to find employment.

The crime index shows a peculiar situation in Calabria. The index measuring common crimes (robberies, private violence, thefts) is in line with the country average. However, in terms of the most violent forms of criminality, such as homicide, Calabria has higher rates. In 1997, in Calabria 15 homicides per 1000 inhabitants were registered, while the situation in Mezzogiorno was 9 out of 1000 and in the rest of Italy 3 out of 1000. The presence of organised crime continues to be a burden for economic development, especially in certain areas (e.g. around Locri and Reggio Calabria) and this is reflected in significant levels of extortion and dynamite attacks.

## **2.2 STRUCTURAL FUNDS PROGRAMME 1994 -1999**

The 1994 -99 Structural Fund strategy in Calabria was implemented through two main programmes:

- the Multi-fund Operational Programme (POP - *Programma Operativo Plurifondo*) (ERDF and ESF);
- the EAGGF Operational Programme;

Two global grants for the industrial sector were aimed at developing the Gioia Tauro and the Crotona areas.

Moreover, under the CSF, Calabria benefited from the multiregional operational programme managed by the central administration (eg. Industry and Services, Employment, Environment).

Among the Community Initiatives, it is worth mentioning Urban that involved the 3 main cities (Cosenza, Catanzaro e Reggio Calabria) and LEADER. Finally, the RIS project under art. 10 of the ERFD Regulation provided useful experience in the field of innovation.

The overall objective of the Multi-fund Operational Programme (POP) and of the EAGGF OP was to support the development of the region both by reducing its dependence on public financial transfers and by launching a process of endogenous growth. Starting from the valorisation of resources and identification of the territory's strengths (a preserved environment, historical and cultural heritage, variety of local typical food productions, water resources) the specific objectives were :

- to enlarge and qualify the basic infrastructure and productive system;
- to strengthen the productive system with a main focus on SMEs and the artisan sector, the improvement of the tourism sector, and the amelioration of the agricultural system;
- to establish advanced integrated services;
- the development of applied research;
- valorisation of human resources.

One of the main challenges for this strategy was building administrative capacity. A new, integrated system that could coordinate various actions at the relevant administrative level, accommodating Structural Funds methodological and planning approaches and ensuring continuity in all the planning and managing phases of the programme was required<sup>72</sup>.

The table below shows how EU funding was distributed among the different priorities (set up according to the CSF) and measures of the programme:

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<sup>72</sup> The 1994 – 1999 EC SF programming has taken place in a changing institutional background, due to the process of reorganisation of the Italian State's role and functions along federal lines. Consequently a large number of instruments was put into use to implement the strategy of institutional decentralisation, which was regulated by a series of laws issued by the Minister Bassanini in 1997.

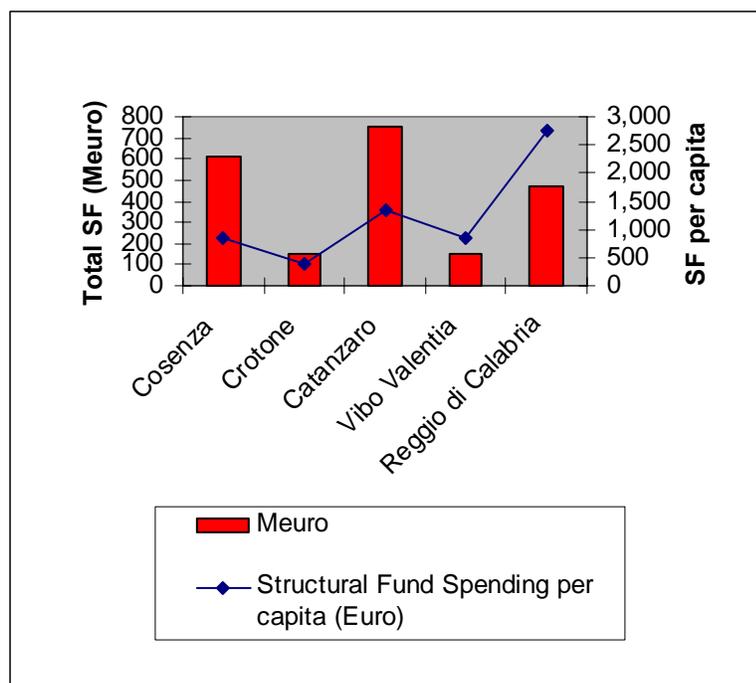
Institutional devolution called for the competence over expenditure within the agriculture, industry, tourism, environment and health sectors to be handed over to regional authorities. The same was true for the transport sector (with the exception of the large networks) and for a large part of the programme for depressed areas which had previously been managed centrally. Decentralisation has also been extended to the active work policies sector (employment centres) and the training sector, control of which passed from central government to the regions and provinces. The decentralisation law has given for the first time a large part of the responsibility for defining policy strategy and organisation to regional and local institutions. These have, therefore, been confronted by the problem; to acquire new jurisdiction on activities previously held centrally which needed to be carried out in radically new forms either directly or in outsourcing. In other words, decentralisation presumed radical shake-ups in methods to ensure efficiency by public administrations, and time to implement them.

POP Calabria 1994-1999 spending per priority

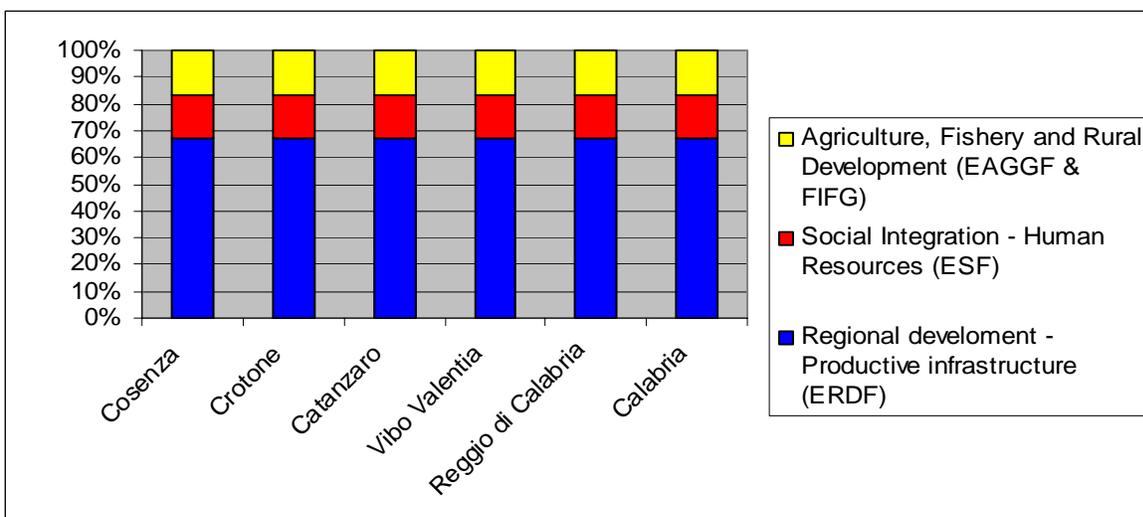
Priorities	Budget allocation	Priorities % on total	Commitments	Priorities % on total	Payments	Priorities % on total
1 - Communications	154.101.722	12%	167.249.402	11%	159.270.660	12%
2 - SMEs	243.152.481	20%	249.783.863	17%	244.045.510	19%
3 - Tourism	392.291.673	32%	483.979.952	33%	403.744.829	32%
4 - Energy, reseach and other infrastructures to economic activities	225.948.000	18%	302.703.652	21%	244.670.423	19%
5 - Human Resources	224.573.329	18%	258.066.385	18%	221.894.058	17%
6 - Technical assistance	4.606.878	0%	4.781.255	0%	4.618.158	0%
<b>TOTALE PROGRAMMA</b>	<b>1.244.674.083</b>	<b>100%</b>	<b>1.466.564.509</b>	<b>100%</b>	<b>1.278.243.637</b>	<b>100%</b>

The EAGG programme, with a budget of 508,511,179 euro, produced expenditure for 538,617,402 euro, mainly devoted to single agriculture productions (oranges, bergamot, etc. ) and the food industry.

Regional spending per capita related to the 1994-1999 programming period, including an estimation of the expenditure related to the Multi-regional Operational Programme, amounted to 839 euro, with significant differences among the 5 provinces, as shown in the following table. The minimum level was registered in the Crotona province with a per capita spending of 398 euro and the maximum in Reggio Calabria with 2,759 euro per head.



Regarding type of spending, the distribution among the Funds is shown in the following table.



## Results in brief

The final report of the interim evaluation of the 1994-99 OP (June 2002) emphasises how the definition of broad development objectives prevented the implementation of outstanding projects or actions. On the contrary, this approach favoured the “dispersion” of the development effects on the territory.

Various reprogramming activities and the use of “projects financed with other resources” were needed in order to fulfil the financial and physical objectives set out by the OP. These adjustments show how the programmes had weaknesses concerning programming and creating active partnerships with the territories. These issues will be discussed below (see Policy impacts)

The overall socio-economic conditions registered some positive trends: the reduction of the gap with the Mezzogiorno in terms of income per capita, increased number of firms and increased of the presence of tourists. However, there were negative evolutions in the labour market: between 1993 and 1998, the number of unemployed people raised from 148,000 to 190,000, with an increase of 28%. A reduction of the local units and of the workforce (-21% between 1993 and 1997) countered the growing number of new firms.

Agriculture and tourism showed a positive trend from 1995, with a growing added value in agriculture (+ 36%) superior to the performance of the Mezzogiorno and of Italy as a whole. According to the evaluation, there was a link between the improved performance of the two sectors and EC spending from 1989 in these territories.

Incomplete information taken by the monitoring system reduced the accuracy of the analysis of the effectiveness of interventions implemented.

**Assessment of the EC spending effects on individual priorities<sup>73</sup> :**

Communication and transport	<p>No intervention on railway or airports.</p> <p>Limited contribution to the reinforcement and the amelioration of the conditions on the general road infrastructure. Positive assessment of intervention on ports for the concentration: selection of a limited number of areas (Tropea, Cirò Marina and Gioia Tauro).</p>
SMEs and productive activities	<p>Positive assessment. The objective of supporting, reinforcing and modernising the regional productive structure seems to have been fulfilled.</p> <p>Relation function at a province level between the financed investment in certain sectors (paper, engineering, electronics, wood industry) and the relative increase in the number of firms.</p> <p>Critical dependence on public incentives for private investments.</p>
Tourism (including rural)	<p>Significant and positive contribution of Structural Funds to the take-off: increased number of firms (hotels, thermal enterprises, congress services, restaurants etc.) and sports and leisure activities; increase in presence.</p> <p>Positive assessment of the capacity to programme organic and complementary interventions.</p> <p>Concentration in the most dynamic area, weak impact on the objective of rebalancing the areas conditions within the region (internal versus costal areas).</p> <p>On the contrary, the main effects in rural tourism concern the reduction of depopulation in the rural areas. The valorisation related to co-financed projects (house restructuring, bed and breakfast etc.) is appealing not only for the tourists but also for the local population, especially young people, that without the programme would have left the area.</p>
Research	<p>Although considered relevant to promote employment and growth, the measure produced mainly traditional output, such as publications and studies diffused through seminars. Very low or no impact on modelling or patent registration.</p> <p>Too focused on the academic world, weak integration with productive activities.</p>
Human resources	<p>The distribution of the trainees among the productive sectors does not reflect the regional economic structure.</p> <p>Concentration on service, industry and artisan sector. The projects are managed by the provinces with some difficulties.</p>
Governance	<p>Governance has been one of the weak points of the programme in 1994-99 both regarding strategy, managing and monitoring.</p>

<sup>73</sup> Derived from field- analysis reported in the interim evaluation.

Among the Community Initiative Programmes, an interesting example of how the funds have contributed to increased polycentric development is represented by the Urban CIP.

#### Urban Cosenza

The Urban I programme for Cosenza, started in 1996. It targeted two areas with a total of 22,500 inhabitants.

The total Urban I Programme cost was Euro 18.5 million, with the EU contributing Euro 9.2 million.

The city suffered from the abandonment of the run-down historical centre and the isolation of in-habitants in peripheral areas. Cosenza took a joined-up approach to the development of these two areas through social inclusion and a cultural-economic strategy. Urban regeneration of the target areas involved 35 integrated projects.

The main spheres for the interventions were:

- The restoration of the old historic city centre through pilot interventions of restructuring and the re-use of historical buildings, representative of the town's history, which had been left in a state of decay and abandoned; the upgrading of public spaces;
- An improvement of the infrastructure and a reorganization of the links between the historic centre, Via Popilia, the city and the urban area in general to encourage integration and to upgrade the urban context;
- Rescheduling of education and training programmes and the promotion of local employment;
- The setting up of services with mainly a social nature;
- To support the creation and revitalisation of new and old activities in the old city centre.

The results can be measured in quantitative terms, as the old city now plays a variety of new roles: as a tourist attraction, as a new source of historical-cultural identity, and as symbol of an open European city in which its citizens have a new identity. Some important initiatives include: the rehabilitation of the old town hall now used as the 'Casa delle Culture' (House of Culture) a social, cultural and artistic meeting point and meeting place for dialogue between different cultures; the rehabilitation of the old railway station, now the head office of TELCAL, an information point for the development of new technologies, and of Info-Point Europa; the rehabilitation of the old Hotel Bologna, now a service centre for the university; and, the development of Park Avenue ('viale Parco') an important link between the two target areas and the entire urban area.

The strategy of integrating the interventions made it possible to achieve these results in a very short time. 200 small 'Craftshops', were reopened. Today the historic centre of Cosenza is a much-frequented part of the city. Even the induced effects were positive: rehabilitation and reconstruction extended to all parts of the old town, promoting repopulation. The employment rate increased thanks to the opening of various restaurants, bars and cafes, as well as social cooperatives, etc. There is an increase in tourism.

The presence of the University of Calabria (UNICAL), the University of Cosenza, and other innovative service industries, enabled a transition to take place to a modern service role for the city.

A further initiative of interest is the Innovative Action RIS (Art. 10, ERDF Reg.)

### **Innovative action RIS (art 10)**

The RIS Calabria project focused on the following topics:

- the capacity of some sectors to organise and develop a cooperative behaviour;
- identification of innovation potential of Universities and R&D centres in Calabria to spur technology based business;
- introduction of the culture of risk;

The sectorial priorities were the agro-food and tourism sectors.

The RIS created a Regional Forum for Innovation, operating through thematic and territorial working groups. In these groups were representatives of the Ministry of Research and of regional and local administrations, experts, entrepreneurs, consultants, enterprise associations, representatives of Universities and other R&D centres.

The RIS project was important because it completed an extensive and comprehensive survey on the demand/supply of innovation in Calabria. This survey has been used for the definition of the Regional Innovation Strategy for the 2000-2006 programming period.

The RIS methodology was significant because it stimulated a transparent debate within the working groups and facilitated innovative and cooperative behaviour among economic and social partners.

In the 2000-2006 period the RIS+ project (which is a follow up of the RIS project) financed under article 10, has the following priorities:

- Continuous upgrading of the Regional Innovation Strategy;
- Feasibility studies for specific interventions of implementation of the Regional Innovation Strategy;
- Monitoring the impact of the implementation of the strategy.

The project also facilitates participation in innovation regional networks promoted by the Commission and the exchange of best practices. The Innovation Forum method is maintained.

The 2000-2006 ROP refers to the RIS experience. One priority of the programme is to support transnational cooperation between innovative regional firms and foreign enterprises which take part in the Regional Innovation Plans of Regions and are partners of the RIT/RITTS network. However, in the implementation of the programme, there is no clear evidence of this priority.

### **2.3 STRUCTURAL FUND PROGRAMMES 2000-2006**

If the CFS 1994-1999 was weak with regards to the strategic focus, the overall strategy of the current programming period emphasises that endogenous growth is to be achieved through the valorisation of immobile factors (infrastructure, natural and cultural heritage, local resources). The strategy is designed to make territories attractive, based on successful cases (eg. industrial districts or agglomerations, local development actions) that were already evident on the territory, so as to generate multiplying effects. To this end, an innovative development approach has been introduced with the “*Territorial Integrated Project*”.

This strategy declares a “breaking-up approach” aimed at boosting new development processes and focusing on the specific features of each territory. The CSF strategy is part of an overall development strategy for the Mezzogiorno, where the national and regional project selection criteria tend to be similar to the EC SF rules. The aim is to bring their functioning into line with that of the CSF.

The strategy and the methodology identified in the CSF Obj. 1 2000-2006 were efficiently transferred and adapted to the regional condition through a strong vertical partnership between the regional administration and the Ministry of Economy and Finance (the Managing authority of the CSF).

The whole process of programming in Calabria was in line with national guidelines. The OP Calabria was considered one of the best programming processes (among the Mezzogiorno). The strategy of the OP is based on the idea of favouring the transition “from dependence to autonomy”, through *endogenous growth and a strong reinforcement of the relationship with Italy, Europe and the Mediterranean sea*. It is aimed at balancing the need for building regional/local relations, within a fragmented productive, urban and social structure, with the need to open a region that is traditionally isolated from external influences. This combines long networks toward Europe and short networks at regional and sub-regional level. Aggregation, connecting, valorisation and networking are the key programming words in the priorities, sectors and measures.

The programme priorities and measures are well defined, with 7 priorities and 57 measures, each of which contains different actions eg. different projects, aid schemes and so forth). The table below shows how overall funding and public expenditure are distributed between the different priorities of the programme.

Regional Operational Programme Calabria 2000-2006

Priorities (and sectors)	total cost	%	in meuro	
			public expenditure	%
<b>Natural resources</b>	1763,344	30%	1052,052	28%
water and soil				
environment				
energy				
<b>Cultural resources</b>	152,101	3%	116,15	3%
cultural heritage				
<b>Human resources</b>	665,76	11%	623,43	17%
labour and human resources				
research and Innovation				
<b>Local development Systems</b>	2346,927	40%	1307,31	35%
entrepreneurial local development				
agriculture an fishery				
<b>Cities</b>	367,961	6%	278,758	7%
<b>Network and knot services</b>	527,186	9%	340,12	9%
transport				
telecommunication				
<b>Technical Assistance</b>	39,884	1%	39,884	1%
<b>total</b>	<b>5863,163</b>	<b>100%</b>	<b>3757,704</b>	<b>100%</b>

Some measures seem to be more significant for the purpose of our research, deriving from priorities established in the CSF 2000-2006:

- “*Environmental network*”: aimed at improving the quality, the correct use and the full exploitation of environmental resources and artistic heritage, developing new forms of related business and activities. The measure tries to balance the need to preserve the eco-systems, to reduce the abandonment of mountain agriculture and to assist and develop social and economic activities within local communities.

- “*Cities*”: the priorities and the related measure appear to be based on the idea of polycentrism, from the ex ante evaluation that tries to identify homogeneous areas within the Region up to the design of a related strategy. The three main areas are: a better articulation of the role and functions of the cities in the local context; pursuing integrated policy of physical an urban improvement and social regeneration; building- up inter-municipality networks to recuperate the historical centres and develop common services and policies.

- “*Transport and nodal services*” - a priority that focuses on the material and immaterial accessibility of the region. As far as transport is concerned, there is a strong emphasis on the level of services, and on the connections among existing hubs, rather than focusing on building new physical infrastructure. The main objective is networking as a way of improving interregional accessibility.

The programming document in the telecommunication area is strictly related with the RISI - Arianna a Regional Information Society Initiative under art. 10 ERDF. Arianna produced studies on the development of Information Society in Calabria, investigating the diffusion and use of IS instruments. The studies have been used to draft the “2000-2006 Information Society Strategy”. Though the programming of the above mentioned measures was affected by the concept of polycentrism on a theoretical, strategic level, at the moment there is no evidence that the implementation of the strategy is producing results that are delivering increased polycentrism.

To complete the 2000-2006 programming picture it is worth mentioning that a relevant part of the budget is allocated through the new approach of the Integrated Projects.

#### **Integrated Projects**

These are defined by the CSF as an integrated complex of actions regarding different sectors, strictly consistent and related to each other, converging toward a common development objective (territorial or sectorial).

The specific features are :

- the idea of project integration and concentration of resources and actions;
- a strong territorial or sector reference, identified not only as the intervention beneficiary but as an area of potential growth;
- the participation of the local authorities (municipalities, aggregation of municipalities, mountainous communities with direct involvement of Mayors) with the involvement of all local development actors such as the GALs experienced in the LEADER initiative, the actors of the territorial pacts etc.

Compared with the national experience of local development projects (territorial pacts and area contracts, experienced by 1996), there is a difference in the implementation method: the integrated projects are financed with ordinary budgeting

procedures and measures programmed in the ROP.

In Calabria different models of integrated projects have been identified and diffused.

**The Integrated Territorial Projects** are supposed to have a major impact on the territories, in terms of the amount of budget allocated and the impact on the whole region. Figure 42 below illustrates the geographical delimitation for these projects. The budget allocation (public expenditure) for the PIT is equal to 566,4 MEuro distributed as follows among the Funds: ERDF 299,99 MEuro; EAGGF 142,70MEuro; ESF 108,00 MEuro; FIFG 15,71 MEuro.

The whole territory of the region has been divided into 23 PITs, sub-provincial areas, composed of neighbouring municipalities. One interesting feature is the governance of the PITs. In Calabria, the management system of the PITs has been organised on two levels :

- A central level (Unità Centrale di Coordinamento, Central Co-ordination Unit), with programming, monitoring, control and budget monitoring functions.
- A local level, where there are 5 bodies: Conference of Mayors (Conferenza dei Sindaci), Management Committee, Projects Leaders, Technical Managing Units and Social Economic Consulting Committees.

Following an assessment of the conditions of the PIT area and the identification of a local development strategy based on “idea-strength”, an integrated project is developed and proposed to the Regional Administration to be financed. Thus, project identification and selection is operated at a local level, with a bottom–up partnership method. At the moment, however, the Integrated Territorial Projects are being appraised and no Integrated Territorial Project has been approved so far.

Other typologies of integrated projects, alongside the PITs are:

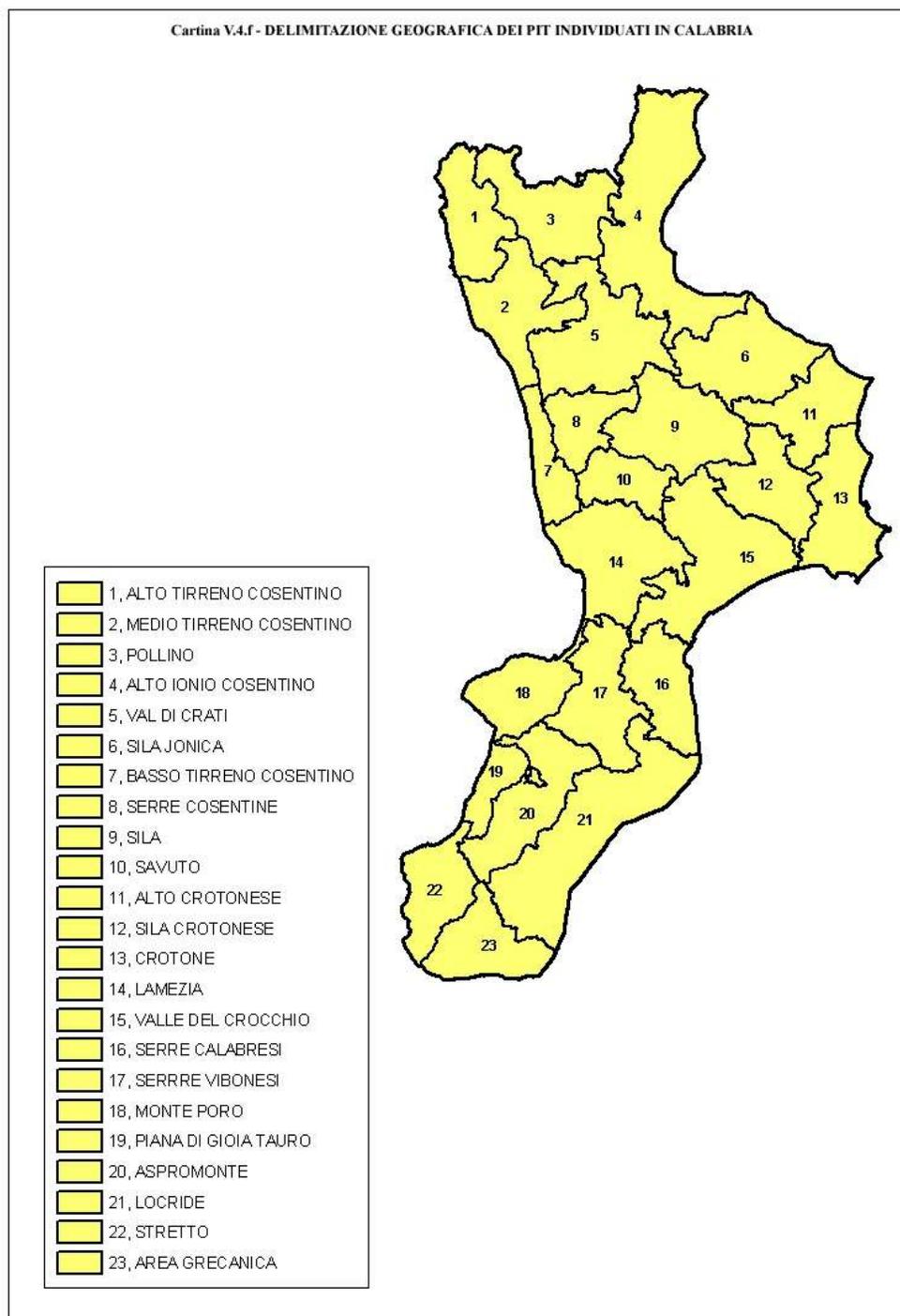
**The Rural Areas Integrated Plan, (PIAR, Programma Integrato per le Aree Rurali)** aimed at fostering the local development among municipalities (normally 4) with a medium/ high rural classification, with a population range of 10.000 - 50.000 inh. The PIAR are identified within the PIT and are specifically designed to improve the environment, diversify the local economy and reduce depopulation. They are financed by EAGGF

**The Agriculture production “Filiera” Integrated Project (PIF)** based on the valorisation of a specific production in agriculture, financed by EAGGF.

**The Strategic Integrated Plans (PIS)** focused on a main development objective in the region, proposed by the regional or provincial administration such as the O.re.ste Plan based on the valorisation of cultural heritage. This was approved in spring 2002.

The whole process of integrated programming is assisted by a support action run by the FORMEZ (the Italian Agency supporting the Public Administration with training and service) to improve the governance and the management of local bodies.

**Figure 42: Geographical delimitation of the PIT identified in Calabria**



Source: Ministero dell'Economia e delle Finanze, Dipartimento per le Politiche di Sviluppo (2004), *Rapporto Annuale 2003 del Dipartimento per le Politiche di Sviluppo sugli interventi nelle aree sottoutilizzate*, Appendice, p. 438 Rome, 31 January 2004.

## 3. IMPACT ON SPATIAL DEVELOPMENT

### *3.1 POLYCENTRIC DEVELOPMENT*

Considering the weak strategic approach of the 1994-99 programming period, it is hard to find in the programming documents explicit references to a polycentric idea of development. Despite the difficulties of establishing a direct cause-effect link, the impact of the past programming period in the tourism sector appears to be relevant in terms of the regional role in a wider space.

As far as tourism is concerned, the final conclusion of the interim evaluation report includes a positive assessment of the contribution of the Structural Funds to the growth of demand (measured by number of tourist and duration of stay). As a consequence, there has been a direct, though light, effect on the reduction of the isolation of the region, both at a national level (the tourist flows come mainly from other Italian regions, such as Lombardia, Campania, Lazio, Piemonte and at a European level (the German market having been identified as the main source).

With regards to the issue of specialisation within the region in a micro scale, the past programming period leave an interesting heritage. After 1993, reform of the national development support system for “depressed areas” in Italy introduced a new set of aid schemes. These are based on local plans, negotiated and decided through a local partnership where local actors define and organise a development project built upon a strong territorial commitment. This approach, together with the experience of the Territorial Employment Pact and the assessment of the Italian experience of the industrial district, has launched - at least at a programming level/in theory - the idea of a micro-scale specialisation based on a vocational development project. As a consequence, being based on a more strategic level, the 2000-2006 programming activities put a great emphasis on a selective approach to the development of territories and on trying to identify the specific features to use in order to identify elements that could “break-up” with the past.

The key policy trends related to polycentricity can be found both in the overall strategy and in the measures of the ROP Calabria 2000-2006, where the main idea is reducing the isolation, outside and within the Region. More detailed references can be found in the measure to support the demographic and economic rebalancing of territories (measures directed to develop the internal areas), in the priority named “Cities” and in the measure to favour accessibility.

At the moment, however, it is difficult to assess if there is a direct impact of this strategy on the accessibility conditions of the region, especially with regards to the effort to reduce the isolation of Calabria at both national and international level.

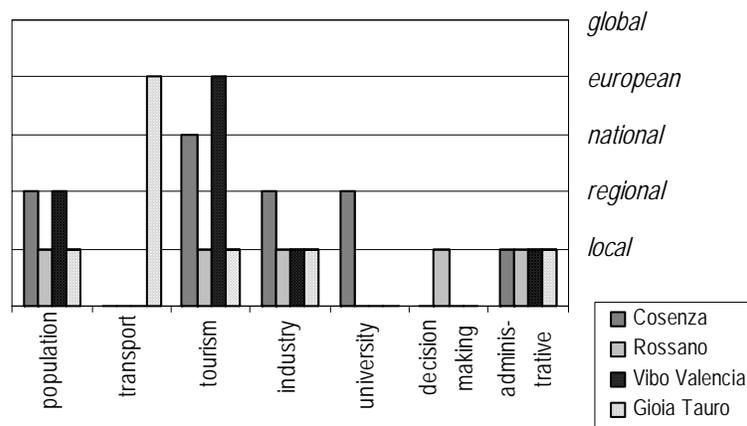
Moreover, the focus on territorial specialisation seems to be difficult to implement, apart from the areas where specialisation produced economically positive results in terms of income or employment. Poor communication links and integration and the weakness of public administration and services are considered the main obstacles. The choice of specialisation within a region/area approach is seldom accepted among the local communities that tend to maintain an “autarchic” approach, operating a comprehensive approach at the local level.

The effect on local planning is evaluated with regard to the governance aspect ( see below).

### 3.1.1SPECIALISATION AND ROLES IN THE WIDER SPATIAL SYSTEM

#### Description of the situation today

According to ESPON 1.1.1 these four FUAs have the following importance for different spatial levels:



The European significance refers to the port of Gioia Tauro, whose importance is growing in the Mediterranean area and to the coastal area of Vibo Valentia (Tropea, Capo Vaticano) that is now

attracting tourists from other European countries, especially Germany. The national relevance in the industrial sector of Rossano relates to the emerging of a food-industry district in the Piana di Sibari area.

In addition to this typology-oriented approach, the OP tries to identify other areas that are homogeneous in relation to culture, economic and productive base, demographic dynamics, territorial role and position in the transport directives:

- the urban area of Reggio Calabria ( the area of the Stretto where the bridge between Sicily and Calabria will be built);
- the territorial system of Catanzaro-Lamezia (connecting the main airport, Lamezia, with the centre of regional politic and administrative activities)
- the territorial system of the Locride (with its density of cultural heritage)
- Crotone and Isola di Capo Rizzuto
- Conurbation of the “Alto Tirreno Cosentino” (with the touristic costal areas of Paola, Cetraro, Diamante, Scalea)

## **Measures and project relevant to the ESPON sector**

### **Tourism**

Tourism in Calabria is perceived as an under-exploited development potential. This is generally recognised in the programming documents that dedicated a large proportion of their budgets to this sector (about 33% of the total in 1994-1999). Some specialisation can be observed in certain areas with an international spatial dimension. In 2000-2006, due to the different programme emphasis, funding was allocated to the local development priority, in cultural heritage and natural resources. Considering the positive results of the 1994-99 programme, there are high expectations for the future. Improvement of the tourism structure needs to be completed with high level services and the creation of an integrated system (sea, cultural heritage, tradition, food industry) in order to prolong the tourism season. The integrated approach should be implemented especially through the PITs.

### **Industry**

The weakness of the industrial sector is the result of fragmentation, isolation and low added value. Nonetheless, the added value of industry is higher compared to other productive sectors. Therefore, the improvement of the industrial; system is crucial. After the 1994-99 programming period, where resources were used for subsidising single enterprises, the priorities in 2000-2006 are aggregation and attraction of foreign investment. Up to now there is no practical evidence of this trend.

An important challenge is the strengthening of links between research and productive activities, according to the needs emerging by the RIS studies. An interesting outcome in this field is related to the proposal of the PIT “Serre Cosentine” that involves the area of Cosenza and the related University. The development idea has a strong orientation towards the integration of innovation, research and productive development (spin-offs, start ups of innovative firms, innovation transfers to firms).

**Knowledge and higher education institution**

The relatively high level of education and the diffusion of 3 universities within the Regions is considered a strength of Calabria. The main challenge is avoiding the migration of the highly educated people towards other areas where there is a larger source of qualified jobs. Therefore, the integration of the knowledge system in the productive regional structure is crucial. The results of the past period showed a gap between the education system and the productive structure. Raising the low level of education and reducing school leaving in some deprived areas will strengthen the social inclusion of parts of population.

**Transport / infrastructure**

This sector is considered extremely significant in reducing the gap with the other regions in terms of attracting external investments and flows of goods and people. The completion and modernisation of the Motorway Salerno-Reggio Calabria is expected by 2007. The work was financed in the Multiregional Infrastructure Programme 2000-2006 and will still receive funding in the National Programme for Transports 2000-2006.

The focus on developing connections among existing nodes is considered crucial to develop regional, interregional and international links such as the connection of the Gioia Tauro port with the Tirrenic corridor and also with the Brennero.

Finally, great expectations are attached to the project for the “bridge on the *Stretto*”, a bridge that should link the mainland with Sicily. Apart from its significance in terms of infrastructure, it is believed that the bridge will boost the development of an emerging specialised area in transport and logistics (Reggio Calabria e Villa S. Giovanni).

	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Tourism	Few tourists, considering the potential, no foreigners.	Augmented tourist flows, presence of foreigners especially.	Integrated programming of marketing measures (panels in airports,	2 ( 1994-1999)

		German.  Some emerging specialized areas	reduced fares for summer trains, and aid to firms to develop the tourism structures)	
Industry	Low added value, fragmentation,	Persisting problems and fragmentation with weak signs of specialisation and aggregation on the territory ( Piana di Sibari, Gioia Tauro)	Gioia Tauro Global Grant	1
Knowledge / Higher education institutions	Good level of high education. Problems in improving the education for the lower classes.  Difficulty in linking the academic world with the production sector.	Innovation Strategy Plan based on the RISI project and Information Society plan based on RISI.	Significance of the RIS and RISI experience at a European level.	1
Decision-making / Location of company HQs	The region has no attraction for HQs and no specific action has been undertaken	Persisting isolation	No specific action no relevance	0 ( 1994-1999)
Administrative status	Difficult to deal with the EC organisation and method. Centralisation.  Monitoring problems	Reinforcement of the regional level of policy designing and administration. Diffused experience of programming at a local level (integration of municipalities)	The PIT experience on the territory (2000-2006)	1 ( the changes have been also influenced by the negotiated planning at the national level)
Economic base	High level of unemployment  Low GDP per capita  Low income per capita  Weak economic activities	Non-homogeneous results. Some positive trends (reduction of the gap with the Mezzogiorno in terms of income per capita, increased firm number, increased presence in the tourism sector) together with negative evolutions in the labour market ( + 28 % for the number of unemployed people )and reduction of the local unit and a of the workforce (- 21% between 1993 and 1997).	Support measure to industry increased the number of new firms	0/1

### **3.1.2 POPULATION MASS CRITERION URBAN SYSTEM AND RURAL – URBAN SETTING**

The population of Calabria is about 10% of the overall population of the Mezzogiorno and is only 4% of the Italian population. Traditionally, the region suffered from heavy migratory flows towards more developed areas. At the end of 1970s the migration flows began to decline and in 1990s they vanished.

At a regional level, from 1980 there is a substantially stable demographic situation with no significant variation, a weak migration flow and a reduction of the birth rate. Between 1993 and 1999 the internal migration rate increased slightly (from -2.2 to -6), due to the migration of young and qualified people searching for better job opportunities outside the region. However, demographic differences are apparent within the region, between internal areas, suffering from depopulation problems, and the coastal area where the demographic trends are stable.

In 1997, the frequency distribution of the municipalities in demographic categories shows that out of 409 municipalities, 78% have up to 5,000 inhabitants, 17% can be considered of a medium size (5,000- 15,000 inhabitants), while population is higher than 15,000 only in 19 municipalities that account for 3% of the regional population. Only 5 municipalities, all of which have the status of administrative provinces, have more than 50,000 inhabitants.

One conclusion of the interim evaluation of the 1994-99 OP regarding the rural tourism measure, financed by the EAGG Fund, was that this measure played a significant role in maintaining the population in the rural areas, even though the measure was not intentionally programmed for this purpose. At the beginning of the programming period, the measure was designed to restore rural buildings, but during the implementation a demand for services was identified and fulfilled.

As underlined above, the possibility of funding investments for house restructuring, bed and breakfast etc. through the programme appealed to the local population, especially the younger generations who, without the programme, would have left the area. The reduction of depopulation is perceived as being the main effect of the investment. Sixty two percent of the beneficiaries of this measure interviewed by the evaluator believed that the measure was important to the pursuit of this objective. The measure has contributed to the creation of job opportunities in the rural areas: 25% of the interviewed firms were created between 1996 and 2000.

This experience has been built on in the 2000-2006 programming period in the OP measure “environmental network” and with the definition of the PIAR, that have collected the experience in the rural development sector, including LEADER.

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Population density	136 inh per km <sup>2</sup>	Unchanged	No relevance	0
Possible concentration trends	No relevance	Three areas have been identified as possible areas of concentration : <ul style="list-style-type: none"> <li>- the connection link between Lamezia and Catanzaro</li> <li>- the Sibari area (Rossano) with the connection links to Puglia and Basilicata;</li> <li>- the Stretto area in relation to the bridge to Sicily</li> </ul>	Support to industry  Valorisation of Lamezia airport  Stretto Bridge (TEN)	1
Rural-urban status	Internal migration from mountains area to costal areas	Successful experience (qualitative assessment) of rural diversification and local development to reduce depopulation.  LEADER	Significant level of local level programming with PIAR	2
Promotion of rural-urban interaction	No relevance	Integration among the populated areas on the coast and the interior with an integrated system (sea, country-life, cultural heritage, traditional food)	PIT	1
Best practices" of promoting rural-urban	Not relevant	Not relevant	Not relevant	0

interaction				
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### 3.1.3 RELATION FUNCTION

The general perception is that there have been several improvements in the accessibility of the region in recent years (2000-2004).

The main changes are related to air transportation: the operation of the airport of Lamezia, the enlargement of the minor airport of Reggio and Crotona and, more generally, the global competition process in the air sector that has reduced the flight fares and created small companies. Though the level is not comparable with services received in other Italian regions (because of the late arrival and departure times and the frequent cancellations), the full exploitation of the potential of Lamezia airport has improved the accessibility of the region both at meso level (with direct flights to the northern regions of Italy) and at a macro level.

However, it should be stressed that the accessibility of the Ionian zone is still poor, especially with regards to the railway system. Major improvement is expected through the implementation of the Transport Framework Agreement “*Accordo di Programma Quadro per i Trasporti (APQ)*” supported by the National Ministry for Infrastructure and the Region. This identifies the infrastructure requiring support and determines the budget allocation (national, regional and European funding).

The completion of the amelioration works of the Motorway Salerno-Reggio Calabria, financed by the National Operational Programme for Transport in 1994-99 and the national infrastructure programme 2000-2006 is expected in 2007. In the period 2000-2006, continued isolation - with the remarkable exception of the transshipment hub of Gioia Tauro (see below “other driving forces”) - has determined a strong demand for the internationalisation of the economy.

The Region’s participation to European networks or cooperative processes seems still to be weak or non-existent. Participation in innovative projects at a European level (such as RIS, RISI or Archimed) has resulted in the transfer of innovative approaches for the analysis of the regional situation or in data collection systems. They have increased awareness more than building-up cooperation networks or projects.

	Status during	Current status	Examples of SF	Rating of SF influence (rate)
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	1995-1999		influence (priorities, measures, projects etc.)	from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Accessibility		Reasonable level of communication infrastructure. Need for connecting the knots and services ( esp. railway services on the Ionian coast)	MOP transport 94-99 Measure of POP 94-99 NOP Infrastructure Measure of ROP' 00-06	1
Changes in accessibility	Airports but few flight connections.  No relevant position in goods transshipment.	Amelioration of air transportation  Full operation of Gioia Tauro	Measure of POP 94-99 MOP transport 94-99	1  ( many projects have received national funding together with EC funding)
Key strategic and functional networks (promoting specialization)	No relevance	No relevance	No relevance	0

### 3.2 OTHER DRIVING FORCES

One of the major driving forces influencing spatial development in the region since 1995 is the port of Gioia Tauro. This can be seen as a successful example of an infrastructure initiative which spurred a process of development in surrounding areas and in the region as a whole, opening the region to international markets.

The port was built in the early 70s, but in 1993 that it was decided to transform it into a major container **transshipment hub for the Mediterranean**. The project was financed with public funding through a National Framework Agreement. There was also a contribution from private resources and Structural Funds (National OP "Transport" and POP Calabria 1994-1999). In the '94-99 programming period a global grant aiming at the promotion, creation and development of local enterprises in the area around the port was also agreed. The importance of the port as a development pole for the entire region is acknowledged in the 2000-2006 NOP. The impact of the project on spatial development has been very

high over the years, but the influence of the Structural Funds must be considered indirect and as a contribution to a process started and spurred by national programming. (see box below)



### The port of Gioia Tauro

The port of Gioia Tauro emerged in the early '70s, when the Italian government decided to develop a steel industry in Southern Italy and make the port its primary shipment point in the framework of a project financed with resources from the National Development Agency "Cassa per il Mezzogiorno". This plan was abandoned and the port of Gioia Tauro was left empty.

In summer '93 it was decided to transform the harbour of Gioia Tauro into a major container **transshipment hub for the Mediterranean**. The project was financed with public funding through a national framework agreement (APQ) between the Ministry of Treasury, the Ministry of Public Transport, the Calabria region and a private company, the CONTSHIP. The total budget of the project was about 217 Meuros covered as follows: 68 Meuros with Law 64 (a national regional aid scheme "Intervento straordinario"), 40 Meuros were SF of the national "transport" OP and 26,5 Meuro were SF of the POP Calabria. The remaining part was covered by private resources (82,4 Meuro).

The project was finished in September 1995 and it effectively brought down all the barriers and pre-concepts of the traditional shipping business in the Mediterranean. It became a powerful feeder service linking all major and minor Mediterranean ports to the hub in a single network, driven by a single development strategy.

In 1998 the Gioia Tauro Global Grant was approved for a total cost of 63,18 Meuros. It included the following measures:

- 1.1 Up-grading of infrastructures for the localisation of SMEs
- 2.1 Promotion and development of SMEs' localisation in the area
- 2.2 State aid for SMEs' consolidation and creation;
- 2.3 Tutoring for SMEs
- 2.4 Services for SMEs
- 3.1 Management, monitoring and evaluation

Its aim was to promote entrepreneurship in a context characterised by inefficient administrative bodies, traditional production processes, a small number of enterprises, scarce credit accessibility and absence of local infrastructures for enterprise development. However, the area had some potentials due to the opening of the Gioia Tauro port, the building of a large area backing the port, direct connections through the railway and proximity of two airports: Reggio Calabria and Lamezia Terme.

The GG's evaluation Report underlines that 92% of financed projects of SMEs were new plants, with an increase in employment of 625 units; 62% of financed enterprises were in sectors integrated with the activity of the port. The report stated that "the role of the port as a future engine of economic development seems confirmed by the analyses, thanks to the potentials of containers' transshipment and to the presence of a large area backing the port (back-port area) which offers new investment opportunities for local entrepreneurs". Furthermore, the port is increasingly assuming an intermodal significance thanks to interventions realised in this direction, aiming at guaranteeing efficiency and functionality in connections.

In the 2000-2006 OP the port of Gioia Tauro is considered one of the strengths of the region, as it has assumed a leading position in the Mediterranean in the field of containers' transshipment. The programme underlines that thanks to the port, Calabria has entered again into intercontinental flows; it opened the region to external relations and to international goods and services exchanges. It also produced positive returns in terms of the image of the region. It is also considered as a pole of attraction for FDI, especially for enterprises working in the field of international

distribution. Measure 6.1.1. of the ROP, called 'Networks and systems for external linkages' (Reti e sistemi di collegamento esterno), foresees the realisation of *autoporti* ('ports' for road-transport means) nearby big cities connected with the international inter-port of Gioia Tauro.

The "Integrated Territorial Project for the Piana di Gioia Tauro" aims to overcome what is still the biggest obstacle to development in the area: the lack of network relations and economies in both public and private spheres.

The projects main aims are:

- Fostering local partnership by:

Improving and reinforcing cooperation and networks between local administrations; favouring the participation of civil society and the creation of associations; introducing new forms of cooperation between institutions and the private sector.

- Supporting harmonious and sustainable development through:

The recovery and valorisation of historical heritage of town centres; the qualification of settlements along the coastline (protection of the environment, valorisation of public areas); the protection and valorisation of the cultural heritage; training in school to improve the relation with the territory; integrated development of micro economic activities (arts and crafts, services, food-industry); fostering and sustaining cooperation and networks of SMEs.

## 4. POLICY IMPACTS

### **4.1 IMPACT UPON GOVERNANCE ASPECTS**

The 1994 – 1999 programming experience has been strongly influenced by a lack of consistency between the policy process and programmes on the national (and regional) and European level.

This issue refers to the whole Obj. 1 CSF in Italy, and can be applied to the case study region experience.

*The real problem of the strategy for the CSF 1994-99 was that all the CSF programmes, even though each had its own rationale, did not compose an integrated consistent strategy for development (the stringent selection and quantification of final objectives, the identification and definition of objective variables and variables in the means of achieving actions, specification of the causal mechanisms that would lead to the achievement of a certain economic goal, and the identification of objectives that did not come into possible goals).*

*A strategy with **too many overambitious objectives, which contains a very high number of actions and measures, and includes actions of normal on-going maintenance**, is not a development strategy in the true sense of the words. And this is why we have made the provocative statement that the CSF 1994-1999 had no development strategy.*

*This lack of strategy has its causes and also its effects. The cause is the place held by community programming within national policies, while the effects are the fragmenting of resources and a lack of integration between measures."*

*The main cause of the lack of a development strategy is in the role that community programming has come to take on in the context of national policies. Community programming has fulfilled a stand-in role where sector and area programming (national and regional) was non-existent or wanting in some way.*

*Although this situation represents very real community added value, it has meant that CSF resources have had to be spread over a very high number of activities and expenditures. In other words, the CSF has not been that part of national programming specifically devoted to expenditure on development but has tended to be identified with programming as a whole. This has meant no selection of objectives and very high fragmentation of resources.*

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*Ex-post Evaluation of the Objective 1 1994-1999 Community Support Framework -ITALY*

The weakness of the regional programming instruments in 1994-99 is illustrated by the lack of a regional framework such as a Regional Development Plan, with its articulation in development areas (environment, cultural heritage etc.). Within the region in 1994-99, EC programming represented the sole experience of integrated and consistent programming. Another problematic issue was the involvement of horizontal partnership, which was underdeveloped or not developed at all, both in the programming and in the management phase. This produced a mismatch between the programming choices and the project applications put forward.

Some specific weaknesses of the regional administration can also be mentioned. These include the difficulty of the existing organisations and personnel to cope with the EC SF working method, a strong centralisation of the decision-making process with no accurate definition of the administrative roles and functions, problems with coordination among the different sectors (Assessorati) involved in the planning and management, and a strong fragmentation of monitoring procedures.

*Programming in the 2000-06 period achieved a real revolution compared with 1994-99. Specifically, it endeavoured to consolidate the improvements attained in the management of structural funds in the 1994-99 period, while simultaneously proposing a revision of the whole process of programming. The new programming determined clear strategy, involved a very high number of administrations, specialists and social bodies in the defining of programmes, set up clearer co-ordination between central government and regions, and introduced systems of national award-winning/rebates+ to reinforce the management process. Many of the mistakes and limitations in the 1994-99 programming have thus been dealt with, although whether they have been completely resolved will still depend on the effective functioning of decision-making mechanisms.*

*Ex-post Evaluation of the Objective 1 1994-1999 Community Support Framework -ITALY*

Although the 1994-99 experience cannot be considered successful in achieving the task of modernising public administration methods, the introduction and practical experience of the planning and management of EC Structural Funds methods can be considered an important learning experience within regional development activities and governance structures.

In the current programming period, many lessons have been drawn in relation to governance aspects and emphasis has been placed on strengthening the planning and management processes.

The closer coordination between national and EU programmes (deriving from a modified approach at the CSF level) has resulted in the development of unique financial frameworks to finance development projects: the “*Accordi di Programma Quadro*” (National Programming Framework) where the involved administrations at different government levels identify the projects and the budget allocation, with the contribution of different financial sources (European, national and regional).

With such a method, the selection criteria in use are drawn from the EC regulations.

Considerable partnership involvement (in planning and in management) in Calabria has resulted in an inclusive and transparent process of programming, with widespread use of seminars and web technologies to diffuse information. The process of governance innovation has been transferred to the local level with the Integrated Project experience (discussed above).

A further innovation concerning the strengthening of administration bodies is the selection of thirty people at the beginning of the programming period to support the regional administrative structure dealing with EC Structural Funds - including the operation of a proper monitoring system.

	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate 0 to 2, 0=no influence, 1=some influence, 2=important influence)
Consistency of national and European policy goals outlined in programme documents	In 2000-2006 there is consistency. Changes were determined by the need to deal with problems and mistakes in the past programming period.	1
Examples of promoting learning	The strong role of the Ministry of Economy and Finance and the orientations in CSF  PIT Specific Formez project to assist the PIT	2
Governance innovations	PIT	2

Trans-national links linked to governance practices	No relevance	0
Inclusion of new actors and organisation in partnerships	2000-2006 programming method CSF orientations	2
Links to traditional democratic decision-making	2000-2006 programming method CSF orientations	1
Financial practices enabling enlargement of partnerships	APQ 8 only related to partnership in public sector. The region is still strongly dependent on public expenditure. Private financial partnerships are rare.	1
Ways of avoiding the technocratic elite pluralism	2000-2006 programming method involved widespread use of seminars and web to diffuse document and positions. The regional web is accessible, up dated and regularly accessed.	1

#### **4.2 INCLUSION OF THE LISBON THEMES**

How have the “Lisbon themes” been addressed and promoted through the interventions analyzed? Checklist of relevant Lisbon themes included in the table below.

	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (0 to 2, 0=none, 1=some, 2=important)
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>•Improving access to communications infrastructure, especially among excluded groups;</li> <li>•Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>Implementation of a large ITC infrastructure platform: TELCAL projects. Doubts about the real impact due to the fast technologic obsolescence of the structure.</p> <p>The Arianna project ( art. 10 ERDF) produced a check up</p>	<p>An information society strategy has been developed after the Arianna experience</p>	<p>The measure 6.3 of the ROP is finalized at establishing the ITC society at a regional level following the Arianna project.</p>	1

	analysis of the Regional needs.			
Establishing a European area of research and innovation: <ul style="list-style-type: none"> <li>•Improving the efficiency and innovation and of research activities;</li> <li>•Improving the environment for research;</li> </ul>	RIS projects	The RIS projects has produced the regional Strategy for innovation and a prosecution with RIS+	The 3.16 measure of the ROP “Regional system for research and innovation” is strongly focused on the firms needs with the provision of specialized structures structures for favouring technology transfer to local production; services for the firms demand analysis.	2
Creating a business friendly environment for SMEs: <ul style="list-style-type: none"> <li>• Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	The research measure in the POP 94-99 was partially successful. The RIS project was aimed at investigating the possibilities of establishing links between productive and research activities.	Poor level of advanced services for companies.  The entrepreneurial world is still isolated and dependent on public funding.  Research and training are still separated from market needs.	In the ROP there is a strong emphasis on the need to establish a friendly environment for SMEs and on the need to network the productive activities with high level services. Nevertheless, there is no evidence of an adequate level of instruments to implement the policies.  At local level, eg. PIT Serre Cosentine, there is some evidence of integrated project strongly finalised to this objective.	2 (programming)  ?(implementation)
Education and training for living and working in the knowledge society: <ul style="list-style-type: none"> <li>•Development of local learning centres,</li> <li>•Promotion of new basic skills</li> </ul>	Training conditions in Calabria were (and still are) critical, especially with regards to the diffusions of adequate levels	The sector needs to be reinforced and qualified.  Management and organisation problems (implementation at the provincial level)	Strong emphasis in the ROP and in all the measures funded by the ESF.	0/1

<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>•Improving employability and reducing skills gaps;</li> <li>•Encouraging lifelong learning;</li> <li>•Reducing deficits in the service economy;</li> <li>•Extending equal opportunities</li> </ul>	<p>of knowledge in the lower classes and among women.</p>		<p>Strong emphasis in the ROP and in all the measures funded by the ESF. Equal opportunities are supposed to be horizontally relevant.</p>	<p>0/1</p>
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>•Improvement of skills;</li> <li>•Promotion of wide access to knowledge and opportunity.</li> </ul>	<p>URBAN initiative</p>	<p>Still considered a significant issue also at horizontal level: social gap in the accessibility to knowledge (co - existing high and very low levels of education) and at a territorial level (deprived area in cities and mountainous/ internal areas)</p>	<p>Emphasis in (i) ESF measures, (ii) in the “city” measure, (iii) in the EAGGF measure regarding the internal areas, and (iv) in the measure for ICT.</p>	<p>1/2</p>

## 5. CONCLUSIONS

It is difficult to assess the main spatial impact of the Structural Funds in Calabria because the cause-effect link appears weak.

Overall, however, there are some trends in the region's economic conditions that are significant in terms of polycentric policy approach:

- the improvement in the tourist sector and the region's opening to external – though limited – flows (macro level) and the specialisation of some areas (meso and macro levels);
- a territorial approach to development that tends to balance the coastal areas, the valley areas and the mountainous areas, in order to induce economic diversification, stabilize internal migration flows and diffuse processes of local governance;
- the transshipment hub of Gioia Tauro and the development of a concentration of firms close to the harbour;
- the amelioration of the accessibility conditions (both related and independent) assessed at meso and macro levels;

As far as the above mentioned changes/trends are concerned, the Structural Funds seem to have influenced the polycentric development of the region and its territorial cohesion.

Unintentionally, in 1994-99 a 'massive', distribution-oriented policy seems to have enhanced some "natural" specialisation, valorising local resources (as happened in the tourism sector and in the rebalancing effect of the rural tourism).

The most significant experience from a polycentric point of view (the hub of Gioia Tauro) seems to be only indirectly related to Structural Funds. The valorisation of surrounding areas and support to new firms, however, has been strongly affected by Structural Fund financing. The existing synergies in interventions for communication and infrastructure development, make it difficult to assess the single contribution of the funds in the amelioration of the region's accessibility.

A polycentric approach, based on emerging specialisation, may produce relevant results when some specialisation can be assessed. When the general conditions (accessibility, level of public administration services, networks) are very poor the choice of specialisation within a region/area approach may not be accepted by the economically weak communities. The local communities tend to maintain an "autarchic" approach, transferring a comprehensive perspective to the local level. The polycentric approach is also hardly viable for the regional administration.

Nonetheless, it can be concluded that the polycentric approach influenced SF 2000-2006 programming. Even though not directly quoted, polycentric modelled interventions can be identified. At the moment, there is no clear evidence that the implementation process is having practical, identifiable results but a profound influence can be seen on regional and local governance.

The table below provides a synthetic overview of the final assessment.

**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<b>Aspects explicitly targeting polycentric development</b>	Direct	Only in 2000-2006 at the strategic level in the “cities” measure	Difficult to rank	-	-	Only in 2000-2006 at the strategic level with the identification of the isolation as a major problem and in the “transport and knot services measure”	Difficult to rank
	Indirect	-	-	-	-	-	-
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	-					
	Indirect	Tourism and rural diversification play a significant role in population rebalancing though there is no quantitative evidence.	5	-	-	-	-
		Foreseen concentration in the Catanzaro –Lamezia istmic part due to airport and communication links	4				

<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labour between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct			Some measures in 1994-99 determined an economic specialisation of certain areas (such as tourism for the Tropea area, the infrastructure and the GG for Gioia Tauro)	8 7 tourism logistics	Tourism measures in 1994-99 and the measure to develop Gioia Tauro determined an economic specialisation function of certain areas with a relevance also at European level	8 7 tourism logistics
	Indirect	-	-	-	-	-	-
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	The improvement links at regional level are directly affected by the SF being directly financed by the EC programming	9	-	-	-	-
	Indirect	-	-	The improvements in accessibility related to air transport are influenced by national spending and competition conditions.	7	Strongly influenced by national spending and national planning, the development of the transshipment hub has, nonetheless, benefited from SF	6
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	Not relevant	-	-	-	-	-
	Indirect	Not relevant	-	-	-	-	-
<b>Diminishing regional divergence, increasing regional/territorial balance</b> (e.g. increased cohesion regarding GDP per capita)	Direct						
	Indirect						

<p><b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)</p>	<p>Direct and Indirect</p>	<p>A distribution policy seems to be a need when the general conditions are poor. Nevertheless, a distribution policy may enhance some specialisation, valorising local resources.</p> <p>A polycentric approach, based on emerging specialisation, may produce relevant result when some specialisation can be assessed and have produced economic results (direct)</p>	<p>5</p>	<p>Weak appreciation of the interregional integration or specialisation (indirect)</p>	<p>2</p>	<p>Few areas with a European perspective but there is awareness that the challenge is to enlarge the importance in a wider context. (direct)</p>	<p>5</p>
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\* Please rank every aspect discussed in the table on a scale from 1 to 10, with 1 = minor importance/contribution and 10 = most important contribution

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- POP Calabria 1994-1999
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- Final report of the interim evaluation of the Global Grant “ Crotone ” 1994-99
- CSF ob.1 2000-2006 - Italy
- ROP Calabria - Obj. 1 2000-2006
- Ex ante evaluation POP Calabria - Obj. 1 2000-2006
- Interim evaluation POP Calabria - Obj. 1 2000-2006
- Final evaluation CSF Obj.1 1994-99 – Italy
- Guidelines PIT - february 2003
- Draft PIT project for the area Serre Consentine
- Draft PIT projects for the area Gioia Tauro
- RIS projects
- RIS + “Regional Innovation Strategies”
- Community Initiative Urban (1994-99)

General information has been also acquired from the following web sites:

- [www.regione.calabria.it](http://www.regione.calabria.it)
- [www.dps.tesoro.it](http://www.dps.tesoro.it)
- [www.formez.it](http://www.formez.it) (section about local development) for information about Integrated Project
- [www.infrastrutturetrasporti.it](http://www.infrastrutturetrasporti.it)
- [www.comune.cosenza.it](http://www.comune.cosenza.it)
- [www.europa.eu.int/comm/regional\\_policy/index](http://www.europa.eu.int/comm/regional_policy/index)



## **Case Study of Toscana**

ESPON 2.2.1: Work package 6

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May 2004

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ESPON 221 – Annex report A

## ESPON 2.2.1 CASE STUDY ON TOSCANA

### Introduction

The case studies in the framework of Espon 2.2.1 are undertaken in order to answer the following research questions:

- “What (if any) can be seen to be the territorial impact of Structural Funds implemented in 1994-1999 in the chosen case region in question?”<sup>74</sup>
- “What (if any) has been the relationship between this impact and territorial cohesion / polycentricity?”<sup>75</sup>

As outlined in the 2<sup>nd</sup> Interim Report, the main focus of the case studies will be on explanatory factors for the relation between spatial performance of a region and the type of Structural Funds investments as well as the overall amount of funding. Moreover, the case studies are intended to highlight the constancies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework. Both of these issues are considered in relation to territorial cohesion and polycentricity.<sup>76</sup>

The case study consists of the following sections: after this introduction, a first section deals with first tentative hypotheses as to the impact of the Structural Funds in the region (both direct or indirect impacts on endowment factors, governance structure, centrality of cohesion issues in regional programming, key trends in national policy development and others. Section 2 describes the region and the programmes covered by the case study (in this particular case, focus is concentrated on ERDF support, particularly through the Objective 2 programmes 1994-96, 1997-99 and 2000-06). This is followed by Sections 3 and 4 that deal respectively with spatial and policy impacts. The case study report concludes by highlighting some considerations deriving from the analysis conducted (Section 5).

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<sup>74</sup> = Looking to identify changes in temporal perspective from the previous programming period to the current one. When necessary, you can also relate these to the current programming period by using concrete examples from the programming documents, evaluations and project examples.

<sup>75</sup> = Looking to identify causality – when the template refers to “identifiable changes”, this relates to changes that are at least in part attributable to the SF intervention; For an elaboration of how polycentricity is defined and operationalised in this project see the methodological note on polycentricity attached.

<sup>76</sup> As has been argued in the 2<sup>nd</sup> interim report, there is a close connection between territorial cohesion and polycentricity. Territorial cohesion is used more as an umbrella concept covering the territorial aspects of cohesion expressed in polycentric development and equally including the objectives of balanced and sustainable development.

## 1 FOCUS OF INTEREST/HYPOTHESIS

Toscana has been selected as a case study for a number of reasons that make it one of the most interesting examples in Italy of effective implementation of regional development policy (Structural Fund policies *in primis*) and also of effective polycentric development.

First, as shown by the map presented in the Second Interim Report (page 93, map on changes of regional performance in relation to Structural Fund spending) Toscana is the only Italian region that registered over the period 1995-2000 a positive change in GDP ranking in correspondence with relatively minor SF support (relative to other Italian regions). This makes it an interesting case for analysis: the case study will look at the region's local economic development context and at the policies implemented to support local economic development through the Structural Funds. This could support an understanding of those factors that can play a role in enhancing the potential of Structural Fund support to deliver increased territorial cohesion and polycentric development.

Second, Toscana has a high level of institutional capacity and has, over time, developed a good reputation for spending SF monies effectively and efficiently. This institutional capacity makes it straightforward for the research team to obtain information and data on the policies implemented and their impacts. In addition, EPRC has a consolidated relationship with the Tuscan Objective 2 secretariat and in-depth-knowledge of the region's strategy for regional economic development, since the region has been part of the IQ-Net network since 1999<sup>77</sup>.

Third, in the current Objective 2 programme, 11% of funding was dedicated to territorial consolidation and endowment, and a further 13% to environmental preservation and valorisation. This makes the programme coherent, at least in principle, with the concept of territorial cohesion, as discussed in the First and Second Interim Reports of this project. Moreover, experimentation in the governance of EU-cofunded regional development policy is currently taking place with the introduction of the PISL, integrated projects for local development. The PISL will be explored in detail in the case study and is considered a striking example of the role that European regional policy can play in introducing new forms of governance for regional development in domestic policy-making.

Finally, Toscana can provide valuable insights regarding local economic development dynamics and evolution. For example, the research activity of the Regional Institute for the Economic Programming of Toscana (IRPET), a public institute that supports

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<sup>77</sup> IQ-Net is a network of Objective 1 and 2 regions that EPRC has been managing since 1996. The aim of the network is that of 'Improving the Quality of Structural Fund Programming through Exchange of Experience'. The network involves a structured programme of applied research and debate, centred on a bi-annual conference. IQ-Net member regions currently come from 10 different Member States across the whole EU.

the regional authority in its economic programming activity, has produced a considerable amount of work. This is useful not just as a tool for understanding the region's economic and spatial performance, but has also concrete implications in the programming activities carried out by regional authorities, as will be discussed later in the case study.

The understanding of the two questions described at the outset of this case study would require an extensive desk and field-research effort; in this circumstance, focus has been concentrated on selected themes, in particular:

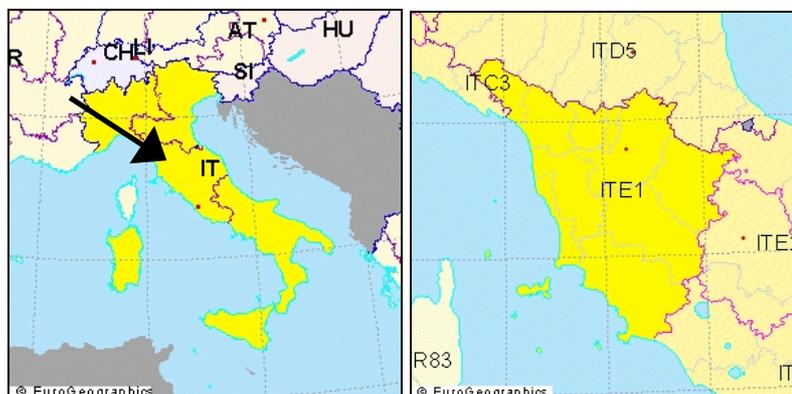
1. the economic situation of the region and its evolution over time;
2. the response provided to this situation by Structural Fund support (from 1994), particularly through the European Regional Development Fund and the Objective 2 programmes;
3. the changes in the governance of local development which can be associated – even though perhaps only in part – to the Structural Funds;
4. the broader current economic and spatial development situation and the policies that are implemented by regional authorities beside European regional policy (ie the domestic policies for local economic development).

The period under review in this case study spans from 1994 to 2006, covering both past and current programming periods.

## 2 DESCRIPTION

### 21 CASE STUDY REGION

**Map 4: Case Study Region - Toscana**



Toscana is one of 20 Italian regions (NUTS II). It is located in the centre of the Italian peninsula, on the Tirrenic coast. The Tuscan territory covers almost 23 thousand km<sup>2</sup> and is rather diversified both geographically and from a socio-economic perspective. It includes a coastline of 633 Km (191 km of which are beaches), internal mountainous areas (the Appennines, covering around 25% of the regional territory), and a predominant portion of territory consists of hills, devoted to vine and olive cultivation and dotted with medieval burgs and villages (the hills make up the majority of the region's territory, covering around 67% of its surface). The regional territory comprises a number of islands, eg. those of Elba, Giglio, Capraia and Montecristo. These represent an invaluable resource from a naturalistic point of view and form a national park (the national park of the Tuscan Archipelago). They have recently been included in the UNESCO "Biosphere"(Mab) project.<sup>78</sup>

Administratively, the region is subdivided into 10 provinces (NUTS III): Arezzo, Firenze (regional capital), Grosseto, Livorno, Lucca, Massa & Carrara, Pisa, Pistoia, Prato and Siena. It includes 287 municipalities (*comuni*). The total resident population is of 3,460,835 inhabitants (2001 census), which gives an average density of circa 150 inhabitants per km<sup>2</sup>. From a provincial perspective (NUTS III), the population density ranges from 46.9 (Grosseto) to 623.9 (Prato) inhabitants per km<sup>2</sup> (2001 census), as illustrated in Table 2 below.

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<sup>78</sup> General information taken from region Toscana's website: <http://www.regione.toscana.it/index.htm>; on the Islands' national park see <http://www.islepark.it/inglese/index.htm>.

**Table 2: Legal resident population 2001 and 1991 censuses, difference 1991-2001 (absolute and percentage values) and density per km<sup>2</sup>**

Province	Resident population, 21 October 2001 census	Resident population, 20 October 1991 census	Variation between 1991 and (absolute values)	Variation between 1991 and (% values)	Density per km <sup>2</sup>
Arezzo	323,288	314,564	8,724	2.8	99.9
Florence	933,860	967,437	-33,577	-3.5	265.7
Grosseto	211,086	216,015	-4,929	-2.3	46.9
Livorno	326,444	336,626	-10,182	-3	269.5
Lucca	372,244	377,101	-4,857	-1.3	210
Massa-Carrara	197,652	200,312	-2,660	-1.3	170.9
Pisa	384,555	385,285	-730	-0.2	157.3
Pistoia	268,503	264,622	3,881	1.5	278.2
Prato	227,886	217,244	10,642	4.9	623.9
Siena	252,288	250,740	1,548	0.6	66
<b>Total</b>	<b>3,497,806</b>	<b>3,529,946</b>	<b>-32,140</b>	<b>-0.9</b>	<b>152.1</b>

Source: Region's Toscana website at <http://www.regione.toscana.it/index.htm> , Toscana in cifre, 14o censimento generale della popolazione e delle abitazioni.

Toscana's GDP index 2000, at the NUTS III level, is positioned between 89.2 and 133.6%. From 1996, the GDP has registered changes between – 4.6 and +6.3 points. The Tuscan added value in 1997 was 122,000 billion Lire (equal to more than 63,000 Euros at the current rate of 1936.27), equal to 6.7% of the Italian added value (Regione Toscana, Giunta regionale 2001). According to the data presented in the Third Cohesion Report, in 2001 Toscana had a GDP per capita equal to 111.1% of the EU15 and 121.9% of the EU25. In 2002, the region had an unemployment rate of 4.8% of which 38.8% consisted of long-term unemployed. The unemployment rate amongst women is 7.3%, and the unemployment rate of young people is 16.2%.

To place Toscana into context as regards its place in the wider European environment, it is useful to refer to research undertaken under the ESPON programme. From a functional specialisation perspective, under ESPON project 1.1.1 Toscana has been assessed as a highly polycentric region, with differing and widespread territorial participation in the economy. Analysis undertaken under ESPON 1.1.1 has identified 22 Functional Urban Areas (FUAs) in the Tuscan territory, mostly with a diversified economic basis, but in some cases focussed particularly on the service and primary sectors. According to the classification from ESPON 1.1.1, the Tuscan regional territory also appears very diverse also as regards its interrelationship with the broader

European environment: areas like those around the cities of Florence and Pisa are here considered as having a marked trans-national and national relevance, whereas other areas, eg. those around Siena or Grosseto, are considered to have a more distinct regional or local vocation.

It is not clear how much the picture emerging from ESPON 1.1.1 corresponds to reality: for instance the classification of Florence, Siena, Pisa as areas of national dimension with reference to the tourism sector seems rather reductive (especially when at the same time, the FUA of Poggibonsi, is seen to have a European dimension). However, the classification, especially if considered from the broader European perspective from which it stems, is useful as an indication of the diversity and polycentrism of the region's territory. For more detail on the classification see Table 3 below (and the Third Interim Report of ESPON project 1.1.1, available from [www.espon.lu](http://www.espon.lu)).

A similarly diverse picture emerges when looking at the urban and rural dimension. The classification undertaken in the framework of ESPON 1.1.2 on the proportion of urban-rural population settlements, for example, emphasises that the region appears as mostly densely populated with a high degree of urban integration. However, there are also less densely populated areas of a more marked rural character, as well as peripheral-rural, sparsely populated areas which nonetheless are highly integrated with urban centres.

This diversity of the Tuscan territory which emerges from the ESPON research, can perhaps explain the paradoxes that lie beneath the positive image that this region has. As underlined by Alessandrini, in his preface to Bacci's *'Sistemi locali in Toscana'*, Toscana is a complex region, with a population similar to that of Ireland and a slightly higher GDP per capita than this country (a GDP per capita that is overall higher than the EU-15 average), but, at the same time, the Tuscan economy has a slow growth rate, low saving and investment levels, an unemployment rate higher than the average unemployment rate of the Centre-North of Italy, and a rate of population with University qualification lower than the Italian average (Alessandrini, in Bacci, p. 11).<sup>79</sup>

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<sup>79</sup> 'Il quadro di insieme che se ne può ricavare è quello di una regione che ha una popolazione all'incirca pari a quella dell'Irlanda, ma con un livello di PIL pro capite lievemente superiore, che la colloca al di sopra della media dell'Unione Europea, anche se di poco. Nello stesso tempo si può constatare che l'economia toscana presenta ritmi di crescita bassi, con livelli di risparmio e di investimento molto ridotti, con un tasso di disoccupazione superiore a quello medio dell'area Centro-Nord e con un grado di istruzione universitaria della popolazione inferiore alla media nazionale', Alessandrini P, *La Toscana: laboratorio, mosaico e labirinto, Introduction to Bacci (2002) Sistemi Locali in Toscana. Modelli e percorsi territoriali dello sviluppo regionale*, Milano, 2002, p. 11.



**Table 3: FUAs in Toscana (from ESPON 1.1.1)**

Region / FUAs	Functional Urban Areas					Role in spatial system – Functional Urban Areas of Global (G), European (E), National (N), Regional (R) or Local (L) importance							Economic Base
	Σ FUAs	Mega	national	Regional/ Local	No fua	Population	Transport	Tourism	Industry	University	Decision making	Administrative	
<b>Toscana</b>	<b>22</b>	<b>0</b>	<b>3</b>	<b>19</b>		<b>N</b>		<b>N</b>	<b>N</b>	<b>N</b>	<b>R</b>	<b>R</b>	
AREZZO				X		R	-	R	R	-	L	L	diversified
CARRARA				X		R	-	R	L	-	-	L	service
CORTONA				X		L	-	L	L	-	L	L	diversified
EMPOLI				X		R	-	L	R	-	-	L	diversified
FIRENZE			X			N	L	N	N	N	R	R	diversified
GROSSETO				X		R	-	R	L	-	-	L	primary
LIVORNO			X			R	E	N	R	-	-	L	service
LUCCA				X		R	-	N	R	-	-	L	diversified
MASSA				X		R	-	L	L	-	-	L	service
MONTECATINI-TERME				X		R	-	N	R	-	-	L	diversified
PIOMBINO				X		R	-	L	L	-	L	L	service
PISA			X			R	L	R	R	R	L	L	diversified
PISTOIA				X		R	-	R	R	-	L	L	diversified
POGGIBONSI				X		R	-	E	L	-	-	L	diversified
PONTEDERA				X		R	-	L	R	-	L	L	diversified
PRATO				X		R	-	L	R	-	-	L	industrial
SIENA				X		R	-	R	R	L	L	L	diversified
VIAREGGIO				X		R	-	R	R	-	-	L	diversified
SANTA CROCE SULL'ARNO				X		R	-	L	L	-	-	L	diversified
BARGA				X		L	-	R	L	-	-	L	diversified
482 CASTELNUOVO DI GARFAGNANA				X		L	-	R	L	-	-	L	diversified
ROSIGNANO MARITTIMO				X		L	-	L	L	-	L	L	service



## **2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999 AND 1999-2006)**

### **2.2.1 1994-99 Structural Fund support**

The following programmes were implemented in Toscana across the 1994-99 programming period:

- Objective 2 1994-96 Single Programming Document (SPD)
- Objective 2 1997-99 SPD
- Objective 3 Operational Programme (OP)
- Objective 5b 1994-99 SPD
- A number of Community Initiative Programmes (CIPs); those funded by ERDF are: SME, Resider II, Retex II, Rechar II, and Interreg (IIA, Corsica-Toscana).

### **General spending information**

Research undertaken in previous stages of the ESPON 2.2.1 project involved the tracking of the final<sup>80</sup> expenditure information on the Structural Fund programmes implemented in the 1994-99 period across Italy. This covered the main support instruments that were implemented during this period, namely: the programmes implemented under the Objectives 1, 2, 3 and 5b. Expenditure was classified based on the predominant funds involved (ERDF, ESF, EAGGF, IAGF, Cohesion) or type of programme, and this resulted in a typology: (R) regional development, (A) infrastructure agriculture, fishery, rural development, (S) social integration, human resources. In order to allocate Structural Fund expenditure to the NUTS III level, ie. to the provinces, given that no statistics exist on Structural Fund expenditure for the NUTS III level, the NUTS II level data has been taken as the starting point for the redistribution pro-quota at NUTS III level. For the Centre-North of Italy, where only parts of the territory were (and are) eligible for European regional policy, this implied considering the real population resident in the eligible areas (i.e. the population in each NUTS III that was included in the Objective 2 and 5b maps). The work has entailed therefore an aggregation for each NUTS III region of the eligible population in each municipality (NUTS V), with attribution of a code 'Area-Objective'. From the work described above, it was estimated that over the 1994-99 period the overall Structural Fund contribution in the region was more than €451 million (Structural

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<sup>80</sup> When the data gathering was undertaken (spring 2003), final implementation data validated by the Commission was not yet available. The data utilised for the exercise were hence those made available by the Ministry of Economy and Finances (pre-final data referred to the period up to July 2003 for the Objective 1 and up to September 2002 for Objectives 2, 3 and 5b). The final contribution of each fund has been calculated on the basis of the expenditure as defined above, such data may therefore be underestimated.

Funds only), of which 57.4% was ERDF (€259.2 million); 30.8% ESF (€139.15 million) and 11.7% EAGGF (€52.98 million). Table 4, below, provides a detailed picture of how this funding was distributed across the ten Tuscan provinces. As the table shows, Pisa and Livorno appear as the two provinces with highest Structural

**Table 4: Structural Fund contribution under the Objective 2, 3 and 5b programmes over the period 1994-99 in Toscana, Meuro (Structural Funds only)**

	ERDF		ESF			EAGGF	Total SF
	O2	O5B	O2	O3	O5B	O5B	
Massa-Carrara	25.606	2.859	5.110	4.570	0.995	3.268	42.407
Lucca	-	4.191	-	8.604	1.458	4.790	19.042
Pistoia	7.916	6.111	1.580	6.037	2.127	6.985	30.756
Firenze	9.839	7.089	1.964	22.072	2.467	8.102	51.534
Prato	37.443	0.400	7.472	4.956	0.139	0.457	50.867
Livorno	55.182	1.412	11.012	7.680	0.491	1.613	77.390
Pisa	68.945	-	13.759	8.790	-	-	91.494
Arezzo	-	10.318	-	7.177	3.591	11.794	32.880
Siena	-	5.404	-	5.721	1.881	6.177	19.182
Grosseto	7.962	8.570	1.589	4.928	2.983	9.795	35.827
Toscana	212.892	46.354	42.485	80.537	16.132	52.980	451.380

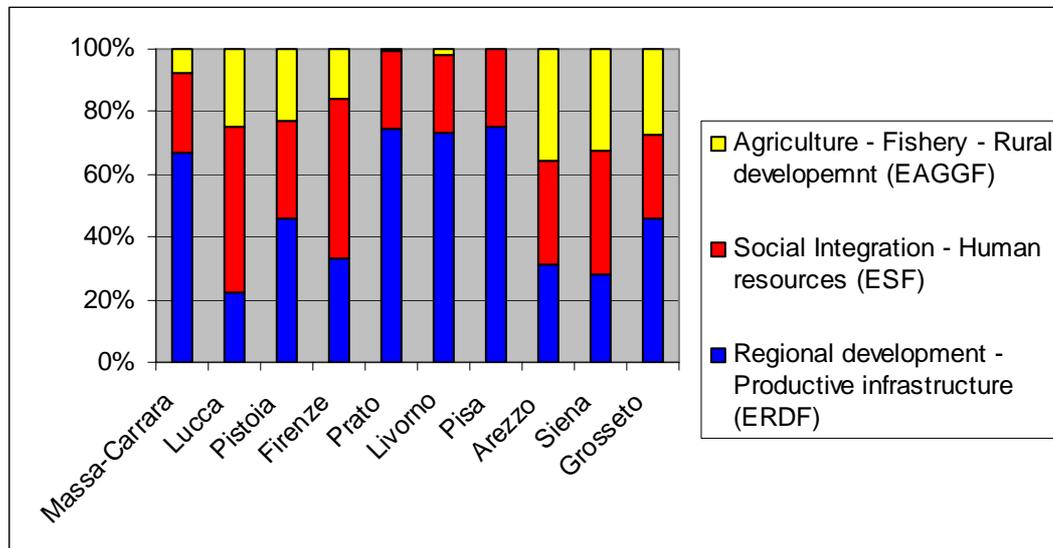
Source: EPRC elaborations on data at 30 September 2003 from Italian Ministry of Economy and Finances.

Fund spending, followed by Firenze, Prato and Massa-Carrara.

Table 5, below, provides an overview of the distribution of Structural Fund spending per province by type of funding. As can be seen ERDF predominates largely in the provinces of Massa-Carrara, Prato, Livorno and Pisa, representing in Pisa 2/3 and in the other three provinces between 67% and 74% of the overall Structural Funds spent in these areas. The two provinces of Lucca and Firenze benefit particularly of ESF support which accounts for more than half of the total Structural Fund expenditure in

these two provinces. The contribution of ERDF appears more limited, reaching a maximum of 35% and 32% respectively in Arezzo and Siena.

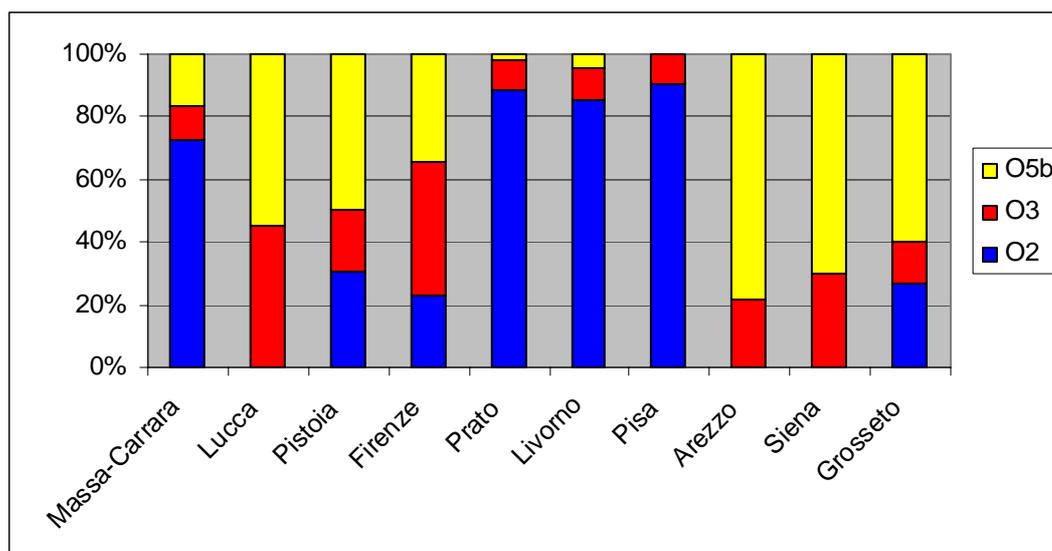
**Table 5: Type of Structural Fund spending (Fund) per province (NUTS III)**



Source: EPRC elaborations.

Table 6 illustrates the contribution of each different form of intervention (Objective 2 SPD, Objective 3 OP and Objective 5b SPD). Clearly, the province of Pisa received support only from the programmes under the Objectives 2 and 3, whereas the provinces of Arezzo and Siena did not receive assistance under the Objective 2. All other provinces received support under all three Objectives, but with a differing mix of sources: in the provinces of Lucca, Pistoia and Grosseto the Objective 5b appears as the main source of support; whereas in the provinces of Prato and Livorno the Objective 2 is the dominant programme.

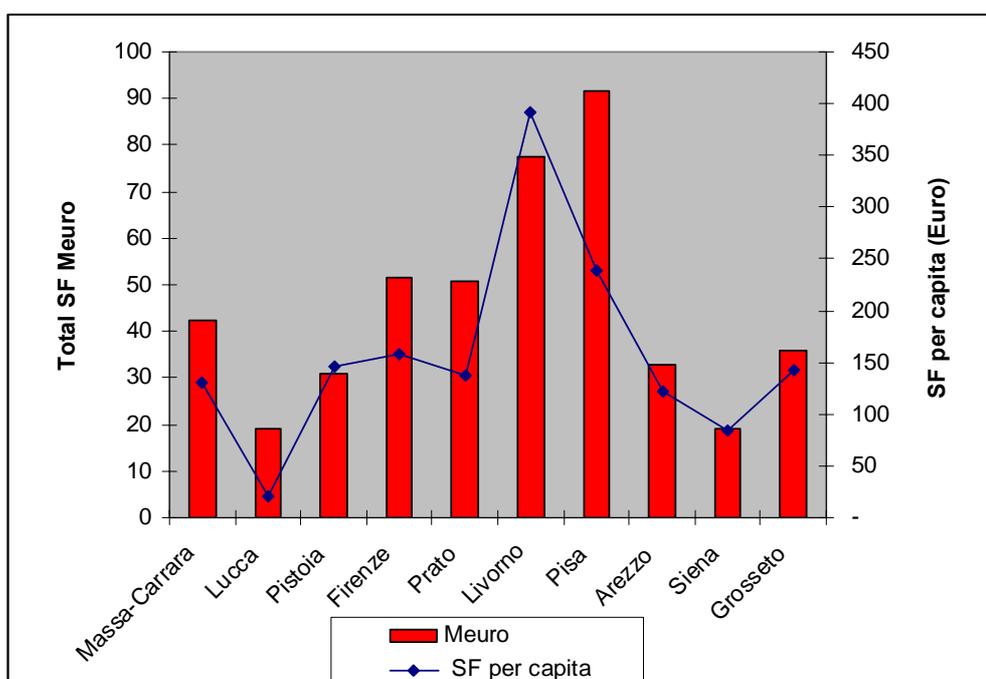
**Table 6: Type of SF spending by programme per province (NUTS III)**



Source: EPRC elaborations.

Finally, it is interesting to consider the per capita contribution of the Funds in each province (Table 7). The region received over the period 1994-99 around 129 euro per capita. Highest SF spending per capita is concentrated in the provinces of Livorno (with 391.55 euro per head) and Pisa (327.92%). The province benefiting the least of the Structural Funds appears to be Lucca, with just 20.39 euro per capita.

**Table 7: Total Structural Fund spending per capita (based on total resident population in each province, census 2001)**



Source: EPRC elaborations.

An estimate of the total contribution of ERDF expenditure across the whole of the interventions implemented (including also the CIPs) is provided in a work by ECOTER for Regione Toscana. Between the Objective 2 and 5b programmes and the CIPs SME, Resider II, Retex II and Rechar II, the funds provided a total of around € 2,563.8 million, subdivided as illustrated in Table 8, below.

**Table 8: Overall ERDF funding 1994-99 – million €**

<i>Programme</i>	<i>Total investments</i>	<i>ERDF</i>	<i>Domestic Public</i>	<i>Private</i>
Objective 2 SPD 1994-96	1,058.9	90.6	220.7	747.6
Objective 2 SPD 1997-99	984.3	126.8	309.7	547.7
<b>Total Objective 2 1994-99</b>	<b>2,043.2</b>	<b>217.4</b>	<b>530.5</b>	<b>1295.3</b>
<b>Objective 5b SPD 1994-99</b>	<b>434.5</b>	<b>47.1</b>	<b>118.1</b>	<b>269.3</b>
Retex II	34.6	7.8	14.8	12.0
SME	10.0	2.4	2.6	5.1
Resider II	28.4	4.1	6.1	18.2
Rechar II	13.0	1.0	1.0	11.1
<b>Total CIP</b>	<b>86.1</b>	<b>15.3</b>	<b>24.5</b>	<b>46.3</b>
<b>TOTAL SUPPORT</b>	<b>2,563.8</b>	<b>279.8</b>	<b>673.0</b>	<b>1,610.9</b>

Source: Regione Toscana Dipartimento per lo Sviluppo Economico, Ecoter srl., *L'intervento del FESR in Toscana nel periodo 1994-99*, p. 29.

As the table above shows, most of the resources were concentrated in the Objective 2 programme that represented almost 80% of the investments generated (79.7%) and of the total ERDF support (77.8%) provided over the period 1994-99. The two Objective 2 programmes for the 1994-96 and 1997-99 period are *de facto* identical, since the 1997-99 was in fact a continuation of the previous programme. Both were organised around 6 priorities plus the Technical Assistance.

### **Aims**

The structure of the Objective 2 programmes that were implemented in the past programming period is reproduced in Table 9 below. The two programmes had the main aims of the socio-economic conversion of areas in industrial decline and as such facing structural difficulties. The area covered by the programme was very

heterogeneous, it spanned 7 provinces and covered around 30% of the total Tuscan population.

The main goals of the SPDs were as follow: (i) to support employment, through the diversification of industrial activities, the consolidation of SMEs (in particular to strengthen their competitiveness potential for internationalisation and management capacity); (ii) to sustain technological innovation and R&D as a means to increase the competitiveness of the productive system; (iii) to develop tourism as a crucial economic driver for the region and the activities related to this (eg. qualifying tourism supply, favouring the delocalisation towards the hinterland and valorising the cultural potential as an asset for tourism); (iv) to exploit fully the three regional ports, integrating them in a coherent regional transport system; (v) to fund interventions for environmental recovery (eg. of areas affected by past or present industrial activities) and protection; (vi) to provide training for the qualification of human resources.

**Table 9: the Objective 2 1994-96 and 1997-99 SPDs – ERDF only**

Priority	Measures
1. Development and Strengthening of SMEs	1 Aids to Investments by SMEs 1.2 Aids to investments by craftsmen 1.3 Financial services 1.4 Services to firms 1.6 Economic animation (+ 1 ESF measure)
2. Tourism and cultural resources	2.1 Infrastructure and integrated projects 2.2 Tourism services 2.3 Promotion 2.4 Aids to investments
3. Technological innovation, research and development	3.1 Technological Transfer to SMEs 3.2 Technological services
4. Environment	4.1 Monitoring and control 4.2 Incentives for environmental investments 4.3 Environmental Infrastructures 4.4 Reclaiming of polluted areas ( <i>siti degradati</i> )
5. Territorial re-qualification of port system	5.1 Industrial and craftsman areas 5.2 Port and inter-modal infrastructure
6. Valorisation of Human Resources	6.2 Structures for professional training (+ 5 ESF measures)
7. Technical Assistance	7.1 ERDF T.A. (+ 1 ESF measure)

Source: Regione Toscana Dipartimento dello Sviluppo Economico, *DocUP Ob. 2 anni 1994-96 Rapporto Finale di Esecuzione*, 31 December 1998 and Regione Toscana Dipartimento dello Sviluppo Economico (2000), *DocUP Ob.2 1997-99 Rapporto annuale di esecuzione al 31.12.1999*.

In the same programming period, the structural problems of rural areas were tackled through the Objective 5b programme, which was co-funded by ERDF, EAGGF and ESF and aimed at increasing the income and supporting employment in the assisted areas.

The Community initiatives mentioned above dealt with specific goals. For instance, one goal was the industrial conversion of areas affected by crisis. This included the metallurgic sector (Resider II, the areas of Livorno also included in the Objective 2 and 5b programmes); the textile sector (Retex II, covering all the municipalities in the provinces of Arezzo, Firenze, Lucca, Pistoia and Prato also included in the Objective 2 and 5b maps); and the coal sector (Rechar II that supported areas in the mining field of Santa Barbara, cross-cutting the provinces of Arezzo, Firenze and Siena). Under the SME CIP, interventions were implemented to support the competitiveness of SMEs across the whole territory covered by the Objective 2 and 5b, including two

interventions, for consultancy services to firms and for ICT (ECOTER, Regione Toscana, 2000).

### **2.2.1 2000-06 Structural Fund support**

The current Objective 2 programme is different from the previous ones in its philosophy. It reflects the approach of the Regional Development Plan 1998-2000 which in turn is very oriented towards endogenous development. The aim is to fully exploit the region's assets: its natural environment, entrepreneurial system, infrastructure endowment, human resources and financial resources and self-financing potential (Ecoter, Regione Toscana 2000). As underlined in the Ecoter-Regione Toscana report,

*In order to exploit all these resources, RDP defines a strategy within which various assistance instruments and financing sources are oriented to the attainment of the system of objectives defined. Consequently the RDP:*

- *is the only Region's instrument of regional policy for all subjects (Europe, State, Region, autonomous local bodies);*
- *employs all available resources (European, national, regional), based on all operating instruments;*
- *adopts the Community approach in terms of methodologies, techniques, programming procedures.*

*The Single programming document of the Objective 2 areas for 2000-06 (ob.2 2000-06) is its most important and useful instrument. (Ecoter, Regione Toscana, p. 21).*

The structure of the SPD is simpler, not just because it is mono-fund (ERDF only) but also because it consists of only three main priorities: (i) Development and strengthening of SMEs; (ii) Territorial qualification, and (iii) Environment. However, the number of measures has remained quite high (26 plus the TA), with some of the measures including up to 4 sub-measures.

**Table 10: the Objective 2 2000-06 SPDs**

Priority	Measures	Financial allocation	Financial allocation
		Total Public – Euro (%) <sup>81</sup>	ERDF only - Euro (%)
1. Development and strengthening of enterprises	1.1 Aids to the productive and environmental investments of industrial enterprises 1.2 Aids to the productive and environmental investments of craftsmanship's production enterprises and of production co-operatives 1.3 Financial Engineering 1.4 Aids to soft investments (eg. consultancy costs) 1.5 Aids to investments by firms in the tourism and commerce industry 1.6 Aids for the creation of new businesses 1.7 Innovation transfer to SMEs 1.8 Pre-competitive industrial research	486,160,539 (41.1%)	119,133,663 (36.9%)
2. Territorial qualification	2.1 Infrastructures for tourism and commerce 2.2 Cultural infrastructure 2.3 Transport infrastructure 2.4 Infrastructure for the productive sectors 2.5 Social Infrastructure 2.6 Infrastructure for training and employment 2.7 Strategic territorial marketing 2.8 Actions in support of the Information Society	470,689,400 (39.8%)	148,414,178 (46.0%)
3. Environment	3.1 Optimisation of the energy system (public actors) 3.2 Optimisation of the energy system (private actors) 3.3 Infrastructure for the water cycle 3.4 Infrastructure for waste management (public actors) 3.5 Infrastructure for waste management (private actors) 3.6 Reclaiming of polluted sites (public actors) 3.7 Reclaiming of polluted sites (private actors) 3.8 Parks and protected areas 3.9 Soil defence and hydraulic safety 3.10 Aids to businesses for environmental investments	212,205,701 (17.9%)	47,993,987 (14.8%)
Technical Assistance	T.A.	13,900,000 (1.2%)	6,949,999 (2.2%)
<b>Total programme</b>		<b>1,182,955,642</b> <b>100%</b>	<b>322,491,827</b> <b>100%</b>

Source: Regione Toscana, Direzione Generale Sviluppo Economico (2003) *Docup Ob. 2 anni 2000*, Firenze, 5 December 2003.

## Aims

<sup>81</sup> Different percentage values in the two columns are due to the different participation rates of ERDF in each priority (24% of total cost in Priority 1, 30% and 23% in Priorities 2 and 3, 50% for the T.A, for an overall participation rate of ERDF on the total cost of the SPD of 27%).

The strategy of the SPD espouses an integrated approach which aims to achieve the global objective of the programme, ie. the modernisation and restructuring of productive systems and support for quantitative and qualitative development processes in employment, with particular emphasis on equal opportunities and environmental sustainability. (Regione Toscana, 2000-06 SPD, p. 136, own translation). The three priorities target: the growth, innovation and modernisation of the productive system (Priority 1), the realisation of interventions specifically targeting environmental sustainability (Priority 3) and the realisation of an infrastructure framework that guarantees the constitution of external economies which would represent a competitive advantage for enterprises in the manufacturing, tourism and commerce fields (Priority 2).

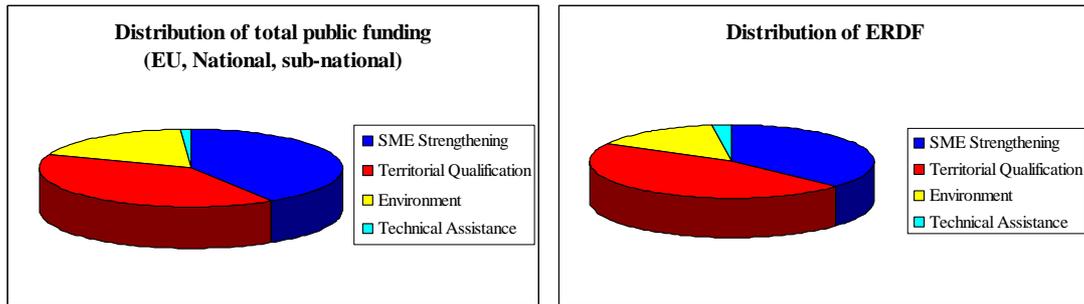
Each priority is associated with a specific goal:

- To support the development of firms and of the territory in which they operate, through the promotion of new firms, their enlargement and modernisation. This is to be achieved through a diverse set of incentives for growth, especially innovation-oriented, for sustainable development and a re-balancing of employment in gender terms (Priority 1);
- To increase and modernise the infrastructure available to the tourism sector, cultural heritage, enterprises, the social services and employment in the territory (Priority 2);
- to diminish potential environmental risks that derive from an excessive use of non-renewable energy sources, underdeveloped water purification systems, inadequate treatment and recycling of urban and industrial wastes and the existence of polluted sites and areas at risk (hydro-geological, hydraulic and morpho-dynamic risk) (Priority 3).

### **General spending information**

As illustrated in the two diagrams below, the main priority in terms of financial weight is Priority 2. Overall, the programme is very heavily orientated towards infrastructure investments which account for most of the spending under priorities 2 and 3. These priorities absorb almost 60% of the total public cost of the programme.

**Figure 43: Distribution of total public funding and of ERDF between priorities**



Source: Own elaboration.

### 3 IMPACTS ON SPATIAL DEVELOPMENT

#### 3.1 POLYCENTRIC DEVELOPMENT

Toscana is a polycentric region. It is polycentric in terms of the territorial distribution of human settlements, the dissemination and diversification of economic activities across the regional territory, and the region's social and labour-market dynamics. On the whole, Toscana is a diversified and complex region which can also be qualified as institutionally polycentric. As has been argued (Bacci, 2002), the polycentric settlement pattern of the region is rooted in history. It can be considered as originating in the period between the XII and XV century, when the decline of the feudal system and the development of the merchant cities (eg. the maritime republic of Pisa) generated a network of municipalities and rural centres which is still very much reflected in the current regional settlement structure. To date, Toscana includes: the metropolitan area of Florence (with around 500,000 inhabitants); three cities with more than 100,000 inhabitants; nine towns with 50-100,000 inhabitants; around twenty towns with a population ranging from 20-50,000 units and circa 100 villages with less than 5,000 inhabitants (Bacci, 2002).

From an economic point of view, the region's economic fabric is polycentric in that it is constituted by a multiple range of economic activities (manufacturing, agriculture, tourism, services etc.) which are dispersed across the territory. This can be traced back to the mid-1970s when the region's industrial sector began to develop rapidly. This period saw the emergence of 'light industry' or 'bottom-up industrial development': a 'disperse and fragmented' industrial fabric, characterised by the productive decentralisation of medium and large firms towards smaller firms or towards domestic work and linked to the urban network of smaller centres (Alessandrini, in Bacci, 2002). This structure evolved further as a response to the development of information technologies, the creation of monetary union and market globalisation, becoming part of the cluster and district structure which appears across the whole of Central and North-East Italy.<sup>82</sup> In this framework, the Tuscan polycentric economic structure is the result of the interaction of distinct local economic systems, each with a specific availability of resources, productive mix, development stage, geographical vocation, growth rhythms and potential.

Polycentrism in Toscana is not just related to demographic and economic structures, but refers also to social aspects and dynamics: family-structure, education levels, employment and self-employment propensity, travel-to-work patterns and other factors that also vary across the regional territory.

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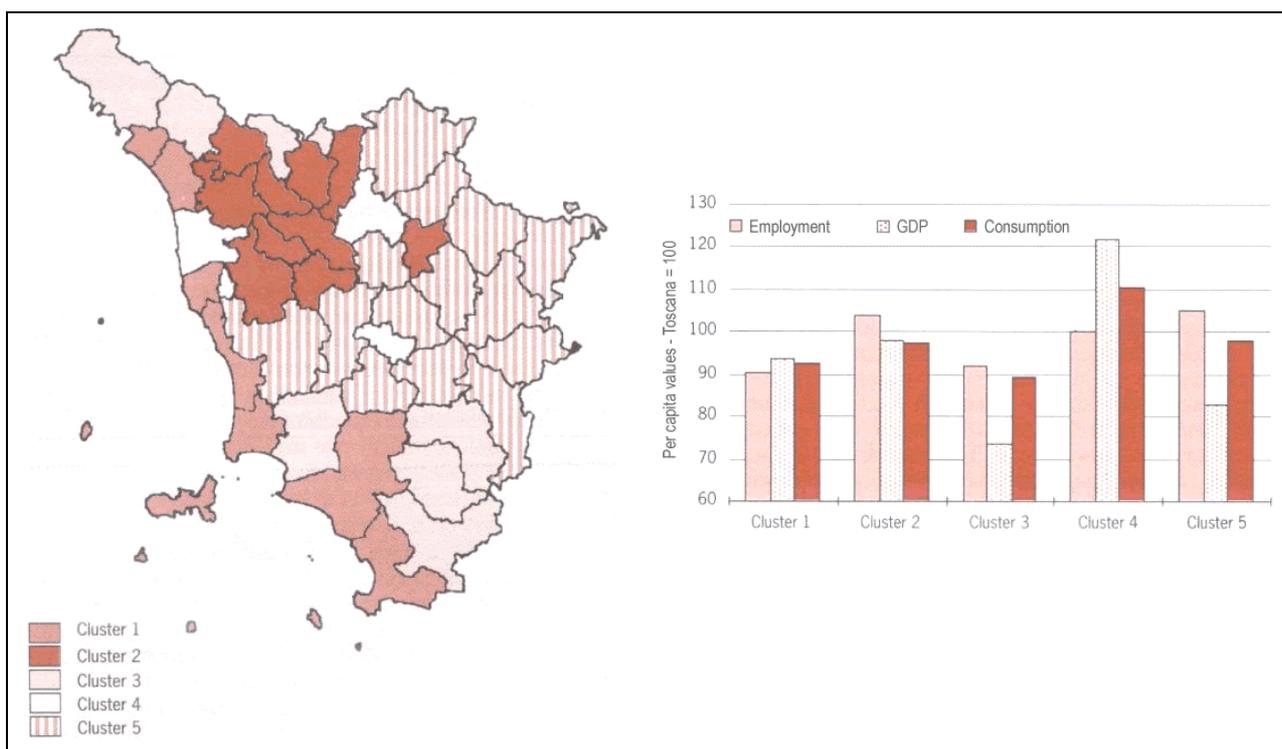
<sup>82</sup> Although, as underlined by Alessandrini, unlike other regions in the North East, for example, the Tuscan light industry whilst having an important role for the overall economic development of the region, has not exploited fully its potential, lacking to expand territorially and reaching premature saturation, as suggested by growth rates that have been steadily decelerating since the Eighties.

Bacci, (Bacci, 2002), identifies 5 groups of areas with distinct social characteristics:

- **Cluster 1 - the coastal areas** (with the exclusion of Pisa and of the metalliferous hills), where family links are those typical of fordist societies, where the development of large industries (in this case exogenous large industries) led to the creation of nuclear, single-income families, and where propensity to entrepreneurship and self-employment is low. This situation ties in with high unemployment rates among the young, associated with the decline of large industries, and high levels of education attained;
- **Cluster 2 - the productive core of Toscana** - eg. the areas of Empoli, Pistoia, Prato – this cluster is characterised by an industrial fabric based on the ‘light industry’ and small and medium firms. It is typified by a family structure that can traditionally be associated with the previous ‘share cropping’ system (*sistema mezzadrile*) and is characterised by a high propensity to self-employment, relatively low levels of education and lower youth unemployment than other areas in the region;
- **Cluster 3 - rural and mountainous areas** with a relatively high percentage of single family units consisting of an old person living alone; less than average presence of large families; relatively low levels of education overall (but with high education among young people);
- **Cluster 4 – main urban areas** (eg. Florence, Pisa, Siena) where higher education levels among the younger population, due to the concentration of Universities in this area, is accompanied by a higher permanence of young people within their families of origin. Employment is concentrated in the tertiary sector (especially advanced tertiary) with lower than average unemployment of young people and women;
- **Cluster 5 – a grouping of areas with differing characteristics**, mainly areas with a tourism or industrial dominated economic fabric, complemented at times by quality agriculture. These areas developed later than the areas in the second cluster. This cluster also includes the suburban areas around Florence and Siena.

The map and diagram reproduced below provide a visual representation of the territorial distribution of the five clusters described above and of their relative situation in terms of employment levels, per capita GDP and consumption (Toscana equals 100). As can be seen, the urban cluster accounts for much of the region’s GDP and consumption, whereas the lowest GDP per capita levels can be found in the rural and mountainous areas.

**Figure 44: Bacci’s socio-demographic classification of Tuscan Local Economic Systems**



Source: Bacci L (2002) *Sistemi Locali in Toscana. Modelli e percorsi territoriali dello sviluppo regionale*, Milan 2002, p. 116 and p. 120.

This diversity in terms of socio-economic and productive fabric across the regional territory has been the basis for extensive research, conducted especially by IRPET, and for a classification of the region's territory in *Local Economic Systems*. Thirty-three Local Economic Systems (in Italian *Sistemi Economici Locali*, SEL) were approved in an official document by the Regional Council<sup>83</sup> (the Italian equivalent of a regional Parliament) and are now the basis for the analysis of territorial needs and strengths as well as for policy-making for economic, social and spatial development (IRPET, Regione Toscana, 2001).

### 3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM

#### Tourism

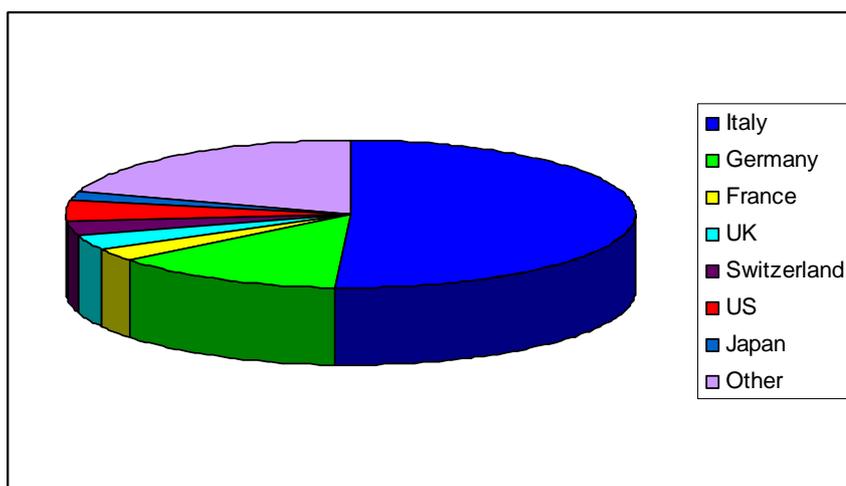
Italy is a holiday destination for tourists from all over the world, due to its natural, cultural and environmental resources. Region Toscana is one of the most sought after destinations, and is among the regions which have a highest visibility internationally.

<sup>83</sup> Deliberation of the regional Council no. 219, July 1999.

The region's relevance is certainly 'global', with Florence, Pisa, Siena and other smaller villages attracting tourism from the US, Asia as well as Europe.

The diagram below shows the percentage of tourists who visited the region in the year 2002 by nationality. Almost half of the total 38,052,315 visitors came from outwith the Italian borders (49.09%): most of these were Germans (26.9%) and British citizens (16.7%), but there were also Americans (4.7%) or Japanese (3.4%) and citizens from other countries.

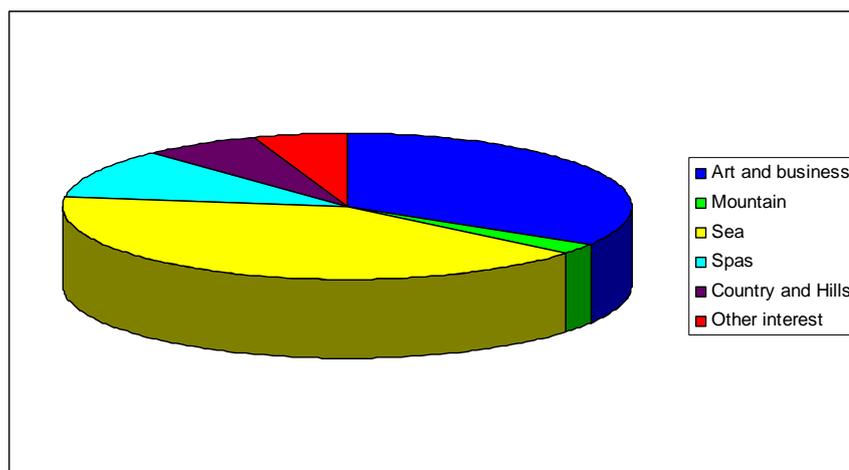
**Figure 45: Tourists visiting Toscana by country of origin, 2002**



Source: Own elaboration based on data from Region Toscana website

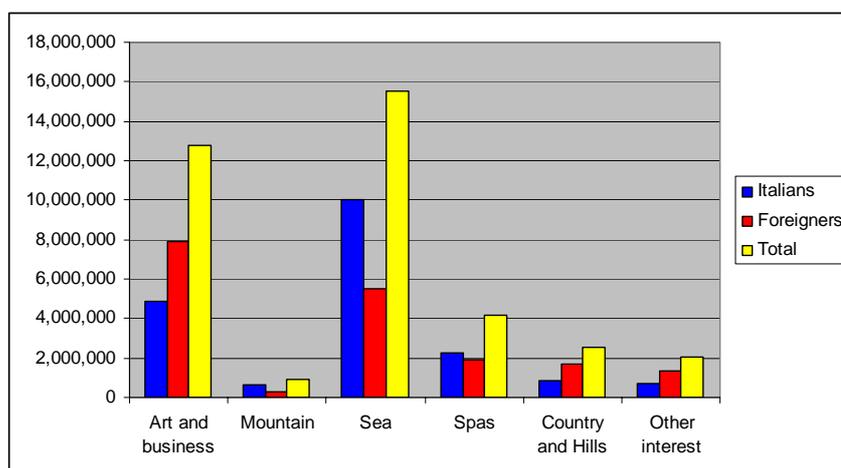
Tourism in Toscana is significantly diversified, as the two diagrams below show (Figure 46 and Figure 47). As Figure 47 highlights, foreign tourism can be associated especially with art, culture and business visits.

**Figure 46: Percentage distribution of tourism by area of interest, 2002**



Source: Own elaboration based on data from Region Toscana website

**Figure 47: Distribution of tourism by interest and nationality (Italian vs foreign), 2002**



Source: Own elaboration based on data from Region Toscana website

In the 1994-99 period, ERDF sponsored interventions for tourism both in the Objective 2 and Objective 5b programmes. Projects funded included the following (Ecoter, 2000):

- an integrated project for the cultural and tourist promotion of the archeological parks around Livorno (Obj. 2 1997-99 and Resider CIP, 8.2 billion Lire);
- the completion of a museum of natural history in Livorno (Obj. 2 SPDs, 5.1 billion Lire);
- the restoration of old buildings, castles and spa centres (eg. Palazzo Vicari in the province of Florence, Castle Pasquini in the province of Livorno)
- the implementation of tourism/educational paths in the Maremma/Grosseto area (Obj. 5b SPD) and of an educational centre on environmental themes in the national park of the forests 'casentinesi' (Obj. 5b SPD).

In the 1994-96 and 1997-99 Objective 2 programmes, a whole priority (Priority 2) was devoted to the support of tourism (tourism infrastructures, services to tourism firms and aids for tourism investments, tourism promotion).

The modernisation of tourism supply is an important feature also of the current Objective 2 SPD, with measures 2.1 and 2.2 funding respectively infrastructures for tourism and commerce, and cultural infrastructures; measure 2.7 funding marketing for tourism; measure 3.8 funding parks and protected areas. Of particular interest is measure 2.2 that, articulated in two sub-measures (public and private investments), funds interventions for the reclaiming and restoration of museums, theatres, historical buildings, cultural and archaeological parks and others. This measure is performing extremely well, reflecting a real need for this type of investment. The aim of this type of intervention is to distribute tourist activity across the regional territory. In addition, measure 1.5 funds investments made by firms operating in the tourism sector to strengthen their receptive capacity and modernise existing structures. At the mid-term stage (DocUP News, March 2004) more than 200 initiatives submitted by firms in the tourism sector were funded, involving the creation of 718 new jobs, predominantly taken up by women. In addition to this, 82 projects proposed by firms or consortia were approved with the goal of qualifying tourism services and 35 infrastructure projects (eg. ski-related works). 133 projects, submitted by municipalities, other public actors and private subjects were also funded involving a restoration of historical buildings, theatres, museums, cultural and archeological parks etc. which will also have an impact on the tourism supply.

### **Knowledge, HE and R&D**

The position of the region as regards higher education is somewhat peculiar. Toscana hosts Universities that are renowned all over Europe: the 'Scuola Normale' of Pisa; the Universities of Florence, Pisa and Siena; and, the European University Institute in Fiesole. However, the level of people within the region with HE qualifications is lower than the national average (Bacci, 2002). This suggests that the Universities have an important role in attracting students and research expertise to the region, but at the same time that a large portion of graduates leave the region once they finish their studies. In 2002, 56.5% of those aged between 25-64 years in the region had a low educational attainment (EC, 2004). The Structural Fund programmes, and ERDF in particular, do not play a major role in this respect. However, the presence of a dense network of Universities and research institutes is seen in the current Obj. 2 programme as a good basis for stimulating research and innovative capacity within local firms.

Tuscan firms experience innovation as a 'learning by doing' process, but actual investment in R&D is low, placing Toscana in a position which is certainly advanced

in comparison to the regions of the South of Italy, but weak in relation to the other regions of the Centre-North of Italy. In the period 1990-92, for example, only 24.2% of Tuscan firms introduced process or product innovations against a national average of 33.1%. Innovation related expenditure in the Tuscan firms represents only 4.6% of the Italian total (Regione Toscana, 2001). The current SPD foresees interventions for this purpose, for example through measure 1.7, 'Innovation Transfer to SMEs' (that funds, amongst others, the creation or consolidation of networks of enterprises, research centres, service centres for technological transfers and others to support technological transfer and process and product innovation) and through measure 1.8, 'Aids for industrial and pre-competitive research'. Other founding sources, eg. the VI Framework Programme, the Regional Programme of Innovative Actions and domestic funds (eg. CIPE resources and law 46/82) also contribute to this aim.

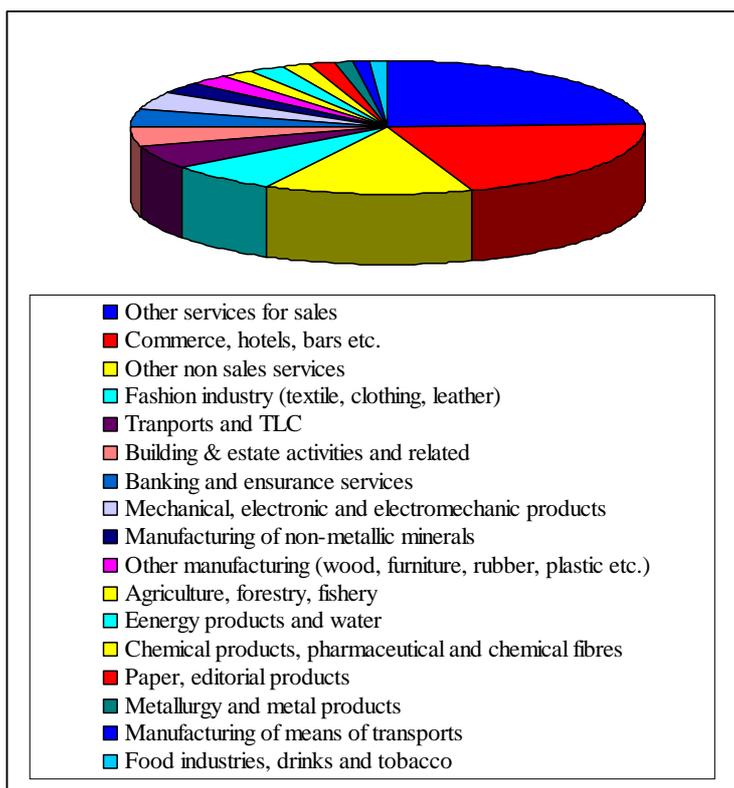
### **Administrative status**

The role of the region as an administrative unit is national: Toscana is one of the 20 regions in Italy with legislative powers in a wide range of matters, as foreseen by the recently amended Constitution. The role of the Structural Funds in this area can be related to having stimulated regionalisation trends and the development and implementation of comprehensive regional strategies. In addition, the implementation of Structural Fund programmes have contributed to the development of monitoring and evaluation activities and to an effective and increasingly widespread implementation of the principle of subsidiarity.

### **Economic base and industry**

The economic base of Toscana is mixed, as is shown in Figure 48 below, varying across the regional territory. Manufacturing industry, despite the deindustrialisation trend apparent at least since the mid Eighties, still represents the main component of the region's productive basis (in 1996 accounting for about one third of the total no. of operators). Manufacturing production is specialised mainly in the fashion sector (textile and leather production), iron and steel industry (*metalmeccanica*), the production of non-metallic minerals (eg. marble, ceramics, glass) and others, with different specialisations across the regional territory. Other (non-manufacturing) activities, especially tertiary sector but also tourism and commerce, have compensated for the effects of deindustrialisation in recent years (although the tertiary sector also experienced a slow-down from the mid-1990s, with a contraction of the number of operators). Current Objective 2 support, therefore, is tackling a dual challenge: to diversify the economic structure, by fully exploiting the region's many assets, and to support manufacturing/productive activities.

**Figure 48: Economic basis – distribution of Tuscan added value (% , 1997)**



Source: Own elaboration from data in the Tuscan 2000-06 SPD.

In the 1994-96 and 1997-99 Objective 2 programmes, a whole priority (Priority 1) was devoted to aids to firms, services to enterprises and economic animation. In a similar vein, the current Objective 2 SPD devotes around 40% of total public funds to priority 1 (strengthening of firms). The programme also funds economic infrastructure under priority 2 (eg. measure 2.4, infrastructures for the productive sector, measure 2.6, infrastructure for training and employment and others).

Table 11 below provides a synthesis of the functional specialisation of the region and of the influence played in each area by the Structural Funds.

**Table 11: Functional specialisation and SF influence**

	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence 0-2: 0=none, 1=some, 2=important
Tourism	Tourism considered crucial for its economic potential, Structural Fund support provided through Objective 5b, to develop the tourism potential in rural areas, and Objective 2.	Tourism is considered a vital element for the regional economy and is supported in an integrated logic, so to develop different types of tourism (cultural, environmental, rural/historical, wine and food related) in different parts of the regional territory.  Cross-sectoral integration with other spheres of intervention in the programme.	Obj. 5b programme supported tourism as an alternative economic activity to agriculture. Obj. 2 in 1994-99 supported investments made by tourism firms (eg. hotels, camping etc.) and other tourism related activities (Priority 2).  Current Objective 2 support aims at qualifying tourism supply across the whole regional territory (eg. by funding tourism & culture infrastructure in measures 2.1 and 2.2 and by supporting investments by firms in the tourism sector, measure 1.5)	2
Industry	ERDF funding concentrated particularly in areas of industrial decline and therefore supported the productive conversion and the economic diversification of such areas. Job creation was a fundamental aim of ERDF programmes, especially through support to firms.	Job creation and firm support remain crucial elements of regional strategy but in a logic of endogenous development and cross-sectoral integration.	Priority 1 of 1994-99 support was devoted fully to support to firms (aids for fixed investments, services, animation). Similarly, the current Objective 2 programme devotes around 40% of the whole public funds to priority 1 (strengthening of firms). The programme also funds economic infrastructures under priority 2 (measure 2.4 and others).	2
Knowledge / Higher education institutions	Knowledge and HE are considered only insofar as they affect the region's productive performance.	Knowledge and HE are considered only insofar as they affect the region's productive performance.	Objective 2 support for pre-competitive research and technological transfer to firms in both programming periods.	0/1
Decision-making / Location company HQs	-	-	-	0
Administrative status	Implementation of subsidiarity principle and partnership principle. Development of regional	Constitutional reform in 1999-2000 determined a higher role and stronger function allocation to Italian regions.	Indirect influence of Structural Fund programming method and procedures in terms of capacity building in the regional administration.	2

	administrative capacity (eg. in the fields of monitoring and evaluation).	The region's SPD acknowledges the need to enhance role of sub-regional level in programming and implementation (eg. through the PISL)	Generation of programming and implementation capacity also at the sub-regional level.	
Economic base			Structural Funds are supporting the economic diversification of the region, by adopting a cross-sectoral approach to economic (endogenous) development. However, this reflects regional planning more broadly.	1

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

The Tuscan population settlement structure was discussed in previous parts of the report. The Structural Funds cannot be assessed as having had an impact on this aspect, other than having contributed to the maintenance of population settlement in rural and more mountainous areas through the diversification of economic activities (Objective 5b 1994-99 and Objective 2 SPDs).

The current Objective 2 SPD is implemented in a coherent framework with the Rural Development Plan. The main areas of influence of the current Objective 2 programme for the development of rural areas relate to support for social infrastructures, support for tourism, commerce and craftsmanship activities in the rural areas included in the SPD (measures 1.5 and 1.2), support for the development of power lines and water infrastructure in rural and mountainous areas, and other interventions for soil defence etc.

**Table 12: Structural Fund influence on urban systems and rural-urban setting change**

	Status during 1994-1999	Current status	Possible Structural Funds influence (priorities, measures, projects etc.)	Rating of SF influence (Rate 0-2, 0=none 1=some 2=important)
Population density	Not relevant	Not relevant	Not relevant	0
Possible concentration trends	Not relevant	Not relevant	Not relevant	0
Rural-urban status	Not relevant	Not relevant	Not relevant	0
Promotion of rural-urban interaction	Not relevant	Not relevant	Not relevant	0
“Best practices” of promoting rural-urban interaction	Not relevant	Not relevant	Not relevant	0

### 3.1.3 RELATION FUNCTION

#### Transport

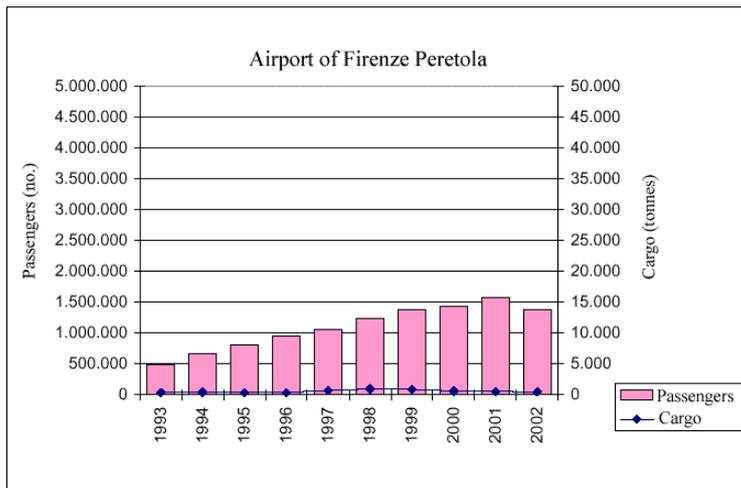
Toscana is, overall, a well connected region within Italy. For example, it includes both the main road and railway that run across Italy from North to South (the motorway A1, so called ‘Motorway of the Sun’, and the railway link between Milan – Rome and Naples). However, not all areas within the region are equally connected with the region’s capital and more generally with other centres within and outwith the regional territory.

*Roads* – there are four motorways (*autostrade*) in Toscana: the A1 (so called Motorway of the Sun, linking North and South of Italy), the A11 (that links Florence to the seaside), the A12 (Sestri-Levante-Livorno-Rosignano), the link between A11 and A12 (Viareggio-Lucca) and the A15 (Autostrada della Cisa), a number of national highways (*superstrade*), for example, the Grosseto-Fano, linking Tirrenic and Adriatic coasts, and a rather developed network of smaller provincial and municipal streets that link the various towns and villages with the main centres.

*Railways* – the main railway lines are those that link Florence to Milan and Rome, one of these (the Bologna-Florence-Rome) is high speed, the other (Firenze-Chiusi-Orte) is a slow line. Three further lines with ‘national status’ are the Tirrenic line (Pisa-Grosseto), the Pisa-Florence line (that connects Florence with Pisa airport with a journey of about an hour), the Pontremolese line (Pontremoli, Fornovo, Parma). Furthermore, the region has a reasonably well developed network of regional rail transport.

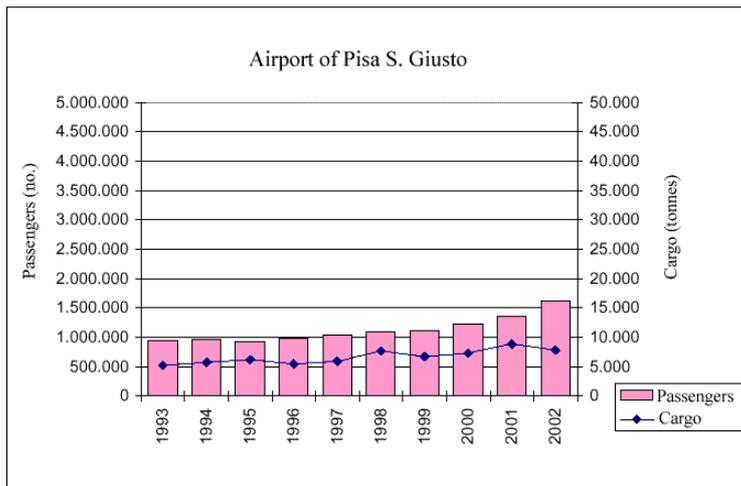
*Airports* – there are two international airports in the region, those of Florence and Pisa. Even though representing only around 5% of the total national air traffic (Bacci, 2002), these two airports have been constantly growing (at least in terms of passenger traffic), as is illustrated in Figure 49 and Figure 50 below, and are still expanding.

**Figure 49: Volume of traffic at Firenze Airport – 1993-2002**



Source: Ministero delle Infrastrutture e dei Trasporti, ENAC (2003) *Annuario Statistico 2002*, p. 116.<sup>84</sup>

**Figure 50: Volume of traffic at Pisa Airport – 1993-2002**



Source: Ministero delle Infrastrutture e dei Trasporti, ENAC (2003) *Annuario Statistico 2002*, p. 119.<sup>85</sup>

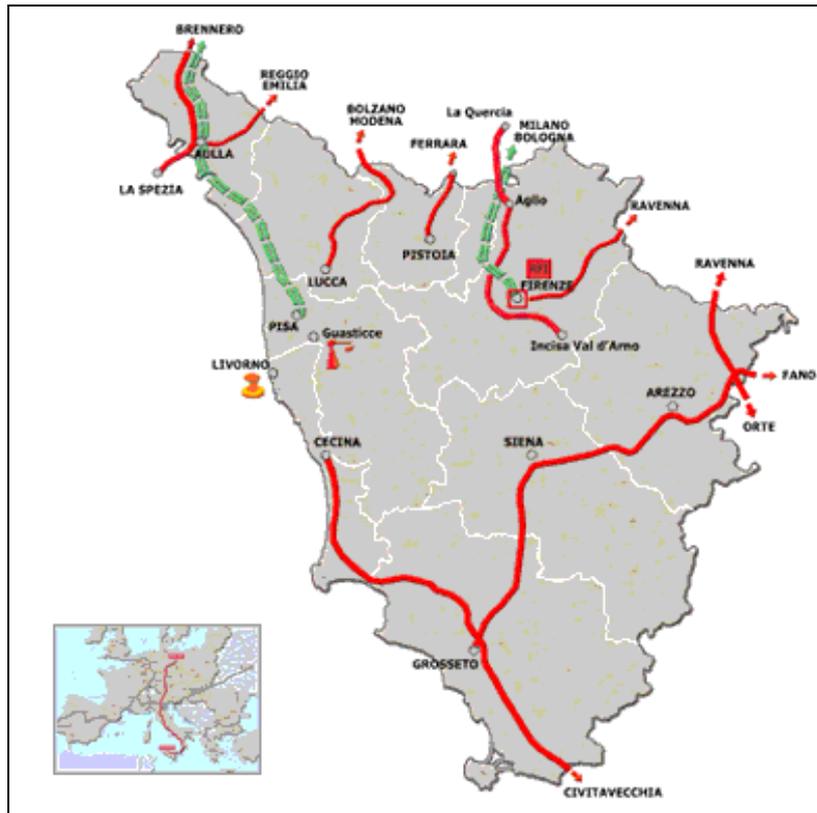
*Ports* – the region has three main commercial ports: Livorno, Marina di Carrara and Piombino. These are complemented by a rather rich network of tourist ports of small and very small dimensions. Livorno is by far the biggest port in terms of transport of goods, whereas Piombino is more relevant for passenger transport, being a main link for both the Island D’Elba, Sardinia and Corsica.

<sup>84</sup> Table text in original document is in Italian, translation into English was done by the author of the case study.

<sup>85</sup> Table text in original document is in Italian, translation into English was done by the author of the case study.

In terms of policy, there are a number of strategic interventions that are being implemented for strengthening existing infrastructures. These are all illustrated in the map in Figure 51 and relate to the improvement of two rail lines, a number of roads and motorways, the modernisation of the station and tram system of Florence, and the inter-modal linkage between the port of Livorno and the inter-port of Guasticce.

**Figure 51: Strategic Transport Interventions in Toscana**



Source: Website of the Ministero delle Infrastrutture e dei Trasporti

<http://www.infrastrutturetrasporti.it/page/standard/site.php?p=app&id=3>

Mostly, the interventions implemented in this sphere over the last years were concentrated on two main priorities: a better linkage of the Florence area nationally and internationally and improving the connection between the Florence area and the coast. However, the transport infrastructure of the region still appears inadequate to face demand.

The role of the SFs in this sphere appears relatively secondary. Of the interventions above listed, only the Livorno-Guasticce inter-modal link appears to have been co-funded by the Funds, under the past Objective 2 programme (this project was supposed to be funded by the current programme, but funding was withdrawn due to a change in the eligibility conditions of the beneficiary).

The Objective 2 SPDs concentrate on two types of transport infrastructure: ports and inter-modal linkages, as is briefly illustrated in the table below. The 1994-96 and 1997-99 SPDs included one measure (measure 5.2) with provision of port and inter-modal infrastructure. This funded the re-structuring of the port of Livorno and creation of an IT network for the port, the realisation of an inter-port Guasticce-Livorno and the completion of the urban infrastructure and railway works for the inter-port of Prato (Guescini, 2001). Similar interventions are also included in the current SPD, again within one single measure, measure 2.3. This measure is funding the following projects: (i) two projects in the interports of Prato (completion of a number of buildings and urbanisation works); (ii) four projects in the port of Livorno (again relating to the building of physical infrastructures such as quays and warehouses); (iii) a project in the port of Carrara (improvement of safety and environmental condition of the port); (iv) one project for the port of Piombino (improvement of the port's layout); (v) a project for the consolidation of the banks of the *Navicelli* canal. The measure originally also foresaw interventions for the behind-the-port area of Carrara, but no applications were submitted for this, nor for the inter-port Livorno-Guasticce, and funding was withdrawn. (CLES, 2003).

The current Objective 2 SPD is not oriented particularly towards transport infrastructure per se, however it includes an important measure on this theme (measure 2.3, Transport infrastructure). The insertion into the programme of this specific measure (as was the case for the previous programming period) can be considered instrumental to the achievement of other general goals of the programme, such as the strengthening of the infrastructure provision available to the productive system and the reduction of the environmental pressure deriving from productive activities (i.e. by easing the congestion of the transport by road). This stemmed from a consideration of the potential represented by the existence in the region of three significant ports which could be used to support economic growth on the coastal area and to promote alternative transport options to transport by road. This strength, however, was counteracted by a low provision of inter-modal infrastructure for freight transport (CLES, 2003) that could hinder the overall competitiveness of the region and determine its marginalisation from European flows of communication. More weight in the current Objective 2 programme is assigned to the creation of economic infrastructure and, to a lesser extent, social infrastructure.

## **Cooperation**

The region was involved in the 1994-99 Interreg II A programme Italy-France, with a project of cooperation with Corsica, of which a synthesis is provided in the box below, drawn from the ex post evaluation of the programme (LRDP et al, 2004).

The project covered the border area between the Tuscan mainland and the island of Corsica, between which spans the Tuscan Archipelago.

Starting point for the project was identification of the following perceived weaknesses:

- the inadequacy of port infrastructures and weak accessibility
- a lack of territorial continuity (with the exception of tourism)
- a structural diversity in the productive fabric between the two borders
- the fragility and possible pollution of the Corsica Channel
- the existence of a 'cultural' proximity between the communities in the two regions, not supported by extended contacts
- an overall weakness of social, institutional and cultural exchanges.

It had a total cost of 58.2 million Euros, with a Structural Fund contribution of 18.6 million Euros. This funding was allocated to interventions for

- (i) urban, port and airport infrastructures (57.6%),
- (ii) common and complementary tourism products and services, such as promotion initiatives, manifestations etc. (10.4%)
- (iii) protection of the sea environment (3.8%)
- (iv) infrastructures and centres for research (3.4%)
- (v) economic animation (3.3%).

Considered together with the Corsica-Sardinia programme, in the whole 1994-99 period, the project delivered two sets of exchanges between universities (involving the universities of Pisa and Corte, but also Sassari and Cagliari in Sardinia), 82 missions for technical assistance in the field of agro-industry and cooperations on 10 new products. The project, moreover, generated 20 joint cultural events and more than 30 exchanges between schools.

The general assessment of the results delivered by this project made by the ex-post evaluators is that it delivered improvements in the ports, accesses and urban heritage; good results in the tourism field, especially as regards the improvement of professional structures, and durable results in the cultural field through vocational training initiatives. The infrastructural element is of particular significance, since this project, as well as the Corsica-Sardinia one, appears contrary to the majority of other projects implemented through the Interreg II A programme, where the reduction of the state of isolation aim was pursued mainly through the completion of studies and analysis, but with only a few concrete investments in transport infrastructures.

The overall impacts delivered by the project, however, were considered weak, in respect to all four goals (reduction of isolation; improvement of productive fabric; improvement of quality of life and deepening of cooperation). This was due either to the difficulty of isolating Interreg effects from the effects produced by other interventions (eg. the no. of passengers between Corsica and Toscana increased over time, but it is not possible to state that this was due to the Interreg project) and due to the low degree of joint administration of the project.

The Interreg II A Corsica-Toscana project is being carried forward in the new Interreg (III A) programme, with a project that covers Corsica, Toscana and Sardinia (merging the formerly separated Corsica-Toscana and Corsica-Sardinia projects). This new project also has a strong infrastructural character and foresees interventions for (i) the realisation and improvement of communication networks, services and infrastructure (to which is reserved 40.7% of the total costs), (ii) environmental

protection and valorisation (12.3%), (iii) the sustainable development of tourism (10.9%) and tourism development and promotion of the cross-boarder area (9.4%).

### Immaterial accessibility

The themes of electronic accessibility, ITC and Information Society are dealt with in Section 4.3.

**Table 13: Accessibility and 1994-2006 Objective 2 support**

	Status during 1994-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence 0=none, 1=some, 2=important)
Accessibility and changes in accessibility	Relatively good infrastructure, with good road and rail links within the regional territory and to Milan and Rome; two international airports; three main commercial ports.	Same as for 1994-99, with general improvements, but no main changes in terms of the spatial distribution or the overall transport infrastructure provision of the transport system.	Structural Fund support to transport infrastructure was concentrated on ports and inter-modal connections. No major interventions were foreseen for the development of rail links (eg. this was seen as a weakness for the area of Siena in the current SPD SWOT, but was not followed through – MTE Objective 2 SPD 2000-06), roads or networks.	1
Key strategic and functional networks (promoting specialisation)	Both 1994-6 and 1997-99 SPDs for the Objective 2 and the current Objective 2 SPD promote the creation of port transport poles.		Measure 5.2 of 1994-96 and of the 1997-99 Obj.2 SPD – ‘Port and inter-modal infrastructure’ - funded amongst others the restructuring of the port of Livorno and the realisation of an inter-port Guasticce-Livorno.  Current Obj.2 SPD also supports the development of ports and inter-ports and internal navigation canals with measure 2.3, eg. the ports of Livorno, Carrara and Piombino, the inter-ports of Livorno and Prato, and the development of a canal link (Canale dei Navicelli).	2

## 4 POLICY IMPACTS

### 4.1 Impacts on governance and policy practice<sup>86</sup>

The Structural Funds have been deemed to have a high added value in Toscana, both in terms of impacts but also, and perhaps more importantly, in terms of changes to the governance and to the method for devising and implementing policies. As underlined by Polverari (Polverari, 2003), in Italy

*the Funds are contributing to a real implementation of the principle of subsidiarity at the local levels and are one of the factors that have determined the re-definition of the allocation of competences between the central state and the local autonomies (regions, provinces, mountainous communities and municipalities) which has culminated in the recent constitutional reforms.*

The theme of the added value of the Structural Funds in the region was discussed in a document produced by the Head of the Economic Development Department of Region Toscana (the Department responsible for the Objective 2 SPD), Marco Romagnoli, in the occasion of the seminar that was held in Brussels on the 27-28 May 2002. Romagnoli underlines in his intervention that Structural Fund implementation produced a number of positive impacts in the region:

- First, the principle of partnership - between local public and private actors and between the different levels of governance, ie. local, national and community level – is considered to have contributed to the culture of government and to have stimulated a real dialogue on problems, encouraged a convergence on shared priorities and solutions, and increased transparency in the process of decision-making, information sharing and accountability.
- Second, the method and process of policy implementation promoted by Structural Fund guidelines and regulations (articulated through the phases of programming, monitoring, evaluation and audit), have contributed to improvement of management standards and to the effectiveness of the interventions. The methodological approach has evolved gradually over time (from the 1989 reform to date), and today represents an added value, in that it contributes in itself to strengthening the degree of cohesion, not just in economic terms but also as cultural and political senses.
- Third, the Structural Funds have contributed, through the promotion of the principle of subsidiarity, to the acknowledgement of the role of local governments, their administrative efficiency and their capacity for intervening and problem-solving.
- Finally, the Structural Funds have contributed to the quality of programming and of management capacity within the region, all which has translated into a positive impact of the Funds on the regional economic indicators. According to Romagnoli, the *ex post* evaluation 1994-96 Objective 2 SPD has shown both a growth in GDP and

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<sup>86</sup> This section is taken from Polverari L (2003) *Added Value from the Structural Funds in Italy*, IQ-Net Occasional Paper, May 2003 and draws more generally on work undertaken by Polverari for the IQ-Net network from January 2000 to date.

employment rate higher in the areas covered by the Objective 2 in comparison to the rest of the regional territory.

One further strength of the Tuscan approach to implementing the Funds (within the Objective 2 in particular) is the integration of European funds and priorities with regional programming. This was underlined also in the *ex post* evaluation of 1994-99 Objective 2 support that was undertaken for the Commission last year:

*As far as the Community method is concerned, the integrated approach of actions (between the territorial, the productive base and the social dimension) made it possible to develop coherent strategic plans for the future. Secondly, there was a successful integration between Objective 2 programmes and regional plans (e.g. in Piedmont and Tuscany through the Regional Plans). Thirdly, more efficient evaluation systems were increasingly adopted by the public authorities along with improved the managerial skills generally. (CSES, 2003, p. 4)<sup>87</sup>*

In addition to the issues listed above, the Structural Funds in Toscana have been a successful driver for innovative, experimental approaches to intervention in local economic development. This is illustrated by the introduction, within the current (2000-06) Objective 2 programme, of the PISL or Integrated Projects for Local Development (Progetti Integrati per lo Sviluppo Locale). 14 PISL drafts have been submitted to the regional Managing Authority of the Objective 2 programme and are currently being appraised. Whilst the detailed content of the various PISL will not be made known to the public before their final approval, it can be argued that the PISL will contribute to increased territorial cohesion and polycentrism because of the strong territorial perspective from which they stem and for their cross-sectoral nature. In addition, the process for the generation and then for implementing the PISL is developing the programming and delivery capacity of both public and private actors at the local levels and this is supported by a range of activities that are carried out by the region for this purpose (see box below).

#### **The Progetti Integrati per lo Sviluppo Locale (PISL)**

The PISL has been defined as

*'a set of integrated actions', of inter-sectoral nature, which encompass both material and immaterial infrastructural interventions and aids to enterprises converging towards a specific common objective, such to justify a single implementation and project selection procedure. [...] this set of integrated actions is a polyvalent and coherent set of interventions, of inter-sectoral nature, economically and functionally indivisible and based on an idea-strength, made explicit and shared through partnership-based procedures ...' (Regione Toscana, 2002)<sup>88</sup>*

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<sup>87</sup> The full country reports of this evaluation are not available from DG Regio's website and DG Regio has confirmed that it will not make the reports available to the public.

<sup>88</sup> Original document is in Italian, translation into English was made by the author of the case study.

### **Characteristics of the PISL**

In extreme synthesis, the PISL is a complex, cross-sectoral and multi-faceted project, designed by local actors through a bottom-up process with the purpose of solving a specific development challenge of a circumscribed portion of the region's territory. To do so, the PISL puts together in a single, coherent framework a number of different interventions, each of which is eligible for funding under one measure of the Objective 2 SPD (see Figure 10 below). Each PISL is based on an 'idea-strength' and can foresee a total of eligible expenditure comprised between five and forty million Euros.

The main concept behind the PISL is that of *integration*:

- territorial integration, i.e. interventions are coordinated in the territory at local level, eg. with a cluster or thematic dimension,
- financial integration, i.e. an integration in the same project of resources coming from different levels of governance (European, national, regional, sub-regional) and from both public and private actors;
- functional integration, i.e. the interventions funded in each the PISL must tend to achieve a single functional objective;
- institutional integration, i.e. the PISL is devised and implemented at the local level by involving a plurality of public and private actors, eg. Province, Municipalities, Mountainous Communities, but also on the private side, Chambers of Commerce, social and economic actors etc.

### **Operational and implementation aspects**

The operational procedures for the PISL in Toscana were defined by a working group and then approved by the programme's Monitoring Committee. They stemmed from a reflection based on previous experiences of negotiated forms of programming in the region (such as the Patti Territoriali, the local development plans of regional law n.41/1998, the integrated area projects in the tourism sector implemented under the 1994-96 SPD and others) and from the parallel experience of the PITs in the Objective 1 (Caporale, 2002).

After the approval of the implementation procedures, formal discussions on the content of each specific PISL were held in the so-called 'Conference of Services' which included: a Chair (the person responsible for the PISL within the O2 SPD Managing Authority/Secretariat), the officers responsible for each measure included in the PISL, two further representatives from the programme's Managing Authority/Secretariat, the regional evaluation unit, the environmental authority, the consultancy that provides Technical Assistance to the SPD (as observer) and representatives of each one of the ten provinces (as observers). In addition to this, some '*tavoli sui PISL* (literally tables on the PISL)' were also organised where the provinces could discuss with regional representatives their project ideas. All the instances expressed in these meetings by the various partners participating were then consolidated in one single deliberation by the regional Giunta which indicated the guidelines for the provinces for the selection of initiatives to be included in the PISL. Following the Giunta deliberation, the provinces submitted PISL drafts, together with a dossier of documentation on the initiatives to be included in each, comprising information on the feasibility of such projects, i.e. on the subsistence of the necessary permissions etc. which are necessary prerequisites for the projects to be launched.

### **Capacity building for the PISL**

The PISL are certainly contributing to the development of capacity within sub-regional institutional and private actors. The preparation of the PISL by the provinces, for example, was supported by a whole set of developmental activities for the provinces, the municipalities and the other actors involved in this process such as:

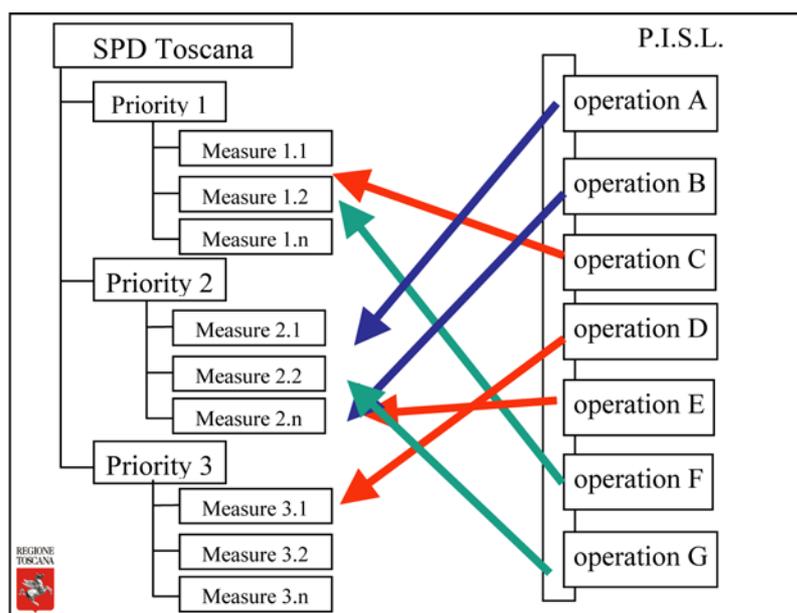
- the organisation of workshops, for instance a workshop was held in November 2003, the first of a planned series, to highlight possible ways to address the difficulties in setting up the PISL and the projects within them. Once the Regional Evaluation Unit has finished selecting the PISL, another training day will be held;

- consultancy-style activity carried out by the officers responsible for the Objective 2 measures within the regional administration and by provincial officers, to help the definition of projects to be submitted under the PISLs. For example, this may highlight the critical aspects of the projects and how these can be addressed;
- the setting up of 'Nucleo Keynes' as an *ad hoc* support structure to act as a reference point for the municipalities in the setting up of PISL projects. The Nucleo, together with the regional evaluation unit, drafted a *Vademecum* that is available on line at the dedicated website [www.pisl.it](http://www.pisl.it) , linked to the website of the SPD. The website allows one to ask for appointments on-line and for specific expert advice. The Nucleo Keynes has a helpdesk and phone line operating exclusively for the PISL;
- ongoing assistance for the coordinators of PISLs (the provinces) and for individual projects. This can be provided, for example, by the officers responsible of the measures and by the Nucleo Keynes, as well as when necessary by the TA to the programme who implement the monitoring system.

#### **Current implementation state**

Currently, 14 PISL drafts are being examined by the regional Evaluation Unit (which has also been advised by the regional Environmental Authority on environmental issues) and a decision is expected soon.

The detailed content of the various PISL will not be made known to the public before their final approval, however, it can be argued that the PISL will contribute to increased territorial cohesion and, potentially polycentrism, because of the strong territorial perspective from which they stem and their cross-sectoral nature. Interviews undertaken suggest that at least some of the PISL that have been submitted address themes of balanced spatial development and polycentrism. The PISL put forward by the province of Firenze, for example, has the aim of implementing a polycentric system to decongest the centre of Florence with the creation of a coordinated system of infrastructure (among which tourism and cultural infrastructures).



**Figure 1: The logical framework of the PISL**

Source: Bartolini M. (2004), Region Toscana, Economic Development Department, *Integrated Projects for Local Development and the Objective 2 SPD: an experimentation on the governance of local development in the framework of Structural Fund programming*, Presentation at the XV IQ-Net Conference, held in Oulu, Finland, 25-27 April 2004

## 4.2 Socio-economic impacts

Structural Fund programmes implemented in Toscana have delivered significant socio-economic impacts. The *ex post* evaluation of the 1994-96 Objective 2 SPD, for example, underlines that the programme contributed to a change in key socio-economic indicators, in this way contributing to the catching up of Objective 2 areas with the other areas of the region. The evaluation argues that:

*... the overall effect of the SPD has been that of halting the employment fall of Objective 2 areas (that without the SPD would have been higher than 1.8%) and to contribute significantly (for 1.8%) to the growth of the added value at the regional level (Resco S.c.a.r.l., Regione Toscana, 2001)<sup>89</sup>*

According to the *ex post* evaluation, the 1994-96 Objective 2 SPD played a strong role in supporting both employment and growth. With reference to the industrial sector alone, for example, a real growth rate of added value of 27.9% was sustained by the beneficiaries of the SPD between 1994 and 1999 and the evaluation estimates that 23% of this is attributable to the SPD. The main impact of the SPD is related to the employment performance of the areas it covers, which appear to counter broader, regional employment patterns. If we consider the industrial sector again, whilst the

<sup>89</sup> Page 13. Original document is in Italian, translation into English was made by the author of the case study.

region as a whole recorded a strong decline from 1994 to 1999 in the number operators employed (which was particularly strong in the areas eligible for the Objective 2), the beneficiaries of the 1994-96 SPD recorded an employment growth of 22.7%. Since the main objective of the SPD was the support of employment, the SPD is assessed to have achieved its main aim.

This positive assessment of the effects delivered by the SPD described in the *ex post* evaluation of the 1994-96 SPD seem to be confirmed by the *ex post* evaluation of the 1994-99 Objective 2 programmes that was carried out for the European Commission last year. According to the executive summary of the country report for Italy (CSES, 2003)

*The impact of the Objective 2 programmes was high in terms of employment effects (especially in Piedmont and Tuscany) in all the sectors of intervention [...] The Objective 2 contribution was equivalent to over 80% of the total employment increase in Piedmont and Tuscany (CSES, 2003, p. 4).*

The evaluation executive summary also stresses that Objective 2 support was crucial in the re-orientation of the economy from industry to tertiary, as such contributing to overcoming the problems associated with industrial decline.

This having been said, it does not seem that ERDF and Objective 2 support over the past programming period in Toscana delivered significant spatial impacts, since the main aim of the Objective 2 programmes was to counteract industrial decline, preserve and create jobs, and support growth. The current Objective 2 SPD, however, is much more comprehensive in its strategy towards economic development and more in line with principles such as territorial cohesion and spatial balance.

The table below (Table 14) synthesises some of the elements discussed above and provides a quantitative assessment of the influence that ERDF interventions in the region had on regional policy practices.

**Table 14: Objective 2/ERDF influence on regional programming practices**

	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence: 0=none, 1=some, 2=important
Consistency of national and European policy goals outlined in programme documents	In Toscana, as discussed above, regional and Structural Fund programming were and are closely integrated. Structural Fund programmes respond to the logics of the broader regional programming, that results in the Regional Development Plan. The Funds have contributed to the inclusion of themes such as equal opportunities and environmental sustainability into this framework.	1
Examples of promoting learning	The Structural Funds have promoted learning and creation of administrative and management capacity within regional and sub-regional administrations, as discussed above, and underlined in the ex post evaluation by the Commission and in research by EPRC on value added. Structural Fund guidelines and regulations have contributed to improved management, monitoring and evaluation practices.  For example, the TA measure of SPD programmes – support in the monitoring of the interventions provided by specialised consultancy.	2
Governance innovations	As discussed above, the Structural Funds in Toscana and elsewhere in Italy have contributed to innovation. The experimentation of the PISL, discussed above, is an eloquent example of this.	2
Trans-national links linked to governance practices	Region Toscana (the Department responsible for the Objective 2 SPD) takes active part in a network for the exchange of practice among international actors on the implementation of the Structural Funds (IQ-Net). As a matter of fact, the next meeting of the IQ-Net network, to take place in the autumn of 2004, will be held in Toscana.	1
Inclusion of new actors and organisation in partnerships	The implementation of the funds through the partnership principle has contributed to the creation of a constructive dialogue between local actors (public and private) and between different levels of governance (as underlined by Romagnoli, above)	2
Links to traditional democratic decision-making	Structural Fund programmes are linked to broader regional programming (the Regional Development Plans).	1
Financial practices enabling enlargement of partnerships	NA	NA
Ways of avoiding the technocratic elite pluralism	NA	NA

### 4.3 INCLUSION OF THE LISBON THEMES

The current Objective 2 SPD makes reference to the Conclusions of the Lisbon Council. The Lisbon themes, namely the need to support the new economy, are mentioned among the criteria for selecting projects to be funded in the first priority (aids to firms).

Other than this generic mention, the only concrete inclusion of Lisbon themes in the programmes is related to the Information Society. Overall, the programme aims at developing the endogenous potential and improving the overall competitiveness of the region, and this is done through two main elements: a systemic approach and the focus on innovation and qualification of the productive system for sustainable development. Innovation in particular is intended as a global concept not just as technological innovation, but 'systemic innovation' ie. institutional, organisational, spatial innovation. In this context the IS would seem to play an important part. However this is not very explicitly pointed out in the strategy section of the programme. In other words, although the IS is, in principle, relevant to the programme, it does not seem to be one of its main drivers. However, the IS is promoted in the RDP 2001-05; in other words, this crucial theme is addressed more clearly in strategies that are parallel to the one of the SPD, such as the *Territorial Regional Action Plan e-Toscana*, that is the regional response to the national action plan for the e-government.

On a practical level, looking at the current Objective 2 SPD, a specific measure (measure 2.8) is devoted expressly to this theme. This is articulated in four actions and funds:

- telematic and information services for the territory and the environment;
- development of IT application for weather forecasting, environmental modelling and territorial analysis (this project is a continuation of the previous Objective 2 SPDs);
- the reduction of seismic risk in productive areas;
- the strengthening of the regional system for IT communication between public administration and public sector.

In addition to measure 2.8, 7 other measures (including the TA one) have a direct IS implication and 2 more measures could be considered more loosely IS-related (see Table 15 below).

**Table 15: IS relevant policies in the Tuscan 2000-06 Obj. 2 programme**

<b>Toscana</b>	<b>Measures</b>	<b>Relevance to Information Society</b>
Priority 1: Development and strengthening of SMES	2 out of 8 measures are totally relevant  Other 2 measures are partially relevant	<p><b>Measure 1.4: <u>Aids to intangible investments (soft aids)</u></b> – Two sub-measures (a- acquisition of qualified services and c- qualification of tourism services) involve: the provision of services for the acquisition and development of telematic services, and the introduction of IS technologies in the tourism enterprises, eg. for booking etc).</p> <p><b>Measure 1.7: <u>Innovation transfer to SMEs</u></b> - sub-measure b, born on the indications of a previous RITTS project and on the project RIS+ Toscana, foresees the consolidation of network of enterprises, service centres, research institutes and other similar on the following: 1. ICT, 2. biotechnological application of the IS, 3. technologies for the cultural heritage and formal innovation.</p> <p><b>Measure 1.1: <u>Aids to productive and environmental investments of industrial and cooperative enterprises</u></b> - technological investments could probably involve IS investments, but this is not explicitly mentioned in the measure (may be better defined in the PC)</p> <p><b>Measure 1.2: <u>Aids to the investments of small productive craftsman enterprises and cooperatives</u></b> – the measure supports technological investments and therefore could be IS-relevant; although the kind of investments listed are not very IS-type (may be better defined in the PC)</p>
Priority 2: Territorial qualification	2 out of 6 measures are partially relevant	<p><b>Measure 2.1: <u>Infrastructure for tourism and trade</u></b> - Among other things, the measure supports the so called 'Vetrina Toscana' (Window Tuscany) for the marketing and commercialisation of products via telematic and multi-mediatic methods (this is all can be understood from the description of the measure)</p> <p><b>Measure 2.4: <u>Infrastructure for the productive sectors</u></b> - part of the measure foresees the strengthening of the telematic and communication system for SMEs. The region already has the Telematic Regional Tuscan Network. This is linked to the national PA network and connects the major public authorities and some service centres for SMEs. The measure in this context aims at the following: - provision of infrastructure and improvement of access to the most disadvantaged/remote areas; - creation or support of 'service centres' for enterprises whose activity will be that of promoting the use of the new technologies, guaranteeing the training necessary for this; developing, managing and distributing telematic services; - development of innovative services for the technologic transfer, the match of demand and supply of work, training etc; - creation or improvement of networks, especially between SMEs and linking clients/providers (eg. for e-business, e-commerce).</p>
Priority 3: Environment	1 out of 9 measures has a partial relevance	<p><b>Measure 3.9: <u>Defense of the soil, hydraulic safety, reduction of systemic risk</u></b> - one submeasure aims at constituting Centres/laboratories for the development of territorial and environmental information systems which could link public and private subjects working on the territory. The sub-measure realises telematic services (for public authorities, enterprises, citizens) to support the socio-economic development of the areas of the SPD based on territorial information</p>
TA	Partially relevant	Among the activities under the measure there is the realisation of information systems - including hardware and software provision and other necessary equipment - for the realisation of the management, TA, surveillance and evaluation activities.

Source: Table drawn from unpublished research carried out by the author in the framework of the IQ-Net project, May 2001.

Table 16 attempts to provide an assessment of the relevance of ERDF interventions implemented in Toscana to the aims of the Lisbon agenda.



**Table 16: Inclusion of Lisbon themes in ERDF interventions in Toscana**

	Status during 1994-1999	Current status	Examples of SF influence	Rating of SF influence 0=none, 1=some, 2=important
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	Some interventions in line with the IS	IS themes included in a specific measure and to different degrees in a range of measures. However, it seems that the IS is pursued predominantly through other (domestic) programmes.	See Table 15	1
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	Some interventions for R&D, pre-competitive research, technological transfer.	<p>Some interventions for R&amp;D, pre-competitive research, technological transfer.</p> <p>However the role of ERDF in this respect is secondary, for example in relation to other initiatives funded through the VI Framework Programme, the Regional Programme of Innovative Actions and domestic funds (eg. CIPE resources and law 46/82).</p>	See Table 11	1
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	Objective 2 support to services to firms in both 1994-96 and 1997-99	Objective 2 support to services to firms.	Eg. measures 1.3 and 1.4 of past Objective 2 SPDs (financial services and services to firms). Also support to service centres etc.	1 to 2
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	The 1997-99 SPD funded two projects in the provinces of Prato and Massa Carrara for the development of professional training structures	Objective 2 support to the creation of professional training centres	Eg. measure 2.6.1 of current SPD structures for professional training (and measure 6.2 of 1997-99 SPD)	1
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps; Encouraging lifelong learning; Reducing deficits in the service economy; Extending equal opportunities</li> </ul>		The programme promotes the employment of women, through the interventions of Priority 1.		1
<p>Promoting social inclusion:</p> <p>522 Improvement of skills;</p> <ul style="list-style-type: none"> <li>Promotion of wide access to knowledge and opportunity.</li> </ul>	Not relevant	Not relevant, only indirectly relevant	Not relevant, or only indirectly relevant	0/1

## 5 CONCLUSIONS

It can be stated that the ERDF co-funded interventions implemented in Toscana over the 1994-2006 period are contributing to increased territorial cohesion and polycentrism, especially at the intra-regional level, but also with broader consequences at a national and international scale.

Past ERDF support can only indirectly be linked to polycentric development. The programmes mainly aimed at producing jobs and growth in areas facing economic conversion and structural difficulties, and the 'territorialisation' of interventions was limited. However, the programmes funded interventions for the support of the tourism sector (also in areas where tourism was not the main vocation), for the development of transport infrastructures (even if limited to a specific set of interventions), for R&D/Innovation and for the use of Information and Communication Technologies, all of which contribute to the endowment of the areas affected by the programmes. However, often the role of the ERDF co-funded programmes was secondary in respect to that played by other domestic interventions, eg. in the fields of transport and R&D.

The role of ERDF in Toscana in the delivery of increased territorial cohesion and polycentrism is more relevant in the framework of the current programming period and especially as regards the sub-regional level. The current Objective 2 programme, in particular, by taking into account the different background conditions of each part of territory, is supporting the region's natural polycentric structure. The programme, in addition, is stimulating and supporting the generation of institutional capacity at the sub-regional, local levels and encouraging new forms of bottom-up, joined-up projects to meet local development needs (the PISL).

Overall, it can be concluded that ERDF co-funded programmes - especially the current one - have supported to some extent and are continuing to support polycentrism. However, the region's polycentricity is more due to the natural characteristics of its pre-existing economic, social and territorial conditions and dynamics that can be considered to have been polycentric prior to and independent of Structural Fund support.

The support of the Tuscan polycentric structure, moreover, appears to be linked to a wide range of instruments, implemented through domestic strategies, regional and national, of which the Structural Funds are only one aspect.



**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<i>Type of influence/ effect</i>							
<b>Aspects explicitly targeting polycentric development</b>	Direct	No explicit targeting	0	No explicit targeting	0	No explicit targeting	0
	Indirect	The whole strategy of the SPD indirectly supports polycentric development in that it aims at developing the local endogenous potentials of a region whose structure and economic and social dynamics are already polycentric.	2	No explicit targeting	0	No explicit targeting	0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	None	0	None	0	None	0
	Indirect	Maintenance of population settlement in rural and mountainous areas by promoting economic diversification	1		0		0
<b>Functional/economic specialisation</b>	Direct						

(e.g. strengthening of existing profile or division of labour between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Indirect	Economic and productive specialisations of the different parts of the regional territory are diverse and the SPD acts to support this or to diversify the economic basis (for specialisations that are no longer profitable)	2	By supporting specific clusters/productive specialisations of national and international relevance the SPD contributes to making parts of the region national and even European functionally specialised areas (eg. Prato's textile and leather cluster, Massa Carrara marble industry)	2	By supporting specific clusters/productive specialisations of national and international relevance the SPD contributes to making parts of the region national and even European functionally specialised areas (eg. Prato's textile and leather cluster, Massa Carrara marble industry)	2
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Ports and interport investments ease the congestion of road transport	2	Ports and interport investments allow increased openness to external markets	2	Ports and interport investments allow increased openness to external (international) markets	1
	Indirect						
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	Interreg II A Corsica-Toscana and III A Corsica-Toscana-Sarinia	1	Interreg II A Corsica-Toscana and III A Corsica-Toscana-Sarinia	1	None	0
	Indirect						
<b>Diminishing regional divergence</b> , increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	This was the main aim of the Objective 2 programme	2	None	0	None	0
	Indirect	-	0	-	0	-	

<p><b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)</p>	<p>Direct and Indirect</p>	<p>ERDF in Toscana played a significant role in the delivery of increased cohesion at the sub-regional level, by stimulating economic and social development in least favoured areas. By leveraging on the different background conditions of each part of territory (especially in the current Obj. 2 programme) the programme is supporting the region’s natural polycentric structure.</p>	<p>2</p>	<p>Some influence.</p>	<p>0/1</p>	<p>Some influence.</p>	<p>0/1</p>
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## REGIONAL POLICY IN ITALY IN RELATION TO EUROPEAN REGIONAL POLICY

The regional problem in Italy is characterised by economic dualism. This finds its geographical expression in the regional divide between the under-utilised south, the *Mezzogiorno*, and the industrialised north. The divide is evident in the contrast between factory and artisan manufacturing, between large-scale modern farming and peasant smallholdings and between a securely employed and unionised workforce and casualised and low-paid employment. However, the simplicity of the north-south divide should not be overstated: neither the north nor the south is homogeneous. Further, Italy is characterised by two other elements of spatial imbalance – a significant rural-urban divide and the contrast between the inner mountainous areas and the fertile plains of northern, central and south-eastern Italy.

### Strategies

From the 1950s until the early 1990s, Italian regional policy was synonymous with *Mezzogiorno* policy, with distinct policies for the south (so-called “special intervention”) and with separate institutions to manage them. The abolition of *intervento straordinario* in the early 1990s was followed by a regional policy (under Law 488/1992) which targeted disadvantaged areas *throughout* the country (including in the Centre-North).

For the 2000-06 period, regional policy has once more been characterised by an emphasis on the *Mezzogiorno*, with efforts concentrated especially on the development of the endogenous potential of the region. The strategy for the development of the *Mezzogiorno* responds to the need to face two main contextual weaknesses of the area: the difficulty of accessing credit and the infrastructure gap with the rest of the country (both in terms of hard infrastructure and with respect to knowledge-based activities).

### Instruments

The new approach to regional policy is reflected in support for investment in infrastructure (transport, energy and water, but also intangible infrastructure for the knowledge-based economy); in the increased use of bottom-up, local strategies for economic development (so called *negotiated programming*); and in a different and reduced role for business aid schemes. Aids to enterprises, which have been one of the main regional policy instruments in Italy since 1992, are now of lesser and decreasing importance. More than this, in terms of budgetary allocations, the main regional incentive, aid under Law 488/1992, has declined markedly in significance; instead, growing stress is now being placed on instruments such as the automatic tax credit under Article 8 of the 2001 Finance Law and on incentives delivered by the regional authorities.

The main regional policy instruments are as follows:

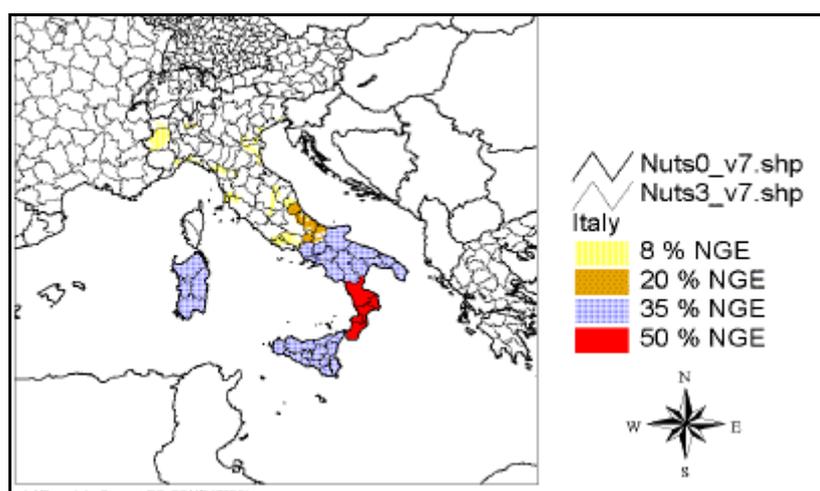
- The Objective 1 *Community Support Framework* for 2000-06. This emphasises the need to promote the competitiveness of the *Mezzogiorno* by

exploiting its endogenous potential, based on a holistic consideration of the strengths and weaknesses of local economies and societies.

- *Law 488/1992*. Assistance takes the form of a project-related grant to firms in the designated aid areas. Applications are submitted to an annual deadline and assisted in order of merit until the available funds are exhausted. Maximum rates of award vary by firm size, region and type of project.
- Various forms of “*negotiated programming*”. *Patti territoriali* and *contratti d’area* are locally-based initiatives which bring together partners to implement (and identify funding for) development policies rooted in local economic contexts. *Contratti di programma* are ‘negotiated plans’ between a number of parties which aim to attain specified economic development objectives via large-scale investment. *Contratti di localizzazione* were introduced in 2003 and aim to facilitate the attraction of FDI to the *Mezzogiorno*.
- *RTDI support measures*. Aid schemes for research and technological innovation which operate both at the national and regional levels. Although such aid schemes are generally available outside the designated aid areas, they often allocate specific resources to the regional aid areas.
- A *tax credit* under the 2001 Finance Law to support investment in the designated aid areas.
- A range of *regional aid schemes* devised and implemented by regional authorities, in line with the recent devolution of economic development competence.

### **Spatial targeting**

Italy faced a significant reduction in aid area coverage from the start of 2000. Previous coverage amounted to 48.9 percent of the national population, of which 34.2 percent fell under Article 87(3)(a) – the *Mezzogiorno* minus Abruzzi. From 2000, overall coverage was reduced to 43.6 percent, with Article 87(3)(a) coverage falling to 33.6 percent (reflecting the fact that GDP per head in Marche rose above the Article 87(3)(a) threshold). Article 87(3)(c) coverage was cut from 14.7 percent to 10 percent of the national population. Aid ceilings in the designated aid areas are set out below.



Source: DG Competition website

### Governance

Overall responsibility for regional policy in Italy lies within the Ministry of Economy and Finances (Department for Development and Cohesion Policies). This Department is in charge of area designation negotiations with the Commission; it monitors the implementation of regional aid in the regions; it is the Managing Authority for the Objective 1 CSF; and, with respect to the operation of the Structural Funds in the Centre-North, is responsible for monitoring national co-finance. Overall, it has a much more “hands-on” approach in the *Mezzogiorno* than in the Centre-North.

Following recent administrative and constitutional reforms, the responsibility for policy implementation lies largely at the regional level. In the *Mezzogiorno*, some 70 percent of regional policy resources are now spent under the responsibility of the regions. This is a new feature of the current programming period; previously there was a broadly equal balance between national and regional expenditure.

Policy delivery is often undertaken at lower levels, ie. provinces and municipalities. This is in line with the aforementioned administrative and constitutional reforms which emphasise the subsidiarity principle as the key to the new allocation of responsibilities between the centre and sub-national authorities.

**Table 3-1: Territorial Units in Italy**

Unit Type	Designation	Number of Units
Groups of Regions	NUTS I	5
Regioni	NUTS II	21
Province	NUTS III	103

## **ITALIAN REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

Regional policy in Italy is conceptually separated from spatial policy, however, the CSF and OPs for the Mezzogiorno do include infrastructure interventions and policies that can be considered spatial (eg. interventions for the development of urban areas).

No explicit reference is made of territorial cohesion. However, as already underlined in the SIR, regional policy in Italy, at least as regards the Mezzogiorno, is strongly in line with the objective of Territorial Cohesion, in that the main assumption on which the whole strategy rests is that development should be achieved through the full exploitation of the economic, social, environmental, natural, human, historical etc. potential of the area. The lagging behind status of the region is explained by the under-utilisation of such potential and the strategy implemented includes a comprehensive set of diverse instruments to achieve the valorisation of the Mezzogiorno's potential.

Other than this there is no specification on the level at which TC should be achieved. All levels appear to be targeted: intra-regional (ie. within the Mezzogiorno and within each single region), national (ie. Mezzogiorno in relation to the Centre-North) and European (given that one of the main declared goals of the strategy is that of overcoming the GDP gap that separates the Mezzogiorno with the rest of the country and Europe). However, there does not appear to be any explicit prioritisation between these levels.

In the Centre-North of Italy, strategies for regional development are more narrow-scope, in line with the more limited amount of resources. They also mostly refer to the need to exploit fully endogenous potential of the regions, to the need to support a balanced and sustainable development and to support competitiveness and hence are in line with the concept of territorial cohesion.

Regional policy in Italy is not a policy for polycentric development. However, the development of cities/towns features in the strategies of the CSF/OPs of the Mezzogiorno (with an ad hoc priority called 'city') and some SPDs of the Centre-North. There are elements in all these strategies which can be related to the concept of polycentric development.

# **The Netherlands**



# **THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS**

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The Netherlands

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development



Universiteit Utrecht

under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Dutch data collection**

The basic data for the analysis of SF spending in the Netherlands in the 1994-1999 period were difficult to obtain. Various ministries of central government were (and are) involved in administering the various programmes and strands of funding. There was no central unit that keeps track of the SF spending in the Netherlands. The ministry of agriculture was responsible for objective 5b. The ministry of Economic Affairs for objective 2 and 1. The ministry of Social Affairs for the ESF funding sections of objective 3 and 4 and apparently also partly for objective 2. Many phonecalls were made to determine whether evaluations studies were available. The Dutch Court of Audit undertook some research and produced reports. These reports are merely aimed at analysing whether the proper procedures were followed, and a less suitable for the breakdown of figures to NUTS II or III level of SF spending in the Netherlands.

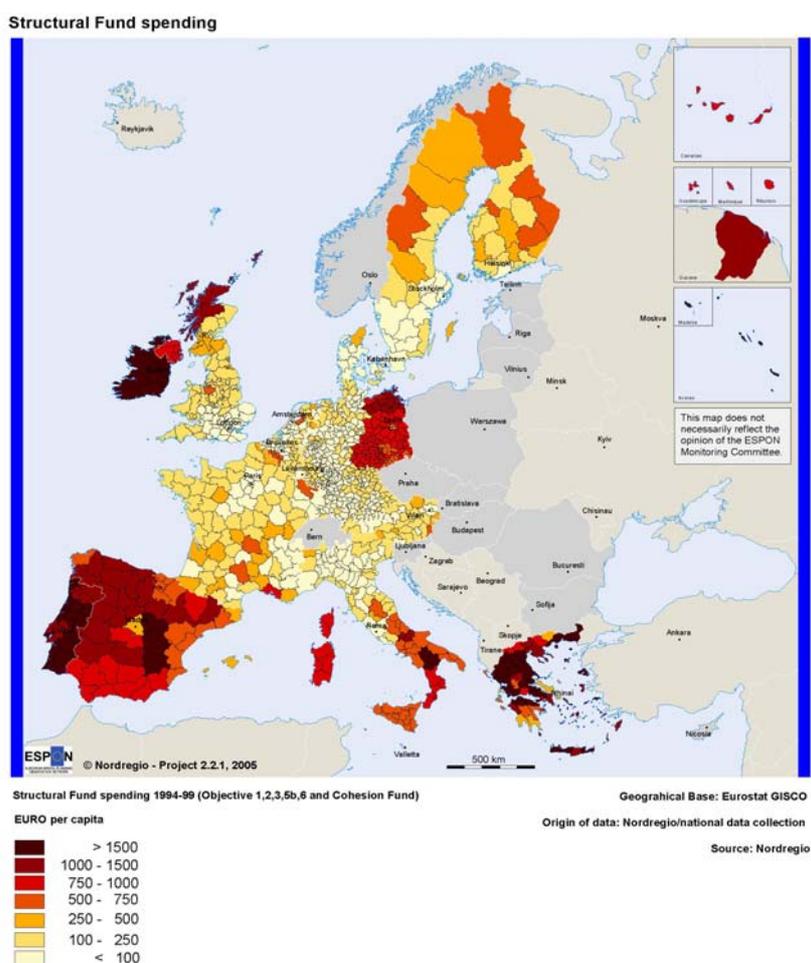
The view on the SF spending is blurred by the fact that for some of the national programmes that are used as co-funding of the SF money, it is not explicitly stated that the programme is part-funded by European structural funds. This concerns the so-called 'Grote Steden Beleid for the 30 largest cities in the Netherlands (starting with 25 cities in 1995 and adding 5 extra in 2000), of which some were eligible for objective 2 and for which ESF money was used.

For the regionalised programmes, the administrative responsibilities were mostly delegated to the provinces. Therefore, these were contacted as well. For some of the programmes a final report or ex post evaluation was available, such as for Flevoland.

Additionally, the single programming document of each of the regions was consulted. This includes those for the period after 2000, as they contain a review of the previous programming period as well.

## THE STRUCTURAL FUNDS IN THE EU15

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).



### **What kind of regions?**

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

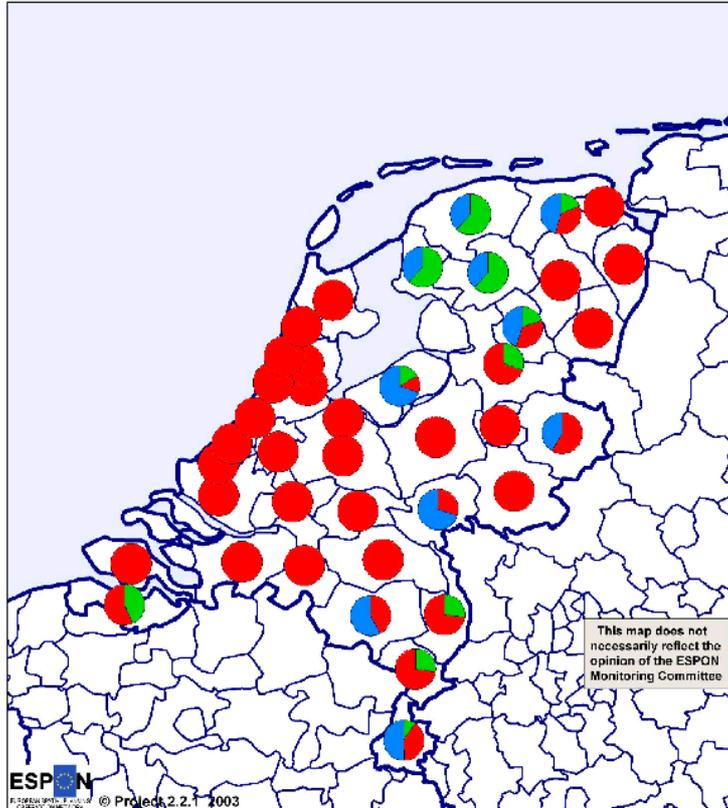
An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

### **STRUCTURAL FUNDS IN THE NETHERLANDS**

In the 1994-1999 period the Netherlands has benefited from the European structural funds in 4 objective 2 regions, 5 objective 5b regions and 1 objective 1 region. The fact that Flevoland was eligible for objective 1 did not come as a surprise to most people. It has given rise to much more attention of central government for this part of new polder land, if only to raise the necessary co-funding to secure the SF funding. The objective 2 regions are not only old industrial areas ( for example the northern part of the Netherlands where the economic structure is less intense than in other regions), for which the availability of European funding has at least led to a sustained awareness in Dutch policies for these areas. In these areas, the SF programmes have emphasised the potential in the fields of recreation, tourism and the arts that go together with the transition to a more service sector oriented economy. Also the R&D sector and innovative projects has been a priority in programmes throughout the country.

### Distribution per type of Structural Funds spending per capita



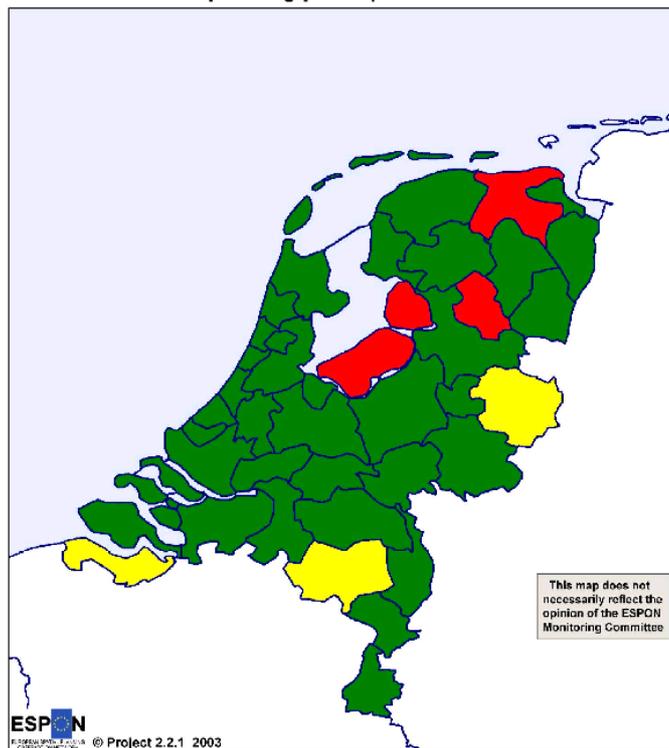
Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

### Distribution per type of SF spending per capita

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources

The objective 5b areas are among the rural areas for which national and regional governments already had specific views of their problems and potential. The availability of European funding generally has confirmed this and will have brought in some specific priorities. Here also the more innovative parts of the rural economy, such as horticulture, have benefited, as well as the economic diversification through tourism.

### Structural funds spending per capita



Geographical Base: Euostat GISCO  
Origin of data: National data collection, Eurostat-Regio  
Source: Nordregio, ESPON database

### SF spending per capita



## Regional structural funds spending

The structural funds spending in the Netherlands basically reflects the degree of urbanity of the Netherlands. In the most urban and wealthiest west of the country, the spending is mostly ESF. This is the economically most affluent part of the country in which socially oriented problems dominate. Although national budgets for the infrastructure and business site development type of spending are mostly concentrated in this part of the country, this is not an indication of accessibility or other problems. It is the Dutch priority of investing public money where the biggest potential more economic growth is seen. The SF spending on agriculture and regional development in the north, east and south reflects the relative dominance of traditional agriculture in the parts. Regional development spending is consistent with the need to focus on business site development to offer an attractive location for companies despite the slight less central location in the country.

The SF spending on regional development in Flevoland is consistent with the transition that this part of the country is undergoing from new land created in the 1930-1960's for agriculture, towards a location that houses the overflow of inhabitants from the larger Amsterdam conurbation and can house the overflow of businesses from the Amsterdam region.

The SF spending per capita in the whole of the country is much lower than in more peripheral parts of Europe. With the exception of Flevoland, the relatively high spending in two regions is merely caused by the relatively low numbers of inhabitants for the respective regions. Being eligible for objective 1, Flevoland has received much more than other Dutch regions.

## REGIONAL POLICY IN THE NETHERLANDS IN RELATION TO EUROPEAN REGIONAL POLICY

The 1995 Memorandum on Spatial Economic Policy undertook a detailed analysis of spatial and regional economic trends. It concluded that only the northern regions lay outside the core of growth in the Netherlands. The fact that the 1995 Memorandum discussed spatial economic policy generally, rather than regional policy specifically, reflected a broadening of the policy agenda to incorporate physical as well as economic development issues. This has continued in the most recent (2000) Policy Memorandum.

### Strategies

The focus in the Netherlands, then, is on the broader concept of spatial economic policy rather than on regional policy *per se*. In as far as there is a regional policy, it is concentrated on the north of the country. It is on the three northern provinces (Friesland, Drenthe, Gelderland) that the sole regional investment aid is concentrated (the Investment Premium) and the north also has a specific investment programme (*Kompas voor het Noorden*) which supports infrastructure provision and broader improvements to the business environment. A further important spatial dimension to policy involves the “big cities”. This component of policy began in the mid-nineties and has grown markedly since.

The main aim of spatial economic policy for the 2000-06 period is to improve the business location climate. In addition, the 2000 Policy Memorandum emphasised two core policy strands: strengthening the spatial economic network; and optimising the utilisation of the economic potentials of regions. The first strand involves: ensuring that there is *sufficient space* for new economic growth; supporting initiatives which result in a *varied supply* of business locations; strengthening and enlarging the main *transport hubs*; and *improving access*, not only in a transport sense but also electronically. The second strand focuses on the regions and on how the provision of competitive business environments can be enhanced through *regional cooperation* – not only within the public domain but also between the public and private sectors. In addition, and as already indicated, the Policy Memorandum highlighted some specific regional challenges, as for example, the need to strengthen *urban economies*.

### Instruments

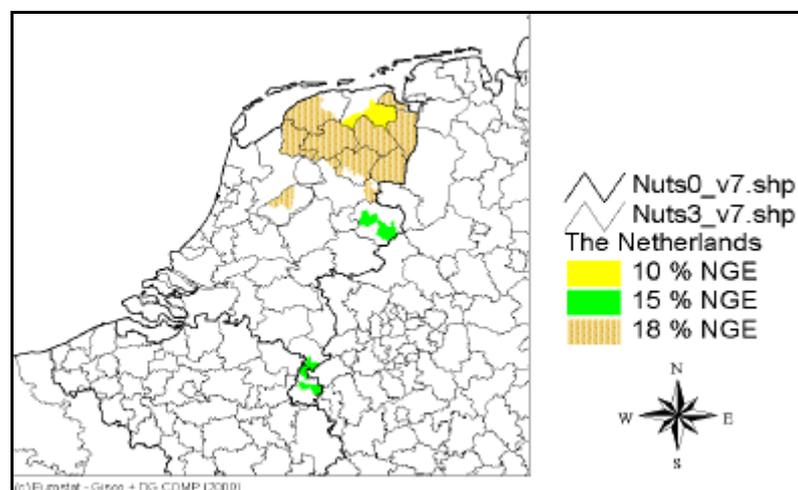
The 2000 Policy Memorandum emphasised four interrelated policy instruments. First, those which helped to improve the provision of *economic infrastructure* across the country, ensuring sufficiency and variety of business sites and better connections across spatial networks. To this end, a new tender-based measure, the TIPP (Provincial Investment Programmes Tendering Scheme), was introduced to foster the development of new strategic industrial estates and the restructuring of derelict industrial sites. Second, those which aimed to enhance *regional cooperation and coordination* in the delivery of policy. In addition to the TIPP (which encouraged provinces to cooperate with municipalities to develop strategic plans), there was a Covenant “Partnership in the Regions” which aimed to improve centre-sub-national cooperation in three policy areas: industrial estates, innovation and the operation of the market. Third, those which continued to support the *traditional problem regions in*

*the north* – in particular the Investment Premium and the *Kompas voor het Noorden*. And those which responded to the need to strengthen *urban economies*. The Policy Memorandum brought together previously separate budgets under a specific urban economy budget with a view to strengthening the *economic* component of urban policy in the Netherlands.

### Spatial targeting

The Investment Premium is available in selected parts of the Northern Development Area (NDA), in certain areas in South Limburg and Twente (but only if aided projects are of exceptional importance to the regional economy) and in a small part of the Objective 1 phase-out region of Flevoland. These areas cover 15 per cent of the population, 9.4 percent in the north, 4.9 percent in Twente/South Limburg and 0.6 percent in Flevoland. This compares with previous coverage of 17.3 percent.

**Figure 2-52: Dutch regional aid map**



Source: DG Competition website

### Governance

The principal institutions involved in the administration of traditional regional policy (and, especially, regional aid policy) are the Ministry of Economic Affairs and the provincial authorities in the north, grouped together in the *Samenwerkingsverband Noord Nederland*, SNN, Northern Netherlands Alliance. Under the Investment Premium scheme, the Ministry of Economic Affairs is responsible for eligible projects with investment of over Fl 10 million. Smaller projects are dealt with on a decentralised basis by the SNN. The Investment Premium has two distinct legislative bases – a centralised regulation for projects with investment of over Fl 10 million and a decentralised regulation for smaller projects.

For most of the other aspects of spatial economic policy the Ministry of Economic Affairs has the lead role. However, it is increasingly working together with sub-national authorities – in particular the cities (with respect to urban policy) but also the provinces.

**Table 2-1: Territorial Units in the Netherlands**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
Regions	NUTS I	4
Provinces	NUTS II	12
	NUTS III	40

## **DUTCH REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

The focus within the NRP on the social economic situation in urban areas and on the north of the country is not clearly reflected in the spatial policy. A new national spatial policy perspective (Nota Ruimte) is due in its final form in april 2004, but its contents are said to be heavily debated internally and therefore it is highly speculative as to what it will state. The thrust is expected to be a further concentration on national priorities by central government and more autonomy for provincial government and local government. The central government priorities will be on the main infrastructure and economic infrastructure, notably the Amsterdam Schiphol airport and the Rotterdam harbour that were dubbed as 'mainports' in the previous national spatial policy perspective. Provincial and local governments will mostly have to elaborate their desires and aims for small scale scheme for residential development for a large number of houses whilst protecting the landscape. Regional development or the NRP are therefore not directly (or for that matter indirectly) linked to the spatial policy.

Territorial cohesion is not a theme in Dutch policies. Yet the investment programme for the northern provinces clearly aims at taking away the differences in social and economic situation between the north and the rest of the country (Ministerie van EZ, 2001).

The focus in on the urban core areas in the Dutch national spatial policy might be interpreted as a interpretation of the position of the Dutch urban network in the European urban network, but it bears no relation to the NRP whatsoever. The programme for urban restructuring GSB is principally targeted at dealing with problems of crime, integration and renewing the housing stock.

Yet in some case specific areas are concerned such as the Nieuwe Sleutel Projecten ('key-projects'), which is a largescale investment in restructuring railwaystation areas in the cities that will be connected by the high-speed trains (Amsterdam, Rotterdam, Breda, the Hague, Utrecht, and Arnhem). A typical programme that reflects that Dutch focus on strengthening the core economic areas, rather than on deprived areas.

# Portugal



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Portugal

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Portuguese data collection**

With regard to the ESPON 2.2.1 country study of Portugal, the analysis of the Structural and Cohesion Fund assistance in the 1994-1999 period intended to focus on the NUTS III regions, i.e. the sub-regional level. This was, however, a difficult task in the majority of the regions, since the programming (and further monitoring and evaluation) normally took place at the NUTS II level of Autonomous Regions.

Therefore, in the case of Portugal, the experts used mainly the expenditure data of the national and regional programming documents, annual reports and evaluations and related them in a second step to the population in the different NUTS III regions engaged. This led in some cases without doubt to a picture influenced by the population distribution among the Portuguese regions, but was, on the other side, an adequate way to obtain an even overview over Structural Fund spending on NUTS III level. With regard to the Cohesion Fund spending, the creation of connections between spending and corresponding NUTS III regions was considerably easier, since there were normally specific major projects in concrete provinces involved.

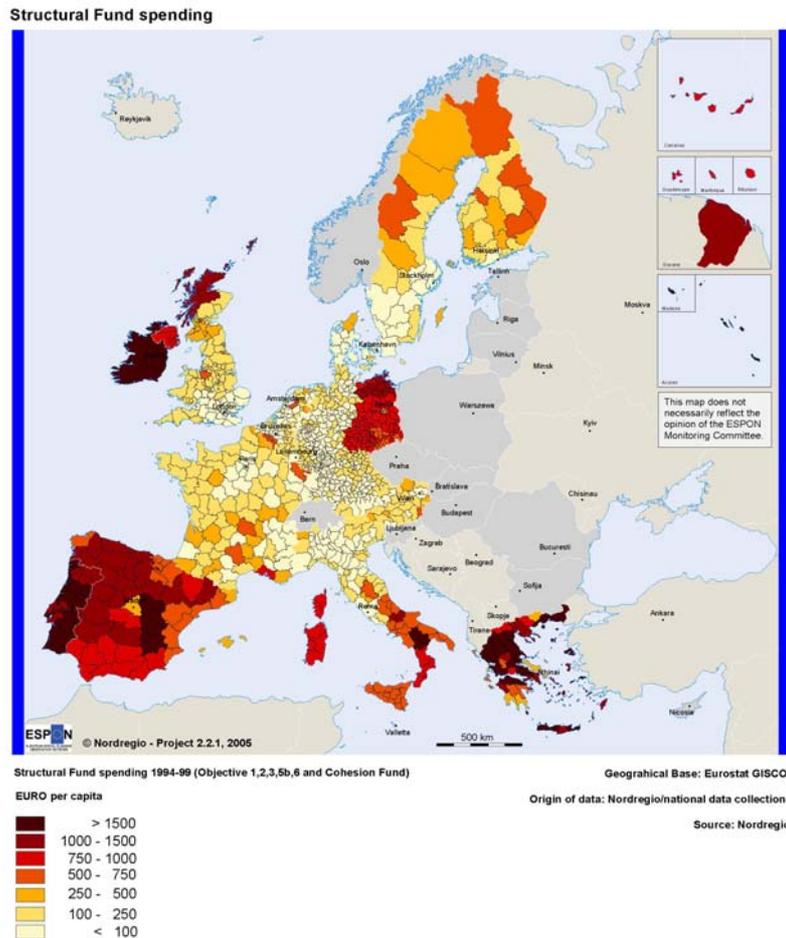
The methodology used for the data collection and assessment was based basically on the in-depth review of the programming documents, implementation reports and evaluations of

- National Operational Programmes
- Regional Operational Programmes
- Major Projects (ERDF)
- Infrastructure Projects (Cohesion Fund).

Therefore, national fund managers and European programmes managers and experts had been contacted.

## THE STRUCTURAL FUNDS IN THE EU15

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).



### What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro* / *meso* levels as regards spending *per capita*.

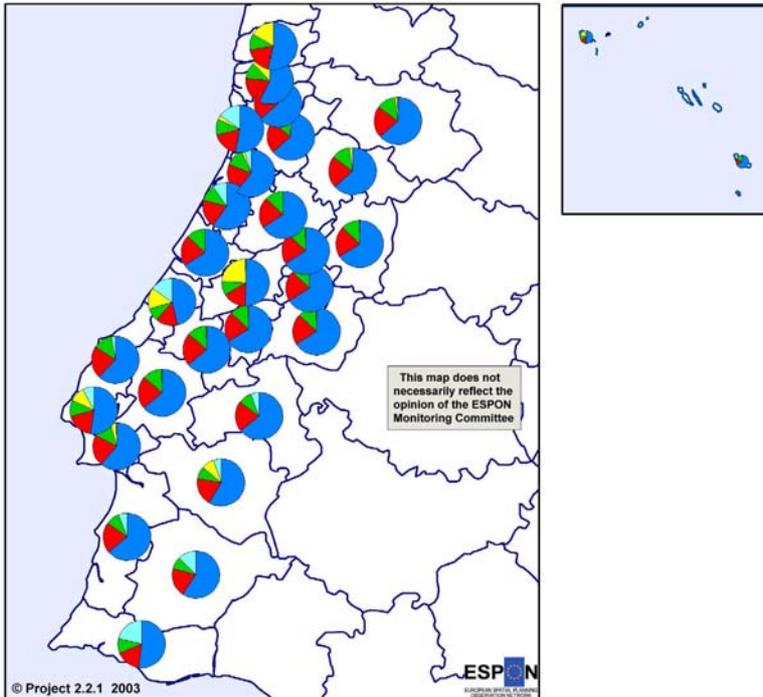
An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

### STRUCTURAL FUNDS IN PORTUGAL

Portugal in the period 1994-1999 was completely covered by Structural and Cohesion Fund assistance. All 7 Portuguese regions (NUTS II) were classified as eligible for the Objective 1 (regions lagging behind in economic development). Five of the NUTS II regions (Norte, Centro, Lisboa e Vale do Tejo, Alentejo and Algarve) are located on the Iberian Peninsula, while two regions – Azores and Madeira – belong as archipelagos in the Atlantic Ocean to the ultraperipheric regions of the EU.

**Distribution per type of Structural Funds spending per capita**



© Project 2.2.1 2003  
 Geographical Base: Euostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

**Distribution per type of SF spending per capita**

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources
- cohesion funds (transport)
- cohesion funds (environment)

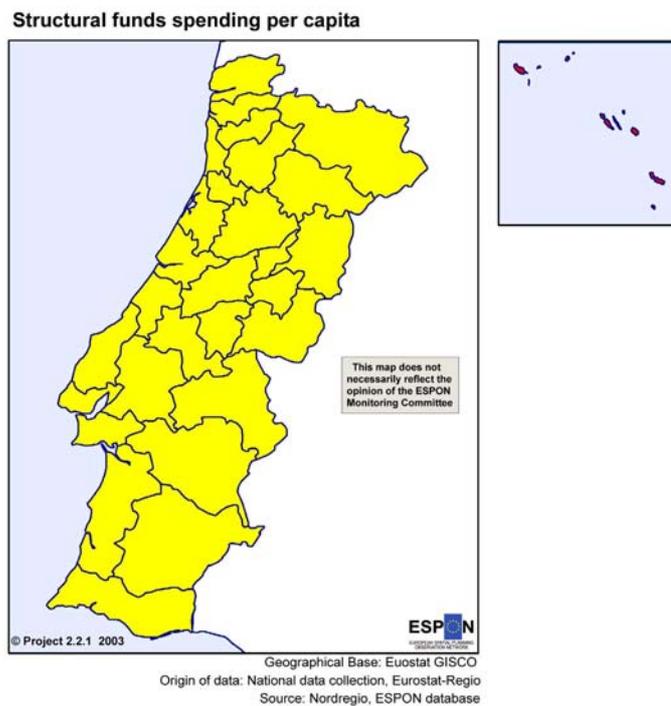
In addition, several national programmes offered European co-funding in specific fields related to regional and economic development (e.g. modernisation, regional development potential, Global Grant for municipal investment), and to social issues (health and social integration, vocational training, skills). In all of the NUTS III regions, the ERDF has been the most important fund, followed normally by the ESF and the EAGGF.

In some regions, however, specific Cohesion Fund projects changed this pattern. Environmental projects predominated in Grande Oporto, Pinhal Litoral, Grande Lisboa, Baixo Alentejo and Algarve. Important Transport projects (mainly motorways, airports and port improvements) took place in Minho-Lima, Pinhal Interior Norte, Pinhal Litoral, Grande Lisboa, Alentejo Central and Madeira.

### Regional Structural Funds spending

The Structural and Cohesion Fund spending in Portugal follows the European pattern. In the European context, Portugal is one of the cohesion countries and one of the member states which receives more of the Structural and Cohesion Funds. As the following map shows, all Portuguese regions receive more than 1300 EUR per capita, the ultraperipheral regions of Madeira and Azores even surpass the level of 2600 EUR.

Within this context, no specific differences regarding SF spending between regions in Portugal can be observed.



**SF spending per capita**

- < 1300 euro
- 1300 to 2600 euro
- > 2600 euro

## ESPON 2.2.1

### Case study of Madeira

#### 1 FOCUS OF INTEREST/HYPOTHESIS

The Autonomous Region of Madeira in Portugal is one of the remote island regions in the European Union. Some decades ago, the region was one of the poorest in Portugal, which is already one of the four cohesion countries. The last years, however, have witnessed a spectacular boost in development and Madeira is now the second richest (GDP/head, PPS) region in Portugal, after Lisbon. While being at the same time one of the regions which received the highest amounts of Structural and Cohesion Funds, the causal link between Structural Fund spending and regional development is more than probable.

The spatial system of the Madeira region is built around the capital city of Funchal. With regard to the micro level, the island of Madeira has some other population centres with certain levels of local specialisation (coastal area, organised tourism, green northeast, etc.). The island of Porto Santo has only about 4,700 inhabitants, but since it is another island and has one of the most beautiful and loneliest beaches in Europe – hence being a preferred destination for excursions – it receives special attention in the regional framework.

On meso and macro level, Madeira is important only in connection with tourism and, to less extent, transport (port, airport, cruises). Manufacturing and industry as well as higher education and research are considerably underdeveloped within a national and European context.

Local voices comment that the support of the EU and the support and commitment of the local population have been crucial to increase the level of development. Structural Funds have had effects especially on better internal and external accessibility, on the development of basic infrastructures and on an improved performance of regional firms. Other important aspects, that influenced territorial development and on which the analysis will concentrate on, are the strong cooperation between private and public sectors in helping to improve the island's tourism sector, accessibility and qualification levels as well as the work of the regional government, pushing for more autonomy, confidence of its inhabitants and successful lobbying at EU stages.

On the other side, the focussed support of basic transport and environmental infrastructure and the increased levels of development led also to a boom for the construction of new hotels and leisure centres, the destruction of natural landscape, a rapidly growing number of tourists, and an increase in the use of natural resources and the production of waste. The threatening of Madeiran-limited habitats of specific species and of environmental stability in general are the reverse sides of the positive economic and infrastructure development.

The specialisation on tourism sector contains also the risk of becoming too dependent and leaving other local resources unused.

The Autonomous Region of Madeira observed already these threats and faced them. The regional solutions are presented in this case study and the relation and possible impact of Structural Fund spending on them will be analysed.

## **2 DESCRIPTION**

### **2.1 CASE STUDY REGION**

The Archipelago of Madeira is located roughly 980 kilometres or an hour and a half flight from Lisbon, and includes the islands of Madeira (737 km<sup>2</sup>) and Porto Santo (42 km<sup>2</sup>), 40 kilometres away from Madeira, as well as the uninhabited islands Desertas (14 km<sup>2</sup>) and the Selvagens (3.6 km<sup>2</sup>). The archipelago is in fact closer to West Africa (about 800 kilometres) than to Europe, and its exceptional subtropical beauty combines with a mild climate that offers average temperatures of 20° Celsius. Madeira, as an Autonomous Region of Portugal, benefits from extensive rights within the framework of the European Union owing to the fact that it is considered an Outermost Region (Treaty of Amsterdam Art. 227).



**MAP 1: THE ARCHIPELAGO OF MADEIRA**

The Autonomous Region of Madeira (ARM) has a total population of about 245,000 of which more than 100,000 live in the capital Funchal. It consists of 11 municipal districts: Calheta, Camara de Lobos, Machico, Porto Moniz, Ponta do Sol, Santa Cruz, Ribeira Brava, Santana, Sao Vicente, Porto Santo, and Funchal.

Although the regional population has declined over the last 10 years, some municipalities are still growing (Funchal, Santa Cruz). The main reason for the declining trend was migration, having a positive natural growth. The trend of the last years (after 2001) is positive for the whole region, including the island of Porto Santo. The number of inhabitants stabilised at about 250,000.

Population density reaches from 36 inhab./km<sup>2</sup> in Porto Moniz to 1,422 inhab./km<sup>2</sup> in Funchal. The average figure is 306.7 inhab./km<sup>2</sup> (2001).

The ARM is at the same time NUTS I region (beside Portugal Continent and Azores), NUTS II region, and NUTS III area. The main values of the region are its traditional culture, its climate and its natural beauty. It has four National Parks (Ilhas Desertas, Ilhas Selvagens, Parcial do Garajau y Rocha do Navio) and one World Natural Heritage Site, classified in 1999 by UNESCO – the forest of Laurissilva which dates back to the Tertiary era.

The **economic development** of the last years has been extremely positive. Annual GDP growth rates of around 8% have been the rule.

**Madeira: GDP evolution**

DESCRIPTION	1996	1999	2000	2001	2002	2003
GDP (market price) (millions of EUR)	2,070	2,824	3,241	3,410	3,667	3,925
GDP per capita (EUR)	8,589.0	11,708.0	13,499.0	13,952.1	14,508.1	15,526.6

Source: Regional Government of Madeira (2004): Budget for the Autonomous Region of Madeira 2004

Contemplating the regional evolution of the GDP per capita indicator within the Portuguese and European context it becomes even clearer, that the development of the region is based on a sustained growth that is unique in Portugal.

**GDP per capita evolution (in PPS) in the Portuguese and EU context (EU15 =100)**

REGIONAL UNIT (NUTS II) AND PORTUGAL	1993	1999	2001	CHANGE 1993-1999	CHANGE 1999-2001
Norte	59.6	65.6	56.9	+6.0	-8.7
Centro	55.2	62.1	56.9	+6.9	-5.2
Lisboa and Vale do Tejo	87.4	89.3	94.7	+1.9	+5.4
Alentejo	54.4	61.2	56.9	+6.8	-4.3
Algarve	70.6	71.4	72.4	+0.8	+1.0
Açores	49.2	49.7	55.8	+0.5	+6.1
<b>Madeira</b>	<b>50.5</b>	<b>59.1</b>	<b>78.4</b>	<b>+8.6</b>	<b>+19.3</b>
Portugal	67.7	72.3	70.7	+4.6	-1.6

Source: Regional Government of Madeira (2000c): Regional Economic and Social Development Plan. European Commission (2004): Third Report on Economic and Social Cohesion.

Having seen the highest growth rate in relation to other EU regions from 1993 to 1999 in Portugal, Madeira achieved to continue growing in relation to the EU average while other Portuguese regions were not able to maintain former growth trends.

In 2001, Madeira was the second richest NUTS II region in Portugal in terms of GDP per capita and surpassed, even in the EU15 context, the current Objective-1 threshold of 75% of the EU average. Madeira, therefore, will become after 2006 most probably a phasing out region with regard to Structural Fund support to the least developed European regions.

Indicators for expanding positive development are also the percentage of the population with higher education degrees and the number of temporary (seasonal) used apartments.

**Madeira: Percentage of Population with higher education degrees**

MUNICIPAL DISTRICTS	% OF POPULATION WITH HIGHER EDUCATION IN 1991	% OF POPULATION WITH HIGHER EDUCATION IN 2001	CHANGE IN % 1991-2001
Calheta (ARM)	0.22	1.86	733.4
Câmara de Lobos	0.31	1.36	336.1
Funchal	2.37	6.84	188.2
Machico	0.39	2.58	569.4
Ponta do Sol	0.23	2.47	983.1
Porto Moniz	0.41	1.40	243.4
Porto Santo	0.93	3.40	263.4
Ribeira Brava	0.38	2.45	545.1
Santa Cruz	0.86	4.68	443.3
Santana	0.24	2.08	756.6
Sao Vicente	0.22	2.52	1,039.3
Average ARM	0.60	2.88	380.0

Source: Ministry for Finance (2003): Regional Dynamics in Portugal – Demographics and Investments.

Parting from very low levels, in the 1990s growth has reached important levels in many areas, especially with regard to education, health, transport, tourism, construction.

**Madeira: Number of seasonal used houses and flats per Municipality**

MUNICIPAL DISTRICTS	HOUSES AND FLATS SEASONAL USE 1991	HOUSES AND FLATS SEASONAL USE 2001	CHANGE IN % 1991-2001
Calheta (ARM)	120	1,443	1,102.5
Câmara de Lobos	105	868	726.7
Funchal	980	4,702	379.8
Machico	379	821	116.6
Ponta do Sol	86	422	390.7
Porto Moniz	74	203	174.3
Porto Santo	422	767	81.8
Ribeira Brava	95	691	627.4
Santa Cruz	452	1,821	302.9
Santana	186	881	373.7
Sao Vicente	128	295	130.5
Total ARM	3,027	12,914	326.62

Source: Ministry for Finance (2003): Regional Dynamics in Portugal – Demographics and Investments.

Natural beauty and a pleasant climate made that already in the XIX century Madeira developed as a tourist destination, although it was not until the 1960s that tourism became an important regional economic activity. Today, the destination Madeira receives especially a high-standard, quality tourism, about 70% of the available accommodation (27.000 beds) corresponds to 4-5 star hotels. The number of periodically used houses and apartments indicates the growing importance of tourism for the region. The service sector in general is the most important in the region. Tourism accounts in the regional economy for 25-30% of the regional GDP income.

The number of employees in hotels and other accommodation facilities rose from 4.491 (1990) to 6.265 in the year 2000, and to 7.220 in 2003. The income produced by the hotel and accommodation subsector represented in 1990 a figure of EUR 181,000,000, growing 10.9% until the year 2000 (EUR 201,000,000) and finally reached EUR 244, 947,000 in 2003 (+21.9% 2000-2003). (Madeira Regional Directorate for Statistics, 2004)

#### Tourism Statistics Madeira

	1980	1995	1998	1999	2001	2002
Registered Guests	n.d.	530,441	631,861	696,241	842,705	831,975
Overnight Stays	2,401,089	3,965,119	4,471,319	4,769,668	5,516,397	5,468,706
No. of hotels and other lodging	81	135	150	158	177	184
No. of beds	11,454	17,502	19,837	20,955	25,739	26,762
Occupancy rate	n.d.	n.d.	63.3	65.0	60.4	56.9

Source: Madeira Regional Directorate for Statistics (2004): Tourism Observatory.

Unemployment levels are relatively low in Madeira. Due to the importance of tourism as a sector with high labour force requirements and due to the tendency of young people to emigrate in search for a job, the situation is much better than in Portugal and in many European regions.

#### Madeira: Unemployment Rate in % and comparison to other areas

	1996	1997	1998	1999	2000	2001	2002
ARM	5,1	5,2	3,5	2,8	2,5	2,6	2,5
Portugal	7,3	6,8	5,0	4,4	4,0	4,1	5,1
EUR 15	10,9	10,6	9,4	8,7	7,8	7,4	7,7

Source: Regional Government of Madeira (2004): Budget for the Autonomous Region of Madeira 2004

Other regional characteristics are:

- Madeira in general has a very **young population**, 35% of the overall population are below 25 years old, only 13.7% are more than 65 years old. The age index (relation of older to younger people) indicates a younger society in Madeira than in mainland Portugal, especially in the interior areas.
- The **service sector** (77.3% of GDP) and construction (13.7% of GDP) are the most important sectors in the regional economy. Agriculture accounts for 3.5% of GDP and for 10.4% of employment – main products are grapes and bananas, flower planting is also an wide-spread activity. In some municipalities, fishing is still an important local activity. The region of Madeira is not specialised with regard to the **industrial sector** (5.5%). The number of industrial and manufacturing firms is very low. Within the

industrial sector, the subsector of transforming agricultural products (food and beverages) is the most important.

- Madeira has **one University**, located in Funchal (Universidade da Madeira), which has a limited number of faculties. Although the regional levels of education and the shares of university students are increasing, they are still below the national average and way below the European average.
- Since the 1990s, the region intends to **promote added-value economic and industrial activities** and to attract foreign investment through its Free Trade Zone, an International Business Centre, as well as an Innovation and Technology Centre and a Technology Park (Tecnopolo). The nearness of university, laboratories, research centres and firms has allowed to achieve some important scientific developments, especially in the fields of biology, chemistry, new materials, energy and natural resources.
- In a national study which analysed local and regional **dynamics of development** over the decade 1991-2001 (regarding population evolution, education, investments), the Autonomous Region of Madeira was one of the most dynamic regions. Almost all of their municipal districts showed high and positive levels of dynamics, only two municipalities in the less populated north of Madeira island, Porto Moniz and Santana, presented a low dynamic development.

## 2.2 STRUCTURAL FUND PROGRAMMES (1994-1999 AND 2000-2006)

Up until 1986, life on the islands of the region Madeira had been, for the most part, based on self-subsistence, small-scale farming. Having fertile lands, Madeirans were able to grow many kinds of crops for their own consumption without the need to trade with the outside. In 1986, however, when Portugal joined the European Community, the opportunities for Madeiran prosperity increased. The pace of economic change increased in the Region of Madeira with the EC implementation of the Structural Funds. Apart from the Operational Programmes, another specific Programme POSEIMA (Programme of Options for the Remoteness and Insularity of Madeira) was one of the initial specific schemes focussed on balancing structural disadvantages in the EU outermost regions (1992). This Programme is still operative.

Since 1989, Madeira benefits from European co-funding in the framework of a Regional Operational Programme (POPRAM) as well as from various thematic national support programmes (e.g. for enterprises, R&D) within the overall Portuguese Community Support Framework. It is, however, extremely difficult to identify in monetary terms the participation of Madeira in these national programmes. Additionally, projects have been and are supported within the Community Initiatives, innovative actions and other community programmes (LIFE, Research FP, SOCRATES). Moreover, the Cohesion Fund plays an important role in Madeira.

## THE FUNDING PERIOD 1994-1999

The Operational Programme for Madeira 1994-1999 (POPRAM II) was funded by ERDF, ESF, FIGG and EAGGF.

### POPRAM II 1994-1999 Final Expenditure (in thousands of EUR)

Subprogramme	Measures / Types of activities	Financing	Share of financing	Indicators/ results of relevance to polycentricity	Relevance for polycentricity
1. Development of Human Potential	1. Knowledge and Innovation Bases (ERDF)	131,273	EU: 83.7% (109,876)	Fostering Innovation	2
	2. Professional Training (ESF)	100.1% of initially programmed amount		Balanced levels of qualification and improved access to jobs	2
	3. Action for the Development of Employment (ESF)			Job creation	1
2. Competitiveness and Endogenous Potential	1. Support Infrastructures and Development (ERDF)	451,965	EU: 67.1% (303,290)	Better accessibility, Decentralisation	2
	2. Development of Industry and Crafts (ERDF)	99.6% of initially programmed amount		Fostering traditional and industrial economic activities	2
	3. Valuation of Touristic Potential (ERDF)			Consolidation of Tourist Infrastructures, Promotion	1
	4. Agricultural and Rural Development (EAGGF)	Improving rural infrastructures and support agricultural activities /rural life		2	
	5. Modernisation of Fishery Sector (FIGG)	Support and improve fishery sector			
	6. Mobilising the Endogenous Potential (ERDF)	Support of private economic and innovative initiatives		1	
3. Quality of Life and the Environment	1. Improvement of Health Service Offer (ERDF)	48,310	EU: 79.8% (38,551)	Decentralise and modernise Health Services	2
	2. Water Supply Infrastructures (ERDF)	88.4% of initially programmed amount		Balance water supply in the region	2
	3. Basic Waste Water Networks and Infrastructures (ERDF)			Improve environmental quality	2
4. Management and	Technical Assistance for ERDF, ESF, EAGGF and	1,900	EU: 85% 1,615	-	-

Implementation	FIFG interventions	100 %			
<b>TOTAL</b>		<b>633,448</b> <b>(97.7%)</b>	<b>EU: 72.3%</b> <b>453,332</b>	-	-

Source: Final Report POPRAM II 1994-1999. (2002)

In the 1994-1999 period, the **Cohesion Fund** supported three major projects, one in the area of transport and two in the environment area:

- Extension of Funchal Airport, 2<sup>nd</sup> phase (total investment EUR 269,841,000, Cohesion Fund: EUR 159,982,000). Feasibility studies and the 1<sup>st</sup> phase of the Airport development project were co-funded in the framework of the Community Initiative REGIS with the ERDF fund – about EUR 60,000,000 ERDF contribution – between 1991 and 1997.
- Interconnection of principal drinking water pipelines on the island of Madeira (total investment: EUR 21,430,000, Cohesion Fund: EUR 18,215,000).
- Collection, Use and Recycling of Solid Waste on Madeira and Porto Santo, 1<sup>st</sup> phase (total investment: EUR 46,459,000, Cohesion Fund: EUR 31,028,000). This project was approved only in 1999 and continued in the period 2000-2006 with a second phase.

In the following table, although reflecting a provisional expenditure situation in 1998, all Structural and Cohesion Fund programmes in Madeira in the period 1994-1999 are presented. This overview reflects the relation between the Regional Operational Programme, the Cohesion Fund, the National Programmes and the smaller Community Initiatives.

#### **Total Structural Funds in Madeira 1994-1999 (Situation: Provisional Data 1998) in EUR**

	ELIGIBLE COST	COMMUNITY PARTICIPATION					TOTAL EU FUNDS
		ERDF	ESF	EAGGF	FIFG	COHESION F.	
<b>POPRAM II 1994-1999</b>	<b>671,368,945</b>	<b>329,700,200</b>	<b>57,945,050</b>	<b>53,172,410</b>	<b>12,230,275</b>	-	<b>453,047,935</b>

<b>Interventions National OPs</b>	<b>261,734,015</b>	<b>71,306,910</b>	<b>1,549,275</b>	-	-	-	<b>72,856,185</b>
- Industry	114,253,605	38,151,155	-	-	-	-	
- Commerce	21,187,915	6,180,165	-	-	-	-	
- Tourism – Culture	111,367,425	18,828,135	-	-	-	-	
- Education	116,140	87,105	-	-	-	-	
- Science	3,528,690	2,646,515	-	-	-	-	
- Telecom	3,725,020	1,862,510	-	-	-	-	
- Energy	1,142,820	331,900	-	-	-	-	
- Enterprise Support	6,412,400	3,219,425	1,549,275	-	-	-	
<b>Community Initiatives</b>	<b>75,103,325</b>	<b>59,499,955</b>	<b>1,714,355</b>	<b>1,700,000</b>	-	-	<b>62,914,310</b>
CI REGIS II	69,085,000	57,005,000	-	1,700,000	-	-	
CI LEADER II	3,732,520	2,464,180	-	-	-	-	
CI EMPLOYMENT	1,536,465	30,775	1,152,350	-	-	-	
CI APADT	749,340		562,005	-	-	-	
<b>Cohesion Fund 1994-1999</b>	<b>333,832,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206,560,215</b>	<b>206,560,215</b>
<b>TOTAL SF Programmes in Madeira 1994-1999</b>	<b>1,342,038,975</b>	<b>460,507,065</b>	<b>61,208,680</b>	<b>54,872,410</b>	<b>12,230,275</b>	<b>206,560,215</b>	<b>795,378,645</b>

Source: Regional Government of Madeira (2000c): Regional Economic and Social Development Plan.

Considering this provisional expenditure data regarding the Regional programme POPRAM II, the participation in National OPs, the Community Initiatives and the Cohesion Fund, the region of Madeira received between **1994 and 1999 a total amount of EUR 795,378,645** which corresponds to a fund **contribution of EUR 3,246.44 per capita**.

The final amounts have been slightly lower, since for example the final expenditure of POPRAM II corresponded to only 94.2% of the approved expenditure and to 97.7% of the initially programmed expenditure.

## THE FUNDING PERIOD 2000-2006

The Operational Programme 2000-2006 for Madeira (POPRAM III) is funded by ERDF, ESF, FIGG and EAGGF. The Programme contains two main priority lines which are then divided into 5 and 6 Measures. The Measures and Actions are normally thematically structured, Measure 2.6 is a geographical measure and includes the Integrated Intervention for Porto Santo.

### POPRAM III 2000-2006 (ERDF, ESF, FIGG, EAGGF) (programmed in thousands of EUR)

Priority	Measures / Types of activities	Financing	EU Share of financing	Indicators/expected results of relevance	Relevance for poly-

				to polycentricity	centricity
<b>1. Developing an Atlantic Platform for Europe</b>		<b>515,844</b>	<b>345,499</b> <b>EU: 66.98%</b>	-	<b>1.67</b>
	1.1 Strengthening the potential for tourism, culture and leisure	104,407	67,672	Increase and improve tourism activities	1
	1.2 Stimulating Innovation and the Information Society	53,084	33,534	More balanced access to and use of ICT	2
	1.3 Improving external Accessibility	73,739	33,685	Better accessibility by ship of both islands Improved accessibility of smaller towns	2 2
	1.4 Protection of the Environment and Spatial Planning	163,279	111,533	Improved environmental quality	2
	1.5 Human Competences and Social Equity	121,335	99,075	Balanced levels of qualification and improved access to jobs	1 2
<b>2. Strengthening the economic and social base</b>		<b>645,179</b>	<b>346,886</b> <b>EU: 53.77%</b>	-	<b>1.83</b>
	2.1 Agriculture and Rural Development	154,695	78,232	Create a sustainable rural environment + stable population levels	2
	2.2 Fishery and Aquaculture	36,836	19,732	Support and improve regional fishery sector	1
	2.3 Competitiveness and Economic Efficiency	97,656	33,703	Support of economic activities + job creation	2
	2.4 Improving internal accessibility	243,837	132,163	Improving road infrastructure on Madeira	2
	2.5 Cohesion and Social Strengthening	100,316	69,401	Improving educational, health and social infrastructures	2
	2.6 Integrated Intervention for Porto Santo	20,839	13,656	Promote regional development on Porto Santo	2
<b>3. Technical Assistance for ERDF, ESF, EAGGF and FIFG interventions</b>		<b>16,737</b>	<b>12,325</b> <b>EU: 73.64%</b>	--	-
<b>TOTAL</b>		<b>1186,760</b>	<b>704,711</b> <b>EU: 59.38%</b>	-	-

Source: Intermediate Evaluation of POPRAM III 2000-2006. (2003)

The share of Structural Funds implemented in POPRAM III is the following: ERDF 71.53%, ESF 14.31%, EAGGF 11.33%, FIFG 2.83%, which indicates the on-going importance of ERDF actions, i.e. representing mainly infrastructure and construction

works, but also a relative importance of agricultural and fishery-oriented actions, responding to specific regional needs.

The national Portuguese Operational Programmes where the region of Madeira is benefiting from partly are:

- Science, Technology and Innovation Operational Programme (POCTI)
- Information Society Operational Programme (POSI)
- Economy Operational Programme (POE)
- Education and Culture Operational Programme (PRODEP).

Minor contributions of the Structural Funds to the region of Madeira are included in the framework of Community Initiatives (EQUAL, LEADER, INTERREG III), in Innovative Actions (Regional Innovation Strategies), and specific agricultural and rural development programmes.

In the 2000-2006 period, the **Cohesion Fund** supports another three umbrella projects, two of them focussed on the environment area containing each a variety of small infrastructure works, and one in the transport area:

- Collection, Use and Recycling of Solid Waste on Madeira and Porto Santo, 2<sup>nd</sup> phase (total investment 68,031,545 EUR, Cohesion Fund:45,431,466 EUR), including the extension of treatment centres for solid waste, installation for the treatment of compost waste, hospital residuals, and other, the creation of selected waste collection points, recycling centre on Porto Santo, awareness-raising campaigns, etc.
- Infrastructures for Optimal Water Management in the Region of Madeira, 1<sup>st</sup> phase (total investment: 39,662,579 EUR, Cohesion Fund: 29,040,940 EUR), includes modernisation and extension of water collectors and water distribution, strengthening water and waste water treatment facilities on Porto Santo.
- Improvement of Madeira Port Infrastructures, 1<sup>st</sup> phase “Caniçal” (total investment: 73,479,300 EUR, Cohesion Fund: 42,617,994 EUR). This project represents the first phase of a wider concept of reorganising the port infrastructures and logistics on the island of Madeira according to the uses commercial port, fishery and recreation/cruises.

Between the actions supported by the Cohesion Fund and the ERDF co-funded measures 1.3, 1.4 and 2.6 exist strong synergies and complementarities which have been intended and promoted by the Regional Authorities.

According to the budget planning of POPRAM III and the Cohesion Fund projects, the region of Madeira will presumably receive in the period **2000-2006** a **total amount of EUR 821,801,000** which means a **per capita contribution of EUR 3,351**.

## **RESULTS OF THE SF PROGRAMMES 1994-1999**

The summary of the main physical results and projects of the 1994-1999 Operational Programme POPRAM II and the Cohesion Fund 1994-1999 indicates the variety of activities and direct effects of those programmes:

### *ERDF component:*

- 8 new Education infrastructures (including primary/secondary, higher education/university and professional training),
- 43.5 km new roads (local and regional),
- 28 Promotion and Animation Actions,
- 5 new Health Infrastructures,
- 3 new waste treatment facilities (ETA),
- 1 new waste water treatment facility (ETAR),
- 87 private investment projects to support enterprises and innovation.

### *ESF component:*

- 2,169 Professional Training Actions with a total number of 40,554 persons trained (14,190 men, 26,354 women),
- 2,759 new jobs created (of that 1,711 for women) in the measure 1.3.

### *EAGGF component:*

- Total intervention area – irrigation: 3,129 ha,
- Extension of rural roads and paths built or improved: 14,024 m,
- Rural Electrification: 60 m for a total of 33 agricultural units,
- Benefiting area of support to banana plantations: 26 ha,
- Benefiting area of re-cultivating flower plantations: 25 ha.

### *FIFG component:*

- 31 fishing boats: 17 built and 14 modernised,
- 3 transformation facilities built or restructured.

### *Cohesion Fund:*

- Extension of the Intercontinental Airport of Madeira, conclusion of the first phase (prolongation of the runway from 1,800 m to 2,336 m) and entire second phase (prolongation from 2,336 m to 2,781 m),
- Increase in the capacity to transport drinking water to Funchal and the neighbouring districts Santa Cruz, Machico and Camara de Lobos.

To date, it is still early to give information about the results of the programmes 2000-2006.

### 3 IMPACTS ON SPATIAL DEVELOPMENT

Due to the character of the Structural Fund programmes in the Autonomous Region of Madeira (Objective 1, including four funds ERDF, ESF, EAGGF, FIFG plus Cohesion Fund, focussed on basic infrastructures), the impacts on spatial development in the region are considerable, although difficult to quantify.

With regard to the different aspects of spatial development and polycentricity to be analysed (specialisation, population function, relation function), the Structural Fund programmes 1989-1993, 1994-1999 and 2000-2006 are articulated as follows:

- **Specialisation:** The region is highly specialised as a tourism destination. This feature is reflected in the overall regional development strategy and in all three Structural Fund programmes. The “Strengthening of the touristic potential” and the “Improvement of touristic infrastructures” are measures included in each of the three Operational Programmes. In addition, and taking into account the importance of other factors such as basic transport infrastructures, an intact and beautiful environment, adequate qualification levels in the service sector, for the attraction of tourists, a wide array of side measures have been included also in the Operational Programmes. On the other side, the Structural Fund programmes have intended to strengthen other regional potential development areas related, for example, to a Free Trade Business Zone (supported within the POPRAM I 1989-1993), to Innovation and the Knowledge Society Measure 1.1 in POPRAM II and 1.2 in POPRAM III), to maritime transport and logistics (Cohesion Fund). The measures related to these areas must be seen as an intent to overcome the over-dependency on tourism and to establish other types of functional specialisations. The objective to become an European excellence centre in the Atlantic Sea even is reflected in the name of the 1. Priority of the current OP 2000-2006 (“Developing an Atlantic Platform for Europe”). Certain measures supported by the Structural Funds and the Cohesion Fund, such as the actual development of the port infrastructure in Caniçal (and programmed for Funchal and Porto Novo), seek to develop a specialisation on micro level with regard to different port functions along the southeast coastline of Madeira (commercial port in Caniçal near the new Free Trade Business Zone, logistic centre in Porto Novo, cruise and yacht port in Funchal).

- **Population Function:** The region counts with only one important functional and population centre, Funchal, which is the home for about 50% of the regional population. Due to the physical limitations (mountains, coast, protected areas, limited amounts of drinking water on Porto Santo) to expand the urban areas, there are less problems with urban sprawl but, at the same time, there are less opportunities for municipalities to grow. The overall regional development strategy and the Operational Programmes, however, try to improve accessibility, basic living conditions, the supply of goods, water and services (health, education) in the smaller towns, in order to facilitate a measured growth in municipal districts other than Funchal. Thus, the overall development strategy is built on a polycentric approach. Many decentralised actions are supported within the different POPRAMs, such as regarding rural development, improving the local and regional (internal) road system, integrated actions on Porto Santo, decentralised training measures, specific actions in favour of fishing villages, etc.
- **Relation Function:** The Structural Funds and the Cohesion Fund have been extremely important for the development of the relation function of the region. Especially with regard to the internal and external accessibility, the supported projects (intercity and inner-city road system, tunnels, port infrastructure, airport) were highly important for the overall spatial development (polycentric development, specialisation) in the region. Time requirements to get from one side of the mountainous island to the other have been reduced considerably (for example, Funchal-Sao Vicente from 2 hours to 35 minutes). Another aspect that has been favoured by the Structural Funds programmes has been the development of transregional and transnational cooperation projects and networks. With regard to regional cooperation Madeira is, as an island, remarkably disadvantaged for not having direct neighbour regions. The Interreg Programme has, therefore, been very important in order to initiate transregional institutional and business cooperation. Especially, the current programme developed together with Canarias and Açores proves very successful, and the number of applications for Interreg projects exceeds the number of available financial resources.

### 3.1 POLYCENTRIC DEVELOPMENT

Traditionally, the spatial system of the Madeira region is built around the capital city of Funchal. With regard to the micro level, the island of Madeira has some other population centres with certain levels of local specialisation (coastal area, organised tourism, green northeast, etc.). Other more important municipalities are located also at the south coast, near Funchal (Camara de Lobos, Machico, Santa Cruz). The North of the island Madeira is generally less populated due to the physical limitations to settle. The island of Porto Santo has only about 4,700 inhabitants, but since it is another island and has one of the most beautiful and loneliest beaches in Europe – hence being a preferred destination for excursions – it receives special attention in the regional framework.

In the meso and macro context, the development strategies concentrate on the strengthening of activities in and around Funchal. This is an appropriate approach since in general critical mass (population, companies, students) is located in and around Funchal. The University of Madeira, the port of Funchal and the Innovation and Congress Centre “Madeira Tecnopolo” are important central infrastructures. Albeit its name, the airport of Funchal is located in about 25 kilometres distance to the city, in the municipal district of Santa Cruz. The connection via highway between the airport and Funchal has been one of the first road infrastructure projects, supported by the ERDF.

With regard to tourism infrastructure, hotels and other accommodation, the spatial concentration on the capital city of Funchal is not so important, since space is limited and new hotel complexes prefer less populated coastline locations near Funchal (to the west, Funchal district, Camara de Lobos – to the east, Caniço, Santa Cruz, Machico. In addition, smaller lodgings and rural hotels are located all over the region, including Porto Santo.

The Structural Fund programmes and the Cohesion Fund have considerably influenced a more balanced territorial development. The overall regional development strategy and the Operational Programmes, tried and still try to improve accessibility, basic living conditions, the supply of goods, water and services (health, education) in the smaller towns, in order to facilitate a measured growth in municipal districts other than Funchal.

In this context, the “reduction of internal asymmetries in development” (94-99) and the “creation of conditions that favour sustainable development and internal cohesion” (00-06) have been important territorial objectives of the development strategies on which the Structural Funds have been based during the last years.

The key trends for polycentric development in the region of Madeira in relation to specialisation, population and accessibility and transnational networks are presented in the following chapters.

### **3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM**

The overall classification of the region and of the Functional Urban Area of Funchal is “transnational/national”. It is, however, difficult to describe the FUA with one term, since the territorial importance level varies significantly between different functions.

The region of Madeira is clearly specialised as an exotic and high-quality (not mass-) tourist destination in the Atlantic Sea. Therefore, on meso (national) and macro (European) level, the region has an important function (classification: national to European) only in connection with **tourism** and, to less extent, **transport** (port, airport, cruises).

The **administrative status** (classification: regional) of the Autonomous Region allows Madeira to have an important status in the national context (meso level), the region has a higher degree of autonomy than the other Portuguese regions and uses its power better at national and European stage than the other Autonomous Region of the Açores.

With regard to **higher education and research**, the activities performed in Madeira and, especially in Funchal, are considerably underdeveloped within a national and European context (local-regional function), but increasingly important on micro level, that is for the region itself.

**Manufacturing, industrial economic activities** as well as **Decision-making** (location of headquarters) are less important even on meso and micro level (classification: local), since the industrial sector is very weak in the region and very few company headquarters – only of regional firms – are based in Madeira.

The regional authorities are well aware of the specialisation on Tourism and try to develop it further in two ways.

- Directly: Improving the tourist and leisure facilities, as well as promoting Madeira as a destination in order to increase the number of visits and overnight stays, the number of hotels, the number of money spent by tourists and the number of persons employed in the sector.
- Indirectly: Improving general infrastructures, living conditions and quality of services (qualification) as well as protection of the natural environment in order to maintain the level of attractiveness as a tourist destination and to enhance capacity to support more visitors (to a certain level) without damaging the environment.

In addition, the region tries to strengthen its weak areas with growth potentials, such as industrial economic activities, knowledge infrastructures and education levels, in order to promote and attract other economic activities than tourist-related ones to the archipelago (e.g. with the Free Trade Zone, the Tecnopolo, University and professional training facilities, etc.).

Both lines of development are supported by Structural Fund Programmes and Projects.

On the other side, the Structural Funds are not supporting the areas which are less important in the regional context on micro, meso and macro level, such as decision-making (headquarters).

The administrative status and the role of the regional authorities have been influenced positively by the Structural Funds, since the capacity of the Regional Government to

perform development projects and to elaborate, implement and control wide-scale development programmes increased significantly with the additional financial resources from the EU. Together with other factors that led to a strong Regional Government in Madeira and to effective lobbying activities before the Portuguese and the EU authorities.

Although there have been important impacts on regional development, the general specialisation structure changed only slightly. For example, with regard to “Knowledge and Higher Education” the region is slowly receiving more attention on regional and national scale (meso level), as a result of the focused creation of R&D and innovation infrastructure as well as of the support of projects in certain research fields (biology, chemistry, new materials).

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence
<b><i>Tourism</i></b>	Highly important, specialisation at meso-macro level.	Highly important, specialisation at meso-macro level.	Subprogramme 2 in POPRAM I (89-93), Measures 2.3 in POPRAM II (94-99) and 1.1 in POPRAM III (00-06; in addition indirect positive influence of other measures and projects, such as airport, road system, water supply, rural tourism development, ferry to Porto Santo, etc.	2
<b>Industry</b>	Potential growth area, but limited to certain industrial subsectors (transformation, food and beverages)	Potential growth area, but limited to certain industrial subsectors (transformation, food and beverages)	Basic Infrastructures of a Free trade Business Zone in Caniçal (89-93), Support of traditional industries and crafts in measure 2.2 (94-99), Support of private industrial companies in Measures 2.6 (94-99) and 2.3 (00-06).	1
<b>Knowledge / Higher education institutions</b>	Very weak, small University, very few knowledge-related infrastructures or activities.	Of Regional and sometimes national/transnational importance in certain sectors. New Infrastructures, Madeira Tecnopolo, Innovation Centre.	Important influence with Measures 1.1 (94-99) and 1.2 (00-06), while creating new knowledge and HE infrastructures and promoting innovation in the private sector.	2
<b>Decision-making / Location of company HQs</b>	Not relevant	Not relevant	Not relevant	0
<b>Administrative status</b>	Autonomous Region	Autonomous Region	Important influence through general SF Programmes and the additional financial	2

			resources that allowed to develop important projects and to develop institutional capacity in a national and EU context.	
<b><i>Economic base</i></b>	Based on service sector (tourism), few high added value activities.	Other services (financial, innovation) are developing.	Indirect influence through Measures which improve basic and knowledge infrastructures and qualification levels.	1

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

In a wider European or national context, the Autonomous Region of Madeira is a relatively low populated area. In the intraregional context, the most densely populated area is the Funchal district, whereas the other districts are significantly lower populated.

Although the regional population has declined over the last 10 years, some municipalities are still growing (Camara de Lobos, Santa Cruz). The main reason for the declining trend was migration, having a positive natural growth. The municipal districts with a positive trend are the neighbour districts of Funchal, indicating a tendency towards suburbanisation in the functional area of Funchal can be observed. This tendency is, however, limited on the area of Funchal and too small to talk of a general urban sprawl.

The trend of the last years (after 2001) is positive for the whole region, including the island of Porto Santo. The number of inhabitants stabilised in the latest local statistics at about 250,000.

#### Madeira: Population evolution

MUNICIPAL DISTRICTS	RESIDENT POPULATION 1991	RESIDENT POPULATION 2001	CHANGE IN % 1991-2001
Calheta	13,005	11,946	-8,14
Câmara de Lobos	31,476	34,614	9,97
Funchal	115,403	103,961	-9,91
Machico	22,016	21,747	-1,22
Ponta do Sol	8,756	8,125	-7,21
Porto Moniz	3,432	2,927	-14,71
Porto Santo	4,914	4,704	-4,27
Ribeira Brava	13,170	12,494	-5,13

MUNICIPAL DISTRICTS	RESIDENT POPULATION 1991	RESIDENT POPULATION 2001	CHANGE IN % 1991-2001
Santa Cruz	23,465	29,721	26,66
Santana	10,302	8,804	-14,54
Sao Vicente	7,695	6,198	-19,45
Total ARM	253,634	245,241	-47,95

Source: Ministry for Finance (2003): Regional Dynamics in Portugal – Demographics and Investments.

The overall regional development strategy and the Operational Programmes, tried and still try to improve accessibility, basic living conditions, the supply of goods, water and services (health, education) in the smaller towns, in order to facilitate a measured growth in municipal districts other than Funchal. Thus, the overall development strategy is built on a polycentric approach.

Many actions that focus on balanced urban-rural relations and the promotion of population centres other than Funchal are supported through the different POPRAMs and the Cohesion Fund (waste and water facilities and infrastructures for rural areas). Examples are:

- Measures 2.4 (94-99) and 2.1 (00-06) focussing on the support of rural development and of alternative economic activities in the rural areas, including new market places and agricultural service and distribution centres in towns other than Funchal and in rural areas.
- Measures improving the local and regional (internal) road system (Measures 2.1 in OP 94-99; Measure 1.3 and 2.4 in OP 00-06),
- Measures creating water supply networks, new health and education infrastructures in towns other than Funchal and in rural areas (Measures 1.1, 3.1, 3.2 and 3.3 in OP 94-99; Measures 1.5, 2.1, 2.5 in OP 00-06),
- The specific (in POPRAM II 1994-1999) and the integrated actions (Measure 2.6 in POPRAM III 2000-2006) on Porto Santo,
- Decentralised training and job creation measures (Measures 1.2 and 1.3 in OP 94-99; Measure 1.5 in OP 00-06),
- Decentralised support of private business projects (Measure 2.6.1 in 94-99): of 87 projects only 30% have been developed in Funchal (although Funchal represents about 43% of the population), Machico 23%, Camara de Lobos 17%, etc.
- Specific actions in favour of fishery and coastal villages (Measures 1.5 in OP 94-99 and Measure 2.2 in OP 00-06).

There must be mentioned also the 2 LEADER Action Groups ADRAMA (since LEADER II) and ACAPORAMA (since LEADER I) that work in the rural areas and promote innovative approaches and alternatives for the people living in the rural areas. In the period

1994-1999, about 358 new jobs were created in the framework of LEADER II in the areas where both Action Groups work.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Possible Structural Funds influence</b>	<b>Rating of SF influence</b>
<b>Population density</b>	Relatively low: 317.2 inh./km <sup>2</sup> (1991), reaching from 41.6 to 1,522.5	Relatively low: 306.7 inh./km <sup>2</sup> (2001), reaching from 36 to 1,422.	According to interviews with experts, a positive influence of the SF helped to change negative trends, but no data available yet for recent evolution (after 2001).	1
<b>Possible concentration trends</b>	Main concentration of population on Funchal city	Concentration of population on Funchal district and neighbouring districts (Camara de Lobos, Santa Cruz)	Structural Funds promote more polycentricity by means of the support of other population centres, than the greater Funchal area.	0
<b>Rural-urban status</b>	Rural and mountain areas disadvantaged, badly connected and loss of population.	Rural and mountain areas better connected and endowed.	Measures 2.4 (94-99) and 2.1 (00-06) focussing on the support of rural development and of alternative economic activities in the rural areas;  Measures creating water supply networks, new health and education infrastructures in rural areas (Measures 1.1, 3.1, 3.2 and 3.3 in OP 94-99; Measures 1.5, 2.1, 2.5 in OP 00-06);  2 LEADER Action Groups.	2
<b>Promotion of rural-urban interaction</b>	Loose interaction because of weak connections.	Improved connections and active interaction.	Measures improving the local and regional (internal) road system (Measures 2.1 in OP 94-99; Measure 1.3 and 2.4 in OP 00-06).	2
<b>“Best practices” of promoting rural-urban interaction</b>	Few alternatives to agriculture to make a living.	Alternative economic activities for people in rural areas.	LEADER: Diversification of economic activities, especially promotion of Rural Tourism as an economic alternative to agriculture in the rural areas.	2

### 3.1.3 RELATION FUNCTION

The **accessibility** of the region Madeira on macro and meso level depends totally on the connections via plane and ship. Until 1964, Madeira island had no airport, because of the

difficult, mountainous character of the whole island, and was only reachable by ship or by seaplane. In fact, the first airport (since 1960) of the region was the one of Porto Santo (a relatively plain island), which was used in its early days as a military airbase and never has been important as a commercial airport for the region. In 1965, the airport of Madeira received 1,724 airplanes and 69,142 passengers. In 2002, the airport counted the arrival of 27,105 planes and more than 2,260,400 passengers. In the same period, the received weight of goods at the airport increased from 115.6 to 8,084.4 tons, the mail from 134.5 to 2,358.2 tons (ANAM 2004).

Therefore, the extension and improvement of the Madeira airport by means of the Cohesion Fund was a key measure to improve external accessibility of the region at meso and macro level. The prolongation of the runway permits now to receive larger airplanes under more secure conditions, which in the end will increase the competitiveness of the region while being able to receive more visitors and goods and to enhance air traffic with other continental and transcontinental regions.

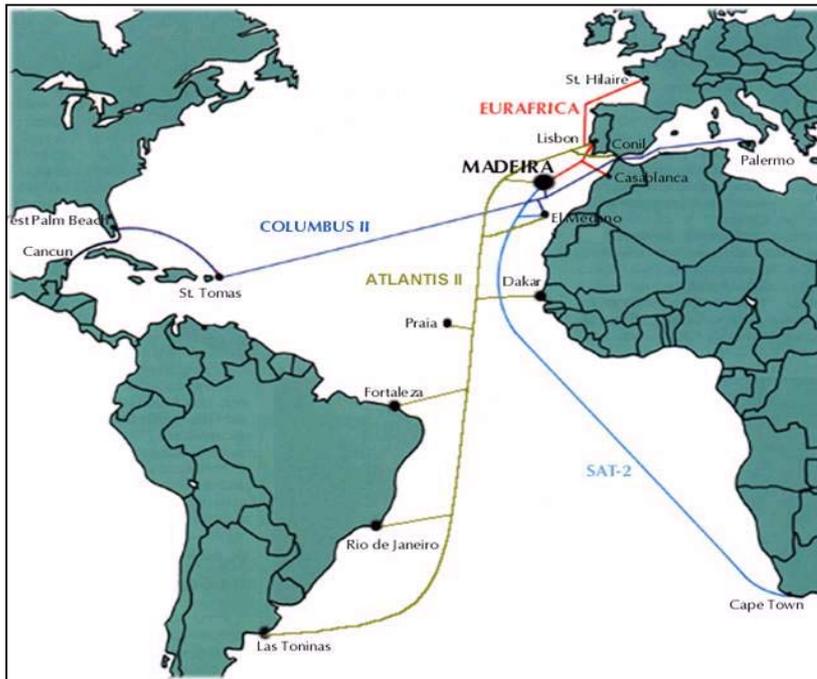
The internal accessibility at micro level (regional and local) has similarly to struggle with natural disadvantages, since the island Porto Santo is also only reachable via plane and boat and the physical structure of the island Madeira hampers the easy access to the rocky north and southwest coast.

The Structural Funds and the Cohesion Fund have been extremely important for the development of the relation function of the region. Especially with regard to the internal and external accessibility, the supported projects were highly important for the overall spatial development (polycentric development, specialisation) in the region. There must be mentioned especially the improvement of external accessibility (airport, port infrastructure and highways “*via rapida*” which links the most populated and higher industrialised areas from Caniçal-Machico-Santa Cruz-Funchal-Camara de Lobos up to Ribeira Brava) and the internal accessibility (improvement of the ferry connection Funchal-Porto Santo, improvement of connections between smaller towns, between south and north coast, of rural roads and paths).

The infrastructure works have been intentionally guided by the approach to destroy as less as possible the visible natural environment, so that a whole new system of roads and, especially, tunnels has been developed with the support of the Structural Funds. As an important impact of the Structural Fund projects, time requirements to get from one side of the mountainous island to the other have been reduced considerably (for example, Funchal-Sao Vicente from 2 hours to 35 minutes).

With regard to the **Information and Communication Technologies**, Madeira is an Atlantic hub of transatlantic submarine cables which link Europe, Africa and America, with access to various satellite systems, Intelsat and Eutelsat, as well as the GSM network.

To emphasise the fact of this island being the node of a transatlantic network which connects Europe, Africa and America, using Euro-Africa (Europe and Africa), SAT II (South Africa), Columbus II (North and Central America) and Atlantis II (Africa and South America) systems of fibre optic submarine cables, as can be seen in the following illustration.



**Madeira and its linkages to submarine fibre optic cables**

Source: <http://www.madeiratecnopolo.pt>

The Cable TV network covers practically the whole archipelago. This network provides a quick accesses to the Internet via Cable Modem with internal speeds of 400 kbps (and up to 10 Mbps). The Madeira Tecnopolo has presently a connection Frame Relay with 1 Mbps for connection to the Internet; an internal distribution of a TV Cable; 2 circuits in coax cable with 64 Kbps each one linked to the Portuguese continent; it still has 60 lines for the exterior (a primary access ISDN with 30 double channels, supporting several types of signs). Madeira Tecnopolo is internally equipped with an optical fiber backbone structure and has UTP5 cables, with a total of 300 ports - 10 Mbps and/or 100 Mbps, served by a Switch in each of the segments, with a support for the creation of Virtual Private Networks. To resume, Madeira is connected to all major telecommunication networks: the Plain Old Telephone Network, the Integrated Services Digital Network ISDN, the three national GSM networks, the Eutelsat and Intelsat network, broadband networks on ATM34 as well as leased lines up to 2 Mbit/sec.

Although its outermost situation may seem to be a disadvantage, the new technologies have clearly opened new possibilities for the region of Madeira. Thanks to the extremely good linkages to modern Communication networks, Madeira is now building up an internal network of ICT centres (TEC), offering computers with Internet access to users in public facilities (libraries, university) in each of the 11 municipalities in the region. To date, three centres are working (Funchal, Machico and Porto Santo).

Another aspect that has been favoured by the Structural Funds programmes has been the development of **transregional and transnational cooperation** projects and networks. With regard to regional cooperation Madeira is, as an island, remarkably disadvantaged for not having direct neighbour regions and no “natural” functional networks.

Especially, the INTERREG Programme as well as other transnational projects (e.g. in the EU research Framework Programmes) or Innovative Actions that promote networking have, therefore, been very important in order to initiate transregional institutional and business cooperation. Especially, the current INTERREG IIIB programme developed together with the Canary Islands and Açores proves very successful, and the number of applications for INTERREG projects exceeds the number of available financial resources. As a matter of fact, among other factors (tourism) the large number of INTERREG projects led to a joint project which is now elaborating a Feasibility Study for the development of regular flight connection between Madeira and the Canary Islands. To date, only some charter flights during summer link the two archipelagos. For normal business trips an average of three flights (via Lisbon and Madrid) and 8 hours flight time is necessary to get to the other region, where a direct flight would only take about 50 minutes!

The growing importance of its Science Park Madeira Tecnopolo, itself a project supported by the Structural Funds, has permitted to enter other transnational networks for example the IASPnet. IASP is the International Association of Science Parks. IASPNet allows to search for companies, people, products and services worldwide, searching by companies’ names, people’s names or e-mails, by sector of activity or by keywords of the products and services being offered or required by companies. IASPNet contents are stored in 4 “hubs”, established in the servers of the Technology Parks in Malaga (Spain), Amsterdam (The Netherlands), Perth (Australia), and in **Madeira Tecnopolo**.

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence
<b>Accessibility and Changes in accessibility</b>	External accessibility: relatively good, two airports, but dependence on airport and sea port.	External accessibility: very good, although depending on airport and sea port. Internal: Significantly	Extension of Funchal Airport (Cohesion Fund 94-99)), Improvement Port of Caniçal (Cohesion Fund 00-06), External Accessibility: (Highways) Measures 4.1	2

	<p>Internal: Deficient, requires long time periods.</p> <p>Good IT and broadband connection via satellite and submarine fibre optic cable.</p>	<p>better, new highway, improved linkage of smaller towns and of south and north coast.</p> <p>Good IT and broadband connection via satellite and submarine fibre optic cable.</p>	<p>(89-93), Measure 2.1 (94-99) and Measure 1.3 (00-06), Internal Accessibility: Measure 4.2 and 4.3 (89-93), Measures 2.6 (94-99) and Measure 2.4 (00-06); ICT: Madeira Tecnopolo Measure 1.1 (94-99), etc.</p>	
<p><b>Key strategic and functional networks (promoting specialization)</b></p>	<p>Physically isolated. Start to develop cooperation and networks, especially with “neighbouring regions” Açores, Canary Islands, Senegal as well as Venezuela and South Africa (traditionally destinations for Madeiran migration).</p>	<p>Active institutional and business cooperation with Açores and Canary Islands (INTERREG IIB), various other networks (INTERREG IIB South-West Europe, IASP, EU Research Framework Programme, IST Programme, etc.)</p>	<p>INTERREG IIB Açores-Madeira-Canary Islands, INTERREG IIB South-West Europe</p>	<p>2</p>

### 3.2 OTHER DRIVING FORCES

The two funding periods 1994-1999 and 2000-2006 have seen the development of various regional development plans which tried to guide territorial development and to canalise European support programmes and co-funded measures, putting them into a regional context.

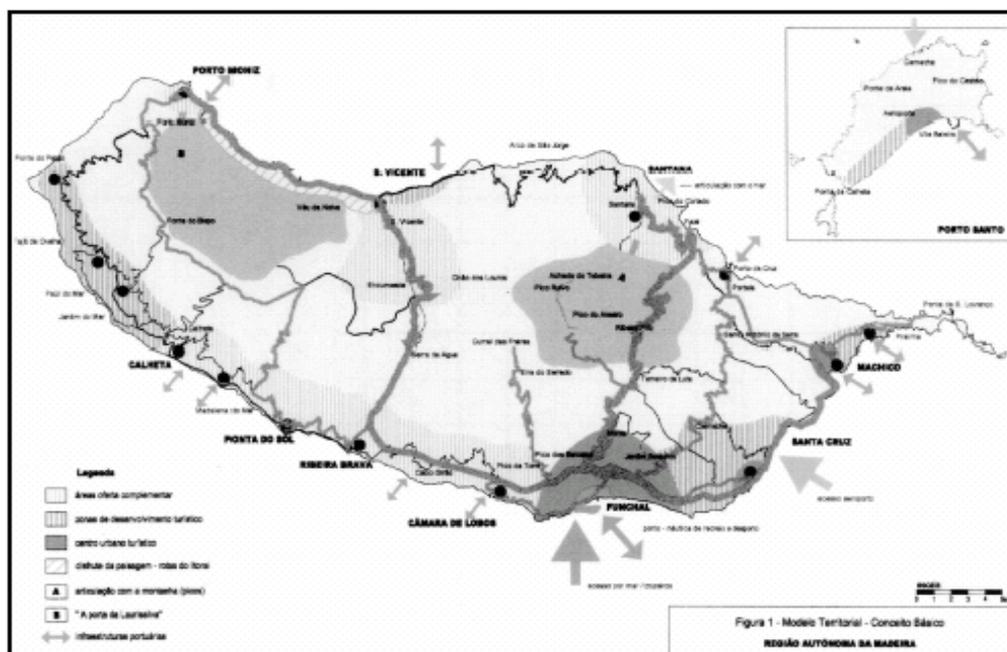
In the first place, the regional **Territorial Development Plan POTRAM** and corresponding local (coastal areas) and municipal Territorial Plans are important legal frameworks for the development of the territory. The regional Plan was presented in 1994 and was one of the first comprehensive Territorial Plans in Portugal. POTRAM establishes orientations for the use of the territory and possible changes in its use, the protection of the environment, the distribution of populations and the structure of urban networks. It stays, however, on a general level and requires the development of local and other Plans to guide the concrete territorial development in the region. Over the last years, practically all municipalities have presented their local territorial development plans (Plan Director Municipal) where they name zones for specific uses and protected areas. In addition, two specific development Plans for coastal areas (POOC) have been approved in order to protect fragile coastal zones. An actualisation of POTRAM is planned for 2005.

Another plan which is fundamental for concretising the overall territorial development plan in Madeira and Porto Santo is the **Tourism Development Plan POT** (2002). Despite its name, this plan sets the general guidelines and orientations for a balanced spatial development, since it determines clearly the predominant future use of each zone in the region as well as certain limits for public access, housing and the creation of hotels and other accommodation. The central element of this plan is the definition of a *general territorial and touristic model for Madeira* and the overall limitation of lodging capacity per municipality and island. This limitations let, however, still enough room for growth and development during the next years (Madeira in general 35,000 beds, of that Funchal 23,000 beds, Porto Santo 4,000 beds).

The time horizon of the Plan is until 2012. It also assigns main activities, uses, levels of protection to certain areas which – although related to tourism or leisure – indicates the overall future territorial development of the islands. According to the POT, about 75% of lodging capacity should be concentrated on the municipal area of Funchal, especially in the Lido zone. Other destinations for higher lodging concentrations will be Satan Cruz, Machico and Porto Santo. The objective of attracting more visitors leads to the creation of more tourist attractions and activities in order to balance under- and overutilised natural and cultural resources in the region. Therefore, a territorial model of thematic tourism is proposed in the POT, specifying the following uses for each municipal district:

- Porto Moniz: “A door to Laurissilva” (UNESCO Natural Heritage),
- Sao Vicente: “The rout of the origins” (geological explorations),
- Santana: “Centre of rural tourism”(rural hotels, spaces and traditional industry),
- Machico: “Nautical centre” (Nautical sports and excursions),
- Santa Cruz: “Centre for Sports and Active Tourism” (new sports infrastructures),
- Camara de Lobos: “Centre for Animation and restauration” (Old village, near to Funchal),
- Riberia Brava/Ponta do Sol/Calheta: “The sugar route” (Museum and facilities linked to traditional sugar cane industry and to marine activities),
- Funchal: “Principal urban tourist centre” (events, commerce, lodging, animation),
- Porto Santo: “Beach tourism” (complementary offer to Madeira).

### Territorial Model of Madeira (POT 2002)



Source: Diário da Republica (2002), POT 2002.

Thirdly, there are the **Regional Economic and Social Development Plan** (2000-2006) as well as the **Rural Development Plan** (2000-2006) which serve as the base for public interventions in the region and in rural areas in relation to agriculture.

Last but not least, there is the **Regional Environmental Policy Plan** (2000) which analyses the current environmental situation, sets objectives and proposes measures in order to achieve a sustainable and environmental friendly development. Territorial development is in this context part of an overall environmental policy. Many of the proposed actions have been already included in actual budgets and in POPRAM III.

In general, these plans have been influenced while considering the requirements of general Structural Fund legislation (e.g requiring monitoring data, including sustainable development as a horizontal priority) and the possibilities of EU funding for future implementation.

On the other side, the elaboration of these Plans, especially of the Tourism Development Plan has influenced the general development strategy which is the base for the Operational Programmes in Madeira and for the particular projects funded by the Structural and the Cohesion Fund.

## **4 POLICY IMPACTS**

### **4.1 IMPACT UPON GOVERNANCE ASPECTS**

The amount of the Structural Funds the subsequent importance of the Operational Programmes for the overall regional development in Portugal led to overall consistency between policy processes and programmes on national and European level. In fact, before the Structural Fund support, regional development policies had a weak position in Portugal. Nowadays, regional development policies and strategies made by the regions are still not well developed. Madeira, however, as an Autonomous Region is one of the most powerful and autonomous Portuguese regions in this context.

With regard to polycentricity and territorial cohesion, there is practically no policy discourse in Portugal. Slow positive changes towards a territorial consciousness have been introduced by specific EU horizontal priorities and projects such as LEADER, URBAN and INTERREG, but it is still early to talk of a policy discourse. The surprisingly well

established discourse about territorial models and sustainable development in the region of Madeira (see the Tourism Development Plan POT) is more influenced by the importance of an intact and beautiful environment for the attraction of tourists and, on the other side, the importance of tourism for the regional economy, than by the Structural Funds. It is, however, true that the EU obligations which accompany the Structural Funds and the Cohesion Fund canalised the funds towards integrated projects that underpin the sustainable regional development strategy.

The Structural Funds caused in Madeira directly and indirectly the creation and establishment of new regional actors, many of them public or public-private partnerships, such as the

- the **IFC, the Institute for Structural Fund Management**, which was created out of the Planning Department in 2001, in order to manage, control, evaluate and promote more efficiently the Structural Fund Programmes and ,specifically the ERDF and the Cohesion Fund projects. More than 60 people work in this public Institute. It has developed such a level of administrative and evaluation capacity that the Institute of Madeira even presents bids for the evaluation of Structural Fund programmes in other Portuguese Regions.
- the **Regional Development Agency ADERAM** which was created in 1999 in order to support the regional authorities in the elaboration, presentation and implementation of regional development projects in Madeira (especially those supported by the Structural Funds),
- the **Science Park and Congress Centre Madeira Tecnopolo** has been supported by the Structural Funds and is now itself one of the most active bodies that present and manage Structural Funds funded projects, especially in the field of Innovation, R&D and Information Society.
- **LEADER Local Action Groups**, which work as Local Development Agencies in rural areas,
- Many new public and private **training centres** which offer professional training with the support of the ESF. Before 1994, there was only one public professional training centre, while POPRAM II supported the creation of new University careers, the creation of the Professional Tourism and Hotel School, etc.

Especially specific SF projects, such as INTERREG, Innovative Actions and other EU projects, e.g. in the framework of the Fifth and Sixth Research Framework Programme, helped to overcome physical isolation of the region and to establish successful business and institutional cooperation with other European regions. Transnational projects are developed principally with the Canary Islands and Açores, but also with other Portuguese and Spanish Regions, as well as with other regions that present similar characteristics (tourism-based, islands, mountain areas, natural diversity).

According to local programme managers and experts, the regional management structures and procedures are quite well developed. All relevant institutions work good and openly together and the smallness of the island and Funchal helps to avoid bureaucratic procedures and non-democratic solutions.

The experienced and long-lasting Regional Government has helped to create a stabilised consensus environment which favours long-term strategic planning without the need to adapt all political decisions to the election circle. The Structural Funds helped in so far that they promoted the joint decision and management of programmes and projects (between ERDF, ESF, EAGGF, FIFG and Cohesion Fund).

	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Consistency of national and European policy goals outlined in programme documents	Since there was no important national regional policy, Structural Fund programmes have been important for designing actual national and regional programmes, therefore wide consistency between European and national policy goals and instruments.	2
Examples of promoting learning	<p>Within different Community Initiatives and Innovative Actions.</p> <p>An interesting form to promote learning has been the linking of financial support to farmers (of the EAGGF) with compulsory training (co-financed by ESF) about new agricultural production and distribution methods.</p> <p>Another example is the experimental form of offering training to sole entrepreneurs and micro companies (commerce, rural tourism) in the rural areas within ESF training programmes, where the trainer visits those entrepreneurs personally who normally do not have time or opportunity to attend traditional training sessions.</p>	2
Governance innovations	The creation of new public partnerships or public-private partnerships as well as institutions, such as IFC, ADERAM, Madeira Tecnopolo, LEADER LAG, training and education centres, etc.	2
Trans-national links linked to governance practices	New and multiple transnational links and partnerships in the framework of INTERREG, Innovative Actions and other EU projects, e.g. in the framework of the Fifth and Sixth Research Framework Programme.	2
Inclusion of new actors and organisation in partnerships	<p>See Governance innovation.</p> <p>Integrated SF programmes and projects also helped to create partnerships between ERDF, ESF, EAGGF and FIFG management bodies. Private and voluntary organisations have been increasingly involved in SF projects.</p>	2
Links to traditional democratic decision-making	SF programming and implementation is linked to traditional democratic decision-making.	1
Financial practices enabling	Little effects of SF on new financial practices.	1

enlargement of partnerships		
Ways of avoiding the technocratic elite pluralism	More influence of local government structures than of the Structural Funds.	1

## 4.2 INCLUSION OF THE LISBON THEMES

In the Structural Fund programmes of Madeira, most of the ‘Lisbon themes’ have been addressed and promoted actively. Especially the themes Information Society and R&D and Innovation are important in the context of the overall regional development strategy in Madeira.

With regard to the Information Society, the good and fast connection to global ICT networks helps to promote the Information Society among other regions and businesses. Within the region, most businesses and private users are still not linked to the new technologies. Therefore, supported by the Structural Funds, Madeira Tecnopolo promotes several generic schemes and specific projects to promote the use and integration of ICT in the region:

- Framework Programme “**Madeira Digital**”, promoting the IS in several thematic areas (tourism, health, administration, training, natural resources) as well as in its various facets in the business environment (e-commerce, creation of contents, etc.), The Programme is operative for 3 years.
- Project “**Net Spaces**” - One family – one computer,
- Together with the Regional Government, it has developed the **Strategic Core for the Information Society NESI** [www.nesi.com.pt](http://www.nesi.com.pt) (portal, support schemes, publications, training).
- Madeira Tecnopolo is a regional link and contact point for the **National Operational Programme** for the Information Society POSI.
- Madeira Tecnopolo is partner in several research projects and innovative actions regarding the use of the new technologies, mainly in the Tourism sector, projects are, for example: TourIST (RISI 2 project), TravelSmart, Netur, Nitoura II (new technologies in rural areas), **B@n** (Business Atlantic Network with Canary Islands and Açores).

Together with the promotion of the Information Society, Madeira Tecnopolo supports innovation and R&D in public project as well as in the private sector through support schemes. The Structural Fund programmes support in detail innovation infrastructures through Measure 1.1 (1994-1999) and 1.2 (2000-2006) and R&D and innovation activities in firms through Measures 2.6 (1994-1999) and 2.3 (2000-2006).

The Structural Fund programmes are widely designed to create a business friendly environment, naturally in the sector of tourism as it is the most important economic sector, but as well for industrial companies and other service firms. Among the measures promoted by the Operational Programmes that favour business creation and development are: basic infrastructure improvement (transport), qualification and training, promotion of R&D, innovation and ICT through support schemes and the new Madeira Tecnopolo, the development of a Free Trade Zone with important tax incentives, the support of local and transregional business cooperation, etc.

The other topics, especially the development of local training centres, promotion of basic skills, encouraging lifelong learning, reducing deficits in the service economy, and the promotion of wide access to knowledge and opportunity, have been and are also specifically supported by Structural Funds programmes in Madeira.

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>Good connection to global communication networks, but insufficient use of ICT in public and private sector.</p>	<p>Good connection to global communication networks, integration of ICT in public and private sector is improving, but still insufficient use.</p>	<p>Information Society projects have been supported by the Structural Funds. Especially Madeira Tecnopolo promotes this kind of projects in the regional programmes and in specific National Operational Programmes.</p>	2
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	<p>Few research activities, innovation is only emerging as a priority area within the regional development strategy..</p>	<p>R&amp;D and innovation are one of the key areas for the regional development in Madeira – in order to diversify and modernise the tourism-based economy.</p>	<p>R&amp;D infrastructures, support of private innovation and Innovative Actions have been supported by the Structural Funds. Especially Madeira Tecnopolo promotes this kind of projects in regional programmes and in specific National Operational Programmes.</p>	2
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>Situation was difficult due to physical limitations and lack of infrastructures and schemes.</p>	<p>Improvement: New infrastructures and interfaces (Madeira Tecnopolo, Business Innovation Centre), new support schemes, new services, etc.</p>	<p>Strengthening the endogenous business potential and regional competitiveness are key aspects of the Structural Fund programmes.</p>	2
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	<p>Situation was deficient in the region, especially in smaller towns and rural areas.</p>	<p>The creation of new education infrastructures and new co-funded training schemes are in place and improved significantly the regional situation.</p>	<p>Education and training has been one of the main areas of SF support over the last programmes, always in one specific Subprogramme or Measure (ESF).</p>	2
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps;</li> <li>Encouraging lifelong learning;</li> <li>Reducing deficits in the service economy;</li> <li>Extending equal opportunities</li> </ul>	<p>Unemployment has not been a problem in the region, but low levels of qualification (percentage of qualified persons reaches 51.1% in 1994).</p>	<p>Unemployment is still not a problem, levels of qualification are improving (percentage of qualified persons reaches 58.8% in the year 2000).</p>	<p>This theme was not a priority, but has been tackled indirectly.</p>	1
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>Improvement of skills;</li> <li>Promotion of wide access to</li> </ul>	<p>Social exclusion has been less present in Madeira than in</p>	<p>Social exclusion is less present in Madeira than in other regions.</p>	<p>This theme was not a priority, but has been tackled indirectly.</p>	1

knowledge and opportunity.	other regions.			
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## 5 CONCLUSIONS

In the Autonomous Region of Madeira the Structural Fund programmes have had a significant impact on the development of the territory in various aspects.

On the one hand, Structural Funds and Cohesion Fund supported projects that led directly to economic growth and to establishing favourable conditions for sustainable and more diversified economic development. Especially, the role of Structural and Cohesion Fund in the improvement of basic infrastructure (transport, environment, education) has been mentioned and applauded by all interviewed experts and programme managers.

On the other hand, the influence and relative importance of Operational Programmes (POPRAM I-III), Community Initiatives, Innovative Actions and other EU-funded projects in Madeira have permitted to create new actors and institutional infrastructures, to establish new partnerships and links and to develop cooperation between public and private actors in the region and with other European regions.

For concrete examples and a general overview of the Structural Funds' impact, please see the table below.

**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ran- king	Short description	Ran- king	Short description	Ran- king
<b>Type of influence/ effect</b> <b>Aspects explicitly targeting polycentric development</b>	Direct	-	0	-	0	-	0
	Indirect	Not explicitly stated, but the general development strategy which underlies the SF programmes concentrates on strengthening the greater Funchal area, but also the other municipalities, the rural areas and Porto Santo.	2	The SF programmes, especially the current one (2000-2006), pretend to “develop an Atlantic Platform for Europe” (Priority 1), that is targeting a polycentric development at national level.	1	The SF programmes, especially the current one (2000-2006), pretend to “develop an Atlantic Platform for Europe” (Priority 1), that is targeting a polycentric development at European and international level.	1
<b>Distribution of population</b> (e.g.	Direct	-	0	-	0	-	0

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ranking	Short description	Ranking	Short description	Ranking
<i>Type of influence/ effect</i>							
increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Indirect	Through the improvement of living conditions in the rural areas, better links to Funchal and the airport, and through new industrial zones in the east of Madeira island, the SF programmes had and have indirect impacts on fixing the population in smaller towns and the rural areas.	2	-	0	-	0
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labour between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	The SF programmes strengthen directly the existing specialisation (tourism) of and in the region, but seek also to improve other weaker areas (Information Society, Research and Innovation, Industry) in order to increase regional competitiveness and economic growth.	2	The SF programmes strengthen directly the existing specialisation (tourism) of the region, but seek also to promote other positive aspects of the region (Information Society, Research and Innovation, Free Trade Zone) at National scale.	1	The SF programmes strengthen directly the existing specialisation (tourism) of the region, but seek also to promote other positive aspects of the region (Information Society, Research and Innovation, Free Trade Zone) at European and international scale. (“Atlantic platform for Innovation”)	1

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
<i>Type of influence/ effect</i>		Short description	Ranking	Short description	Ranking	Short description	Ranking
	Indirect	Also indirectly the SF projects underpin the existing specialisation and promote certain profiles (which are presented for example in the POT).	2	-	0	-	0
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Extension of the airport, new highways, improved road system and rural paths, improved ferry service to Porto Santo, etc. have been SF measures that had a huge impact on internal accessibility and development.	2	Extension of the airport, new highway from the airport to Funchal and other near towns, restructuring of the sea port areas had and have positive impacts on connectivity and accessibility in a national context.	2	Extension of the airport, new highway from the airport to Funchal and other near towns, restructuring of the sea port areas had and have positive impacts on connectivity and accessibility in a European context.	2
	Indirect	-	0	Also other SF measures (training, knowledge infrastructures, Science Park) have a positive effect on the development of an Atlantic hub-function.	1	Also other SF measures (training, knowledge infrastructures, Science Park) have a positive effect on the development of an Atlantic hub-function.	1

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ranking	Short description	Ranking	Short description	Ranking
<i>Type of influence/ effect</i>							
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	-	0	Especially INTERREG projects and Innovative Actions, but also participation in networks of islands and outermost regions established new institutional partnerships, e.g. with Açores	2	Especially INTERREG projects and Innovative Actions, but also participation in networks of islands and outermost regions established new institutional partnerships, e.g. with Canary Islands, etc.	2
	Indirect	-	0	SF, INTERREG and other cooperation projects (Research) supported cooperation between businesses and research institutions.	1	SF, INTERREG and other cooperation projects (Research) supported cooperation between businesses and research institutions.	1
<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	Through the improvement of living conditions, the specific support of rural areas, the promotion of industrial activities, the support of a balanced tourism (Funchal, other towns, rural areas) many parts of the region benefited from the positive economic development of the last years	2	-	0	-	0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	Ranking	Short description	Ranking	Short description	Ranking	
<i>Type of influence/ effect</i>							
Indirect	Many SF measures (training, health infrastructure, water supply, etc.) indirectly had a positive impact on formerly disadvantaged areas.	1	-	0	-	0	
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct	Strong and positive influence of Structural Funds and Cohesion Fund on territorial development and balance, especially through support of infrastructure (transport, education, health, environment) development.	2	Positive influence of Structural Funds and Cohesion Fund on territorial status and development in the Portuguese context, especially through support of infrastructure (transport) development.	2	Positive influence of Structural Funds and Cohesion Fund on territorial status and development in the European context, especially through support of infrastructure (transport) development.	2
	Indirect	Strong and positive influence of Structural Funds and Cohesion Fund on territorial development and balance, indirectly through training, support of agriculture as a traditional economic activity, strengthening the potential as a tourist destination, protection of the natural resources, etc.	2	Strong indirect influence of Structural Funds and Cohesion Fund on territorial status and development in the Portuguese context, indirectly through Free Trade Zone, Madeira Tecnopolo Science Park and Congress Centre, Business Innovation Centre, etc.	2	Strong indirect influence of Structural Funds and Cohesion Fund on territorial status and development in the European context, indirectly through Free Trade Zone, Madeira Tecnopolo Science Park and Congress Centre, Business Innovation Centre, etc.	2



## Interviews:

- Dr Ana Mota, Instituto de Gestao de Fundos Comunitarios, Secretaria Regional do Plano e Finanças, Governo Regional da Madeira. [Responsible for the Regional Operational Programmes, ERDF and Cohesion Fund measures]
- Rafael Carvalho, Direcção Regional de Formação Profissional, Governo Regional da Madeira. [Responsible for the ESF subprogrammes and measures]
- Ing. Henrique Seabra and Ing. Manuel Sousa Pita, Direcção Regional de Agricultura, Governo Regional da Madeira. [Responsible for the EAGGF subprogrammes and measures]
- Dr Carlos Estudante, Presidente Agencia de Desenvolvimento Regional da Madeira ADERAM. [Regional Development Agency of Madeira], Manager of the Interreg IIIB Office Madeira-Açores-Canarias.
- Patricia Lencastre, Madeira Tecnopolo. [Madeira Technology Park and Business Centre]

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## **REGIONAL POLICY IN PORTUGAL IN RELATION TO EUROPEAN REGIONAL POLICY**

Portugal is often characterised in terms of the contrast between the coastal strip between Lisbon and Oporto, where both population and economic development are concentrated, and the interior of the country, which suffers from a weak urban structure, low population density and out-migration and low levels of economic dynamism. However, the situation is more complex than this. The Lisboa e Vale do Tejo NUTS II region, which is now excluded from Objective 1, conceals considerable heterogeneity at the subregional level in terms of economic output, employment, sectoral concentration and population density. In addition, there are areas away from the coast, which are faring relatively well, in part due to the new infrastructure endowments of the last decade. At the same time, an economic development tension between the capital and the rest of the country remains. Lisbon is recognised as the principal driver of the economy, and is still the main target for foreign investment; there is therefore considerable concern at its loss of Objective 1 status and the implications of this both for its own competitiveness and for the Portuguese economy as a whole.

### **Strategies**

Although the Lisbon area is a transitional Objective 1 area, the entire country is currently eligible for Structural Fund support and, hence, for regional policy intervention. National regional policy is closely intertwined with the Structural Funds, which co-finance the main regional aid and industrial development schemes. Indeed, the two policies are virtually synonymous.

The regional development plan (PDR) submitted to the Commission as the basis for the Community Support Framework takes a sustainable development perspective, based simultaneously on the promotion of economic prosperity, social equity and environmental balance. In particular, the PDR notes the need to find a positive equilibrium between reinforcing economic competitiveness – especially through improving the skills of the population and the efficiency of firms – and improving the quality of life, protecting the environment and promoting social integration. In addition, the PDR takes on board the horizontal priorities specified in the Structural Funds Regulation, notably environmental protection, equal opportunities and the information society.

### **Instruments**

Each of the PDR's four Priority Axes was broken down into an Operational Programme which, in turn, was developed into specific policy measures. Aids for business were part of the Operational Programme for the Economy (POE) which has public funding of €4.1 billion over the 2000-06 period. The specific aims of the POE were: (i) to improve the competitiveness of Portuguese firms and their participation in the global economy; and (ii) to integrate Portuguese firms into the new economy, notably by defining strategic activities and improving services to SMEs.

Subsequently, the POE was revised as part of a national austerity package and became the PRIME (Incentive Programme to Modernise the Economy) in mid-2003. Amongst other measures, it provides support for business via two aid schemes: the *Sistema de incentivos a pequenas iniciativas empresariais*, SIPIE (incentive scheme for small

entrepreneurial initiatives); and the *Sistema de incentivos a modernização empresarial*, SIME (incentive scheme for business modernisation). The SIPIE is a grant aimed at small firms and projects while the SIME, the main aid scheme under the PRIME, supports investment projects and measures which aim to enhance competitiveness.

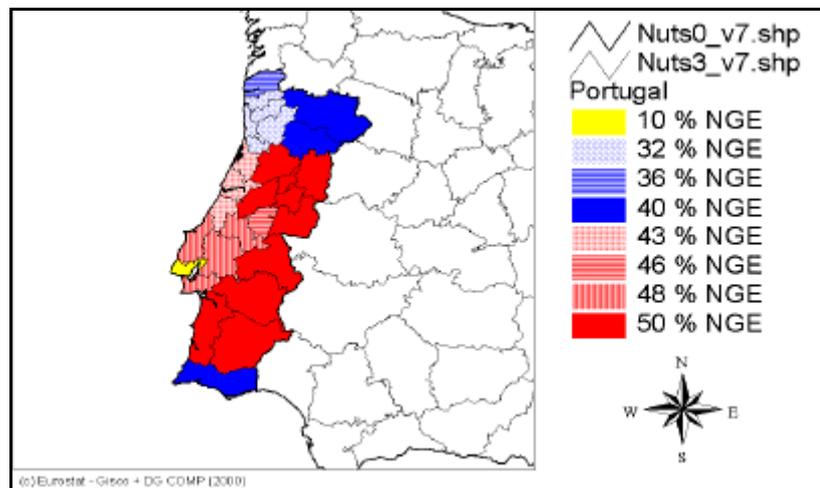
### Spatial targeting

For the purpose of regional aid policy, the Portuguese authorities have always operated an aid area map. This has been used mainly to adjust award values in favour of the problem regions; in addition, selected SME support has been restricted to the designated areas. For the 2000-06 period, a distinction is drawn between two broad categories of aid area:

- Zone I: the most prosperous region covering the cities of Lisbon, including the Setúbal peninsula, and Oporto, and, broadly speaking, the coastal area between the two regions.
- Zone II: the less developed part of Portugal comprising the interior of the country, as well as all of the Alentejo and the Algarve and the autonomous regions of Madeira and Açores.

Maximum rates of award are higher in Zone II than in Zone I. However, as can be seen from the map, there is considerable rate discrimination within these zones. This contrasts markedly with the pre-2000 position when a uniform award ceiling (60 percent nge) applied throughout the country.

**Figure 3-53: Portuguese regional aid map**



Source: DG Competition website

### Governance

Regional policy responsibility lies with the Ministry of Economy which, amongst other things, has assumed responsibility for all incentive policy in Portugal. The Ministry is directly responsible for regional aid policy, but its implementation is channelled through the IAPMEI (the Small and Medium-Sized Industrial Firms

Institute). While policy is in general highly centralised, it is of note that there is now a regional element to the administration of the Structural Funds, particularly through the Regional Operational Programmes.

**Table 3-1: Territorial Units in Portugal**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
	NUTS I	3
Regions	NUTS II	7
	NUTS III	30

## **PORTUGUESE REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

Sustainable development in its wider meaning (economic prosperity, social equity, environmental balance) is the underlying objective of the Regional Development Plan and for all OPs. So, from the start, different spatial objectives are integrated in ERP and national regional policy (not only economic).

TC is not mentioned explicitly, however, Sustainable development, balancing environment, social equity and economic development, is the main concept for NRP. Also the identification of different areas and a stronger support of less developed areas underpins the concept of territorial balance. There is however no explicit link to territorial cohesion, but this can be implied and as to be achieved at an intra-regional level.

Also polycentrism is not addressed explicitly, however also this concept is coherent with the Portuguese framework of regional development strategies. It is clear that in the national context, Lisbon is the main centre and must be supported in order for the country as a whole to be more competitive on a European scale. It is however also an objective to strengthen population cores in the South, the rural and interior areas, in order to promote development and to avoid out-migration. Polycentrism is implicitly targeted at both inter-regional and intra-regional levels.

# Spain



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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Spain

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## **Methodology**

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## **Spanish data collection**

With regard to the ESPON 2.2.1 country study of Spain, the analysis of the Structural and Cohesion Fund assistance in the 1994-1999 period intended to focus on the NUTS III regions, i.e. the provincial level. This was, however, a difficult task in the majority of the regions, since the programming (and further monitoring and evaluation) normally took place at the NUTS II level of Autonomous Communities.

Therefore, in the case of Spain, the experts used mainly the expenditure data of the national and regional programming documents, annual reports and evaluations and related them in a second step to the population in the different NUTS III regions engaged. This led in some cases without doubt to a picture influenced by the population distribution among the Spanish regions, but was, on the other side, an adequate way to obtain an even overview over Structural Fund spending on NUTS III level. With regard to the Cohesion Fund spending, the creation of connections between spending and corresponding NUTS III regions was considerably easier, since there were normally specific major projects in concrete provinces involved.

The methodology used for the data collection and assessment was based basically on the in-depth review of the programming documents, implementation reports and evaluations of

- National Operational Programmes
- Regional Operational Programmes
- Global Grants (national and regional)

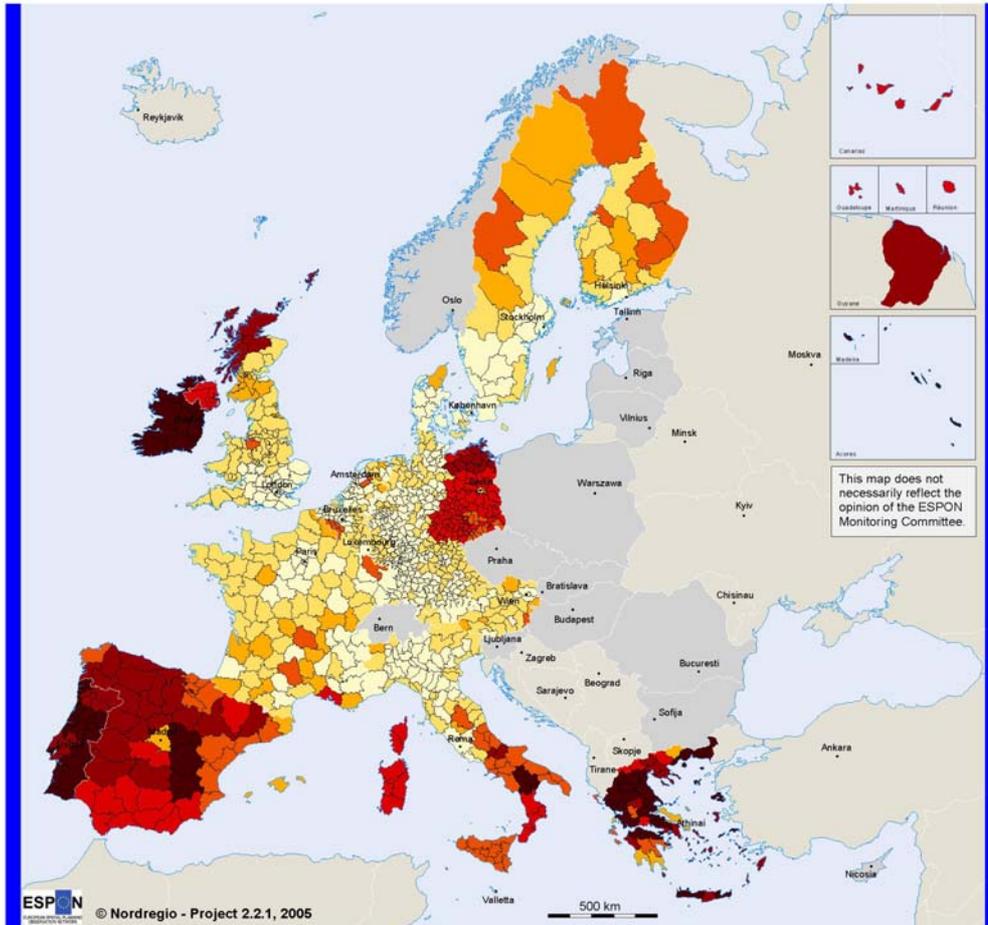
- Major Projects (ERDF)
- Infrastructure Projects (Cohesion Fund).

Therefore, national fund managers, national evaluators and European programmes managers and experts had been contacted.

### **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

**Structural Fund spending**



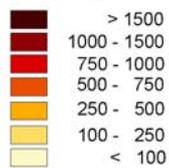
Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection

Source: Nordregio



### **What kind of regions?**

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

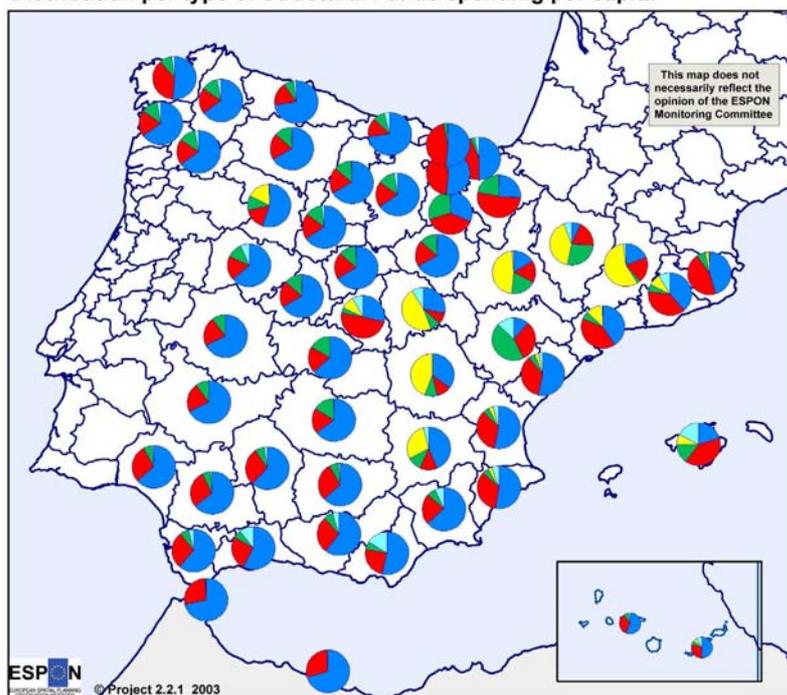
An attempt to see to what degree Structural and Cohesion Fund assistance has been used in rural or urban areas (in 1994-99) illustrates two tendencies:

- Concentrating on assistance *per inhabitant*, suggests that densely populated areas receive less funding than do sparsely populated ones. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

### **STRUCTURAL FUNDS IN SPAIN**

Spain in the period 1994-1999 was completely covered by Structural and Cohesion Fund assistance. In fact, it was the country which benefited most from European Regional funding. Most of the 17 Spanish regions were classified as eligible for the Objective 1 (regions lagging behind in economic development). But some 7 regions, concentrated in the centre (Madrid) and in the north-east of the country (Basque Country, Navarra, La Rioja, Aragon, Catalonia, Balearic Islands), were eligible in parts for the Objectives 2 (regions suffering from industrial restructuring) and 5b (rural regions with development problems).

Distribution per type of Structural Funds spending per capita



Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

Distribution per type of SF spending per capita



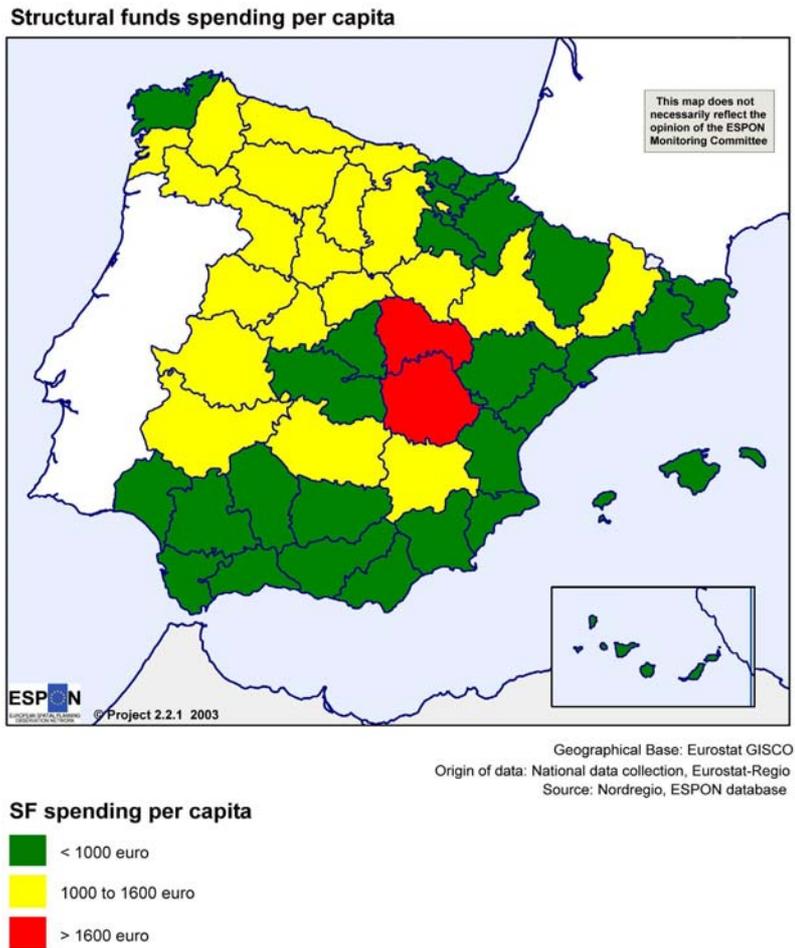
In addition, several national programmes offered European co-funding in specific fields related to regional development (e.g. science infrastructure, local development, ERDF funded), to rural development (EAGGF funded), and to social issues (commerce and tourism, training, universities, ESF funded).

Spain is also one of the Cohesion countries and received important funding for major infrastructure (transport and environmental) projects in most of the regions.

### Regional Structural Funds spending

The Structural and Cohesion Fund spending in Spain follows the European pattern. Nevertheless, in comparison with the European map which presents the NUTS II regions, the Spanish map of SF spending according to NUTS III regions offers a slightly different image (statistical effect regarding per capita figures). On the NUT II scale (the EU 15 map), Extremadura as Objective 1 region is the one that benefited most from the Funds (more than 1.400 EUR per capita), followed by Castilla-La Mancha and Cantabria. Galicia, Asturias, Castilla y Leon, further Andalucia, Canarias, the Valencian Community and the Basque Country received also important amounts of funding (between 600 and 1.400 EUR per capita). On the NUTS III level (the national map), two provinces of the region Castilla-

La Mancha (Guadalajara and Cuenca) received more than 1.600 EUR per capita, while the general distribution across the Spanish regions stays the same. Among the Objective 1 regions which received less than 1.000 EUR per capita are: the Andalucian provinces, the Canarian Islands, the ones from Valencia and A Coruña (Galicia).



However, in general the less developed regions received more funding than the relatively developed regions, i.e. the Objective 2 regions.

Madrid, Navarra, La Rioja, Catalonia and the Balearic Islands as Objective 2/5b regions benefited less from the Structural Fund spending, although they received still relatively high amounts in comparison with other European regions (between 400 and 600 EUR per capita).

It is important to mention that all Aragon provinces as Objective 2 regions belong to the group of Spanish NUTS II regions which received between 1.200 and 1.600 EUR per capita, although only one province (Saragossa) was eligible for Structural Funds in the 1994-1999 period. The main reason for this uneven situation is the important co-financing by the Cohesion Fund of the transport project “High-Speed-Train Madrid-Barcelona” where the passing through Aragon. Cohesion Fund projects, especially for transport infrastructure, were in particular important in the regions of Aragon, Castilla La-Mancha, Madrid, Catalonia, Valencia and Balearic Islands, that means not exactly in the less developed regions of Spain, but focussed on strengthening the networks towards other central European countries.

## ESPON 2.2.1

### Case study of Cantabria

#### 1 FOCUS OF INTEREST/HYPOTHESIS

The Region of Cantabria in Spain was one of the Spanish Objective 1 regions in the period 1994-1999 and is in the period 2000-2006 the only Spanish Objective 1 region which phases out into Objective 2 until 2006.

The spatial system of the Cantabria region is concentrated along the main development axes which are a) the east-west coast line at the Atlantic Sea, linking the region with Asturias in the west and the important Greater Bilbao area in the east, and the north-south link between Santander and the centre of Spain, especially the Castilla y Leon region. Cantabria has one major population centre which is its capital Santander. With regard to the micro level, other towns, such as Torrelavega, Castro Urdiales, Laredo, San Vicente de la Barquera are important only in the regional context and normally have different specialised functions, related to their localisation (industry, fishery, coastal tourism). The region in general is dominated by its geographic character and has therefore a populated coastal zone and a less populated mountain and rural hinterland.

At meso level, the major functional urban area Santander is only important with regard to tourism and higher education (here especially the international summer University Menendez Pelayo and less the normal University of Cantabria). Manufacturing and industry as well as transport and decision-making are considerably underrepresented within a national and European context. The region had an important shipbuilding industry which has practically disappeared after suffering a severe crisis in the late 1980s and early 1990s.

The development projects of the last years, supported mainly by the EU Structural and Cohesion Fund helped to overcome the main deficits regarding transport and environmental infrastructures. There are, however, still important gaps of provision and linkage especially between the villages in the mountain and rural areas. EU Structural Funds have, at the moment, clearly supported the development and the concentration of population and economic activities in the coastal strip. Only small initiatives, such as LEADER, ADAPT, single Cohesion Fund projects (Environment) and the ESF acted expressively upon the rural and less developed areas.

The growing importance and wealth of the coastal areas and the high number of part-time residents (especially from the Basque Country) caused a positive evolution of the regional GDP, leading to the loss of the status as Objective 1 region until 2006, but neglecting the still fundamental problems of basic living and working conditions in the inner mountain and rural areas of the region.



## **2 DESCRIPTION**

### **2.1 CASE STUDY REGION**

Cantabria is one of the smallest Spanish Autonomous Communities and is located at the northern Spanish coast, between Asturias and the Basque Country. It's extension of 5.321 km<sup>2</sup> represents only 1% of the total surface of Spain. The natural limits of the region are the Atlantic Sea in the north and by the mountains of the "Cordillera Cantabrica" in the south and the "Picos de Europa" in the southwest.

The territory of Cantabria can be structures into four geographical areas (The "Campo", The Hill of Liébana, The Mountain Area and The Coast) and is formed by 102 municipal districts. 75 of these municipalities have less than 3.000 inhabitants, and only 4 more than 15.000.

The Autonomous Community of Cantabria has a total population of 542.275 (2002) inhabitants and only two cities (Santander and Torrelavega) accumulate 50 % of the population of Cantabria. In the period 1995-2002 the total population rate increased 2.8% and the migration balance was positive. Population density reached 102 inh./ Km<sup>2</sup> in 2002.

Cantabria has six natural Parks (Saja-Besaya, Oyambre, Dunas de Liencres, Macizo de Peña Cabarga and National Park of Picos de Europa) and the nature reserves of the marshlands of Santoña, Victoria, Joyel and Noja.

## THE CANTABRIA REGION

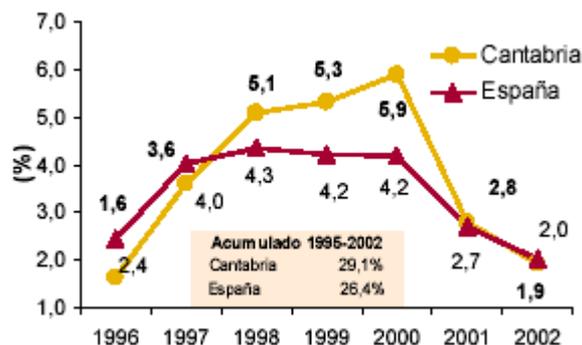


Source : <http://www.sitographics.com/enciclog/mapas/ccaa/source/7.html>

The **economic development** of the region over the last years has been positive, like in all Spanish regions. The accumulated real GDP growth between 1995 and 2000 has been 23,9%, close behind Extremadura, Region of Valencia and Canary Islands. The regional GDP per head (constant prices 1995) increased from 10.369 EUR in 1995 to 12.814 EUR in 2000. The average of Spanish Objective 1 regions was in 2000 11.058 EUR, whereas the overall Spanish average reached 13.214 EUR.

Cantabria is one of the Autonomous Communities with a higher rate of GDP growth than the national average. The average annual GDP growth between 1995 and 2001 was 4,2% (Spain 3,7%). In EU15, Cantabria reached in 2001 a 82,7% of the European average (Spain: 84,2%).

### Cantabria: GDP evolution



Source: INE Regional Accounting of Spain 2004.

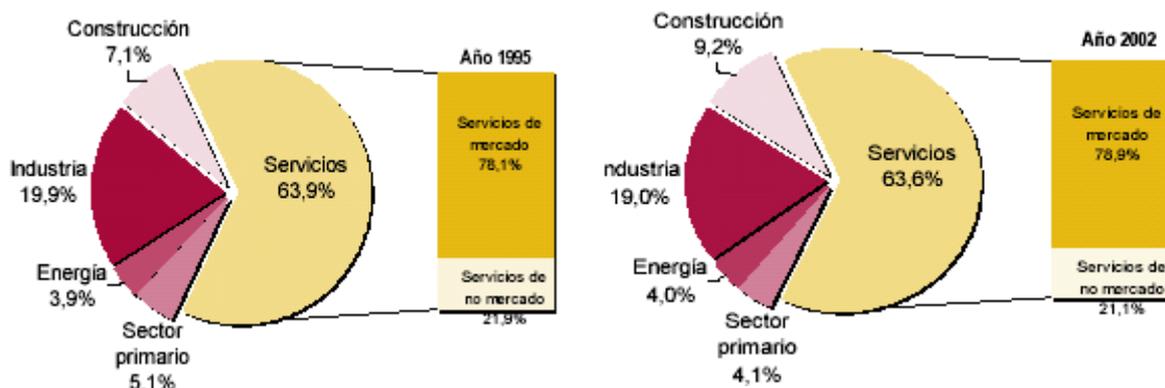
The regional productive structure is composed of four principal sectors : Services, Construction, Industry and Energy. The Cantabrian economy is dominated by the service sector, whereas the manufacturing and industrial sectors are relatively weak. The industrial sector in Cantabria is centred in the most traditional activities: food, textile, no metallic minerals, metallurgic industries.

Besides, chemical sector is the most important sector relating to high technologic component industries.

The construction sector has confirmed as one strong factor of the economic development of the region during 1995-2002 period.

The energy and agriculture/fishery ('sector primario') sectors are less important and have even reduced their activity until 2002.

### Cantabria: Productive Structure of GDP 1995 and 2002



Source: INE Regional Accounting of Spain 2004

Cantabria is an important tourist destination for mainly national rural tourism due to its wide offer of coastal and mountain landscapes that is why in the last years it has experimented an increase with regard to the number of tourists.

### Development of Number of Tourists and Overnight Stays in Cantabria and Spain 1996-2002

	Δ N° viajeros		Δ N° pernoctaciones	
	Cantabria	España	Cantabria	España
1997	-1,5%	5,4%	-13,8%	7,4%
1998	58,0%	7,0%	59,8%	10,7%
1999	22,7%	29,3%	26,5%	27,2%
2000	1,4%	-1,5%	0,4%	1,2%
2001	3,2%	0,6%	0,3%	1,0%
2002	0,3%	-2,6%	3,2%	0,2%
<b>Δ acum.</b>				
<b>1996-2002</b>	<b>100,6%</b>	<b>40,7%</b>	<b>81,0%</b>	<b>54,9%</b>

Source: INE - Spanish Statistical Institute

With regard to employment, Cantabria is to date better situated than other Spanish regions and the Spanish average. However, the unemployment rate is still very high (about 10%), sensitively higher than the European average, in spite of its spectacular improvement since the mid-nineties, where unemployment reached levels of 24%.

	Tasa de actividad		Tasa de paro	
	Cantabria	España	Cantabria	España
1996	47,7	51,3	24,0	22,2
1997	48,7	51,6	20,9	20,8
1998	48,9	52,0	17,9	18,7
1999	47,0	52,5	15,6	15,7
2000	49,0	53,6	13,6	13,9
2001	49,9	52,9	8,8	10,5
2002	50,7	54,0	10,1	11,4
2003	52,6	55,0	10,5	11,3

#### Activity and Unemployment Rates in % in Cantabria and Spain 1996-2003

Source: INE - Spanish Statistical Institute

Unemployment is especially a problem among the female population. Although the rates decreased, the incorporation of women in the labour market is lower than the national average.

In addition to unemployment, there is a reduced rate of activity and occupation. The activity is lower than the national and European averages.

Other regional characteristics are:

- The inner division between the coastal areas and the less developed and populated rural and mountain areas. Especially with regard to transport, water, social, education, and health infrastructure, this division supposes a main regional imbalance. The lack of balance becomes clear when we look at the population density. Santander reaches levels of about 5.470 inh./km<sup>2</sup>, Torrelavega about 1.630 inh./km<sup>2</sup>, whereas 53% of the region's surface only have a density of less than 10 inh. per km<sup>2</sup>.
- The regional environmental situation is healthy and of high ecological value, especially in coastal wetlands and high mountain areas and mountain valleys.
- The region counts with a small regional airport, a relatively more important seaport (goods and ferry to England), and a growing, but still deficient highway system. Only in 2003 the complete east-west highway link, from Asturias to the Basque Country (and France), has been finished. The Cantabrian north-south highway connection to the Spanish central regions (*autovia de la meseta*) will be partly operative in 2005. The railway system in the region is considerably deficient.
- Low rate of external opening and limited capacity of attraction of foreign inversions. European Union is the main destiny and origin of Cantabria's exports and imports.
- Reduced regional structure and activity in the field of RTDI and Innovation although the participation of private sector is increasing over the last years

- ICT and Information society are still new concepts for many Cantabrian citizens and firms. Regional programmes are trying to establish a more open-minded culture towards the new technologies, but especially in the rural areas progress is slow.
- The level of education in the region is slightly better than in the Spanish average. 24,9% have a high level of education (Spain: 24,4%), whereas 19,0% reached a medium level (17,3%).

## **2.2 STRUCTURAL FUND PROGRAMMES (1994-1999 AND 2000-2006)**

The EU support in form of Structural Funds came first in 1986 to the region of Cantabria. In the period 1989-1993, after being affected deeply by the economic crisis in its industrial sectors (shipbuilding, metal, heavy chemical), the region was classified as Objective 2 (39% area, 91% population) or Objective 5b (61% area, 9% population).

During this period, the region received an amount of approximately 145,4 million EUR of Structural Funds, which corresponded to 276 EUR per capita.

The amount of Structural Funds for Cantabria increased considerably with the classification as Objective 1 region for the period 1994-1999, because of the on-going economic decline of the region.

### **THE FUNDING PERIOD 1994-1999**

The Operational Programmes for Cantabria 1994-1999 were funded by ERDF, ESF, FIG, and EAGGF.

The general funding (ERDF) strategy for that period was divided in two programs: a regional Programme (PORC) managed by the regional government, and a pluriregional Programme (POC) managed and co-funded by the Spanish central government. Both Programmes followed the Objective 1 Community Support Framework and complemented each other.

In these Programmes Priority 4 was co-funded by the EAGGF, and Priority 5 by the FIG.

### **Priorities POC and PORC 1994-1999**

Subprogramme	Measures / Types of activities	Indicators/ results of relevance to polycentricity	Relevance for polycentricity
1. INTEGRATION AND TERRITORIAL ARTICULATION (ERDF)	1.1 Highways, main roads and roads	Better accessibility,	2
	1.2 Railways	Decentralisation	2
	1.3 Ports	Balanced territorial development	2
	1.4 Airports		2
	1.7 Telecommunications		2
2. DEVELOPMENT OF THE ECONOMIC FABRIC (ERDF)	2.1B. Other industries and crafts	Job creation	1
	2.2. Local development	Fostering traditional and industrial economic activities	1
	2.3. Industrial zones and crafts.		1
3. TOURISM (ERDF)	3.1A. Aids (tourist investment aids)	Consolidation of Tourist Infra-structures,	1
	3.2. Valorisation cultural resources of tourist interest	Promotion of economic activities based on tourism	1
4. AGRICULTURE AND RURAL DEVELOPMENT	(EAGGF)	Improving rural infrastructures and support agricultural activities /rural life  Offer valuable economic alternatives in rural areas	1
5. FISHERY	(FIFG)	Support and improve fishery sector  Offer valuable economic alternatives in coastal areas	1
6. SUPPORT INFRASTRUCTURE TO THE ECONOMIC ACTIVITY (ERDF)	6.1. Water	Balance water supply in the region	2
	6.3. Protection and improvement of the environment	Improve environmental quality	2
	6.4A. Aids to R&D	Decentralise and modernise Health Services	
	6.5. Sanitary equipments	Support of private economic and innovative initiatives	2
	6.6. Information society	Territorially balanced access to ICT and Internet	2 2
7. VALORISATION OF HUMAN RESOURCES (ERDF)	7.1 Training equipment and infrastructures	Balanced levels of qualification and improved access to jobs	2
8. TECHNICAL ASSISTANCE, MONITORING AND INFORMATION (ERDF)	-	-	-

Source: Operational Regional Programme for Cantabria 1994-1999 (1994)

The PORC had an overall programmed and final budget of 158,5 million EUR, of that 105 million supported by the ERDF (66,2% co-funding).

The central POC had a total budget of 491,5 million EUR, of that 343 million supported by the ERDF (69,8% co-funding).

The development strategy was completed by two Operational Programmes for ESF and for EAGGF co-funded specific activities.

**Operational Programme of European Social Fund (1996-1999)**

MEASURES/TYPE OF ACTIONS	INDICATORS/RESULTS OF RELEVANCE TO POLYCENTRICITY
C1 and C2 actions: Establishment of promotion programs of employment of unemployed people and young unemployed.	Better and more balanced access to training and education. Better and more balanced access to jobs. Less need for leaving smaller towns for the region for quality training and education. Creation of Jobs.
F3 and F4actions: Establishment of professional education programs for unemployed and young unemployed people.	
F1 action: Professional training (scholarships )	
F2 action: Continuous training of employed people.	
F5 action: Training and education of researchers	
AS8 action: Technical assistance	

The ESF participated with 11,7 million EUR (74,2%) in the overall programme (15,5 million EUR).

**Operational Programme EAGGF (1994-1999)**

SUBPROGRAMME	MEASURES/TYPES OF ACTIVITIES	INDICATORS/ RESULTS OF RELEVANCE TO POLYCENTRICITY
1. Improvement of conditions in agrarian production and the rural habitat	1. Improvement of infrastructures related to agrarian development 2. Plot concentration and small irrigation lands 3. Renewment and development of villages and conservation of rural heritage	Actions in rural roads, rural electrification, plot concentration, public lighting, entries and flooring, water supply.
2. Protection and conservation of natural resources	1. Conservation of nature 2. Protected spaces and wild fauna. 3. Development and use of forests.	Reforestation, wild fauna treatment, conditioning of refuge, indemnification proceedings because of damage to wild fauna, repopulation of cinegetic earth of the coast, cleaning of rivers.
3. Reconversion and reorientation of the productions. Improvement of agro alimentary quality and	1. Reconversion and restructuring of sectors. 2. Rationalization mediums and production costs. 3. Integral improvement of agrarian and animal health. 4. Adequation of productive potential and diversification of rural economy.	Collaboration with milk control centers, sanitation animal cattle, analysis of milk samples, helps for improvement of health quality of milk, inversion in animal health laboratory, participation in four food markets.

diversification of the agrarian activity.	5. Promotion of the improvement of quality and support to comercialization of regional agrarian products. 6.Agrarian technologic investigation and development.	
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The share of the EAGGF in this programme was 50,47 million EUR, representing 70% of the overall public expenditure (72,1 million EUR).

In the following table, although reflecting a provisional expenditure situation of the year 2000, the ERDF Structural Fund programmes in Cantabria in the period 1994-1999 are presented.

**Community Support Framework Objective n° 1 (1994-1999) CANTABRIA.**

**Degree of execution as of 31-12-2000. (In Thousands of Euros and %)**

<i>Priorities and Sub-programmes*</i>	Total programmed	Total executed (as of 31/12/2000)	Total % execution
1.1 Highways, main roads and roads	408.598	349.090	85,44
1.2 Railways	18.454	20.307	110,04
1.3 Ports	16.099	18.911	117,47
1.4 Airports	5.020	7.717	153,73
1.7 Telecommunications	23.704	26.059	109,94
<b>1. INTEGRATION AND TERRITORIAL ARTICULATION</b>	<b>471.875</b>	<b>422.084</b>	<b>89,45</b>
2.1B. Other industries and crafts	16.295	17.989	110,40
2.2. Local development	62.655	63.984	102,12
2.3. Industrial zones and crafts	5.090	5.344	104,99
<b>2. DEVELOPMENT OF THE ECONOMIC FABRIC</b>	<b>84.040</b>	<b>87.317</b>	<b>103,90</b>
3.1A. Subsidies (tourist investment subsidies)	1.909	1.839	96,33
3.2. Valorisation cultural resources of tourist interest	35.276	34.174	96,88
<b>3. TOURISM</b>	<b>37.185</b>	<b>36.013</b>	<b>96,85</b>
<b>4. AGRICULTURE AND RURAL DEVELOPMENT</b>	<b>5.708</b>	<b>6.820</b>	<b>119,48</b>
<b>5. FISHERY</b>	<b>15.548</b>	<b>16.451</b>	<b>105,81</b>
6.1. Water	39.562	38.717	97,86
6.3. Protection and improvement of the environment	72.738	71.312	98,04
6.4A. Aids to R&D	34.153	32.620	95,51
6.5. Sanitary equipments	33.515	51.424	153,44
6.6. Information society	0.867	0.867	100,00
<b>6. SUPPORT INFRASTRUCTURE TO THE ECONOMIC ACTIVITY</b>	<b>180.835</b>	<b>194.940</b>	<b>107,80</b>
7.1. Training equipments and infrastructures	53.460	53.118	99,36
<b>7. VALORISATION OF HUMAN RESOURCES</b>	<b>53.460</b>	<b>53.118</b>	<b>99,36</b>

<b>8. TECHNICAL ASSISTANCE, MONITORING AND INFORMATION</b>	<b>1.359</b>	<b>1.120</b>	<b>82,41</b>
<b>TOTAL</b>	<b>850.010</b>	<b>817.863</b>	<b>96,22</b>

\* the numbers, e.g. 1.5, which are not presented here, do not form part of this regional programme, but of the Community Support Framework.

Source: Regional Programmes and their instruments. Annual report 2000. Ministry for Treasury. Spain. 2001.

The share of Structural Funds co-funding reached on average 62,3%, so that of the overall public expenditure (as of end of 2002) 510,2 million EUR where co-funded by the Structural Funds in the period 1994-1999.

In the 1994-1999 period, the **Cohesion Fund** supported three major projects, all in the area of environmental protection:

- Cleaning of the Santander Bay, construction of new sewerage pipelines and facilities for the whole Bay area: EUR 91.560.730 (Cohesion Fund: EUR 73.248.584), one phase also co-funded by the ERDF.
- Environment work around the Ebro dam. Castile-León and Cantabria. (Cohesion Fund: 6.850.000 EUR)
- Drainage at Saja-Besaya, Sorravides-Maps and Reocín Valle del Buelna. (Cohesion Fund: 19.400.000 EUR).

Some minor Structural Fund contributions through Community Initiatives such as the URBAN II project in Santander (10.000.000 EUR total cost, 70% Structural Funds), LEADER (7.400.000 EUR), ADAPT and Employment projects, completed the overall support of the region through Structural Funds.

Considering the major Structural Funds and Cohesion Fund support and not the minor Community Initiatives and the participation in National OPs, the region of Cantabria received between **1994 and 1999 a total amount of 609.699.000 EUR** which corresponds to a fund **contribution of 1.158,86 EUR per capita**.

## **THE FUNDING PERIOD 2000-2006**

The Operational Programme 2000-2006 for Cantabria as Objective 1 region (Phasing-Out until 2006) is an integrated programme and co-funded by ERDF, ESF, and EAGGF. The Programme is based on the priority lines defined in the Community Support Framework for Objective 1 regions. It contains seven main priority lines which are then divided into Measures. The Measures and Actions are normally thematically structured,

- Priority 1: Improving regional competitiveness and development of the economic fabric
- Priority 2: Knowledge society (Innovation, R&D)
- Priority 3: Environment, natural and water resources
- Priority 4: Development of human resources, employability and equal opportunities
- Priority 5: Local and urban development
- Priority 6: Transport networks and energy
- Priority 7: Agriculture and rural development.

**OP Cantabria 2000-2006 (ERDF, ESF, FIG, EAGGF) (programmed in thousands of EUR)**

Operative Programme of Cantabria 2000-2006 (*)							
Distribution of the funding for sources and axes of intervention							
(In Euro)							
Priorities of intervention	Total eligible cost	Total eligible public	Public participation				
			EU				National
			Total	ERDF	ESF	EAGGF	Total
Priority 1	50.966.413	50.966.413	28.749.237	18.629.997	1.998.240	8.121.000	22.217.176
Priority 2	38.485.706	38.485.706	17.959.996	17.959.996		-	20.525.710
Priority 3	92.485.706	92.408.083	54.744.993	38.279.993		16.465.000	37.663.090
Priority 4 A	22.731.015	22.731.015	14.911.190	12.479.998	2.431.192	-	7.819.825
Priority 4 B	24.183.830	24.183.830	15.719.488	-	15.719.488	-	8.464.342
Priority 4 C	12.227.329	12.227.329	8.559.128	-	8.559.128	-	3.668.201
Priority 4 D	2.140.969	2.140.969	1.498.680	-	1.498.680	-	642.289
Priority 4 E	3.685.642	3.685.642	2.764.232	-	2.764.232	-	921.410
Priority 5	95.169.038	95.169.038	64.709.993	64.709.993	-	-	30.459.045
Priority 6	81.794.137	81.794.137	45.800.023	45.800.023	-	-	35.994.114
Priority 7	94.223.216	94.223.216	40.344.000	-	-	40.344.000	53.879.216
Technical Assistance	1.037.388	1.037.388	743.040	340.000	333.040	70.000	294.348
<b>Total</b>	<b>519.130.389</b>	<b>519.052.766</b>	<b>296.504.000</b>	<b>198.200.000</b>	<b>33.304.000</b>	<b>65.000.000</b>	<b>222.548.766</b>

(\*) including the transitory aid.

Source: DG Structural Funds and Regional Financing. Spanish Treasury Ministry.

The planned share of Structural Funds implemented in this programme is 57,12% of the total public expenditure. The ERDF (66,8%) is naturally the most important fund followed by the EAGGF (22%) and the ESF (11,2%).

The national Spanish Operational Programmes where the region of Cantabria is partly benefiting from are:

- Research, Technology and Innovation Operational Programme.
- Information Society Operational Programme.
- Local Development Operational Programme.
- Competitiveness Operational Programme.
- ESF Operational Programmes (Training).
- EAGGF Operational Programmes (Agriculture and rural development).

The estimated amount of Structural Funds that will be received by the region in the framework of these national programmes is 66 million EUR.

Minor contributions of the Structural Funds to the region of Cantabria are included in the framework of Community Initiatives (EQUAL, LEADER, INTERREG III), in Innovative Actions (Regional Innovation Strategies), and specific agricultural and rural development programmes.

According to the budget planning of the regional OP and the national Operational Programmes, the region of Cantabria will presumably receive in the period **2000-2006** a **total amount of 362.000.000 EUR** which means a **per capita contribution of 686,39 EUR**.

The important decrease in comparison to the former period is due to the fact that Cantabria is in this period only classified as phasing-out Objective 1 region. The change to Objective 2 or any other corresponding Objective in 2007 is already now becoming visible in the region.

## **RESULTS OF THE SF PROGRAMMES 1994-1999**

The summary of the main physical results and projects of the 1994-1999 Operational Programme in Cantabria indicates the variety of activities and direct effects of its measures:

*ERDF component:*

SUBPROGRAMME	INDICATORS/RESULTS	INITIAL SITUATION	FINAL SITUATION
		(1994)	(2001)
Regional roads	New and improved roads (Km)	2,050	2.349
Ports	Cleaned Port basins (m <sup>3</sup> )	0	273.416
	Construction (m <sup>3</sup> )	19.936	24.131
Aids to industry and craftsmanship	Number of new jobs	0	563
	Number of subsidized job application	0	212
Plan of sports facilities	Construction of sport facilities (m <sup>2</sup> )	0	64.629
Support of services	Number of financed projects	0	32
	Created jobs	--	104
Plan of rural phone connection	Number of digital lines (%)	34,6	100
Industrial areas	M <sup>2</sup> of Industrial soil	687.000	962.152
Support of tourist industries	Created jobs	0	159
	Number of projects. (Subsidies)	0	95
Religious patrimony	Number of rehabilitated buildings	0	30
	Rehabilitated m <sup>2</sup>	0	9.580
Architectural and civil patrimony	Rehabilitated m <sup>2</sup>	0	2.900
Fishing infrastructure	Constructed or improved quays (m)	0	3.505
Hydraulic works	Net of water supply (Km)	1.095	1.144
Environment	Net of sewerage (Km)	697	923
	M <sup>2</sup> recovered dump	0	39.421
	M <sup>2</sup> revitalised parks	0	52.123
Technology innovation	Number of projects	0	20
Sanitary centre	Number of rural health centres	90	110
	Number of renewed hospitals	0	1
Cultural facilities	Number of buildings	10	31
	Rehabilitated m <sup>2</sup>		11.750

*ESF component:*

- 10.071 beneficiaries of Professional Training Actions (147% of estimated value).
- As a direct impact of the 24 projects carried out as part of the Community Initiatives ADAPT and EMPLOYMENT, the regional authorities see the decrease in the unemployment rate from 23,2 % in 1994 to 15,6% in 1999.

*EAGGF component:*

- Extension of rural roads and paths built or improved: 95 Km in 42 projects,
- Rural Electrification: 349 Km electric lines installed for a total of 1.698 beneficiaries,
- Improvements in rural villages: new electric street lights in 35 villages, improved road access and local paths in 19 villages, improved water supply.
- Cultivation of wood land: new plantations on 808 Ha, cleaned protected area: 3.732 Ha, improved service paths: 25 Km, payment of compensations of wild animals attacks (wolves, wild boars) to local residents.
- Improved work of 8 dairy control points and other quality control procedures of agricultural products.
- Support of a Laboratory for animal health, research line in agricultural technology in the University of Cantabria.
- Etc.

To date, it is still early to give information about the results of the programmes 2000-2006.

### 3 IMPACTS ON SPATIAL DEVELOPMENT

The region of Cantabria suffered very diverse problems in the last years. One part of the region was deeply affected by the economic crisis in the industrial sectors, which was the reason for a first definition as Objective 2 and 5b in the period 1989-1993. The economic structure of the region is still based on services and mature industrial sectors (automotive components, heavy chemical industry, agro-food). At the same time, most parts of the region, i.e. the inner hinterland, shows considerably low levels of population density and infrastructure development. This situation of underdevelopment caused the integration into the Objective 1 in the period 1994-1999 and 2000-2006.

The focus of the Structural Funds support has been, correspondingly, on creating a socio-economic environment for alternative economic activities and jobs as well as on developing basic infrastructures in the less developed areas.

The links between the impacts of the Structural Fund Programmes and the territorial development of Cantabria are presented in the chapters below:

- **Specialisation:** The region is not specialised on a macro or European level. Even on national level, Cantabria or the functional urban area of Santander is not especially developed or characterised. Any specialisation refers more to a regional meso level and is clearly determined by the regional geography.
- **Population Function:** As mentioned before, the population is concentrated in the coastal strip of the region, and there especially in the centre area between the two main cities Santander and Torrelavega.
- **Relation Function:** The Structural Funds have been important for the development of the relation function of the region, by supporting the construction, renovation or improvement of highways, roads, ports, the regional airport, regional railways and telecommunication networks.

#### 3.1 POLYCENTRIC DEVELOPMENT

Traditionally, the spatial system of Cantabria is determined by the two development axis, North-South and East-West, and by its physical shape which favours the concentration of population and human activities in the coastal areas. The territorial system is monocentric, organised around the Santander Bay, where the administrative functions, the main part of population, of services and large part of the regional industry is located. Only the second largest city Torrelavega represents a counterpart with its important industries. This city is however, also located in the central coastal area only 25 Km away from Santander. Both sides of the Coast, oriental and occidental, are facing currently a housing boom related to

the construction of (mostly part time, summer) houses and flats in the former small fishing villages.

The construction of transport infrastructures, supported by the Structural Funds, has encouraged this uneven territorial development with its positive (boom for the construction sector, new income sources in tourism and services in small villages, etc.) and negative consequences (destruction of the environment, more traffic, only part time residents not paying taxes nor fees for municipal services, etc.).

The Structural Fund programmes have tried to adapt their strategies and measures to the territorial organisation of the region. This has, however, especially occurred through the support of the creation of basic and economic infrastructures in the coastal areas, especially in the Santander Bay area. The support of the inner mountain areas or the small coastal villages has been less intensive and has not been following an overall regional territorial model of development. Although, the “improvement of the territorial articulation, externally and in the region” was already a strategic action line of the OP 1994-1999, this articulation refers only to the development of transport infrastructure and not to other accompanying territorially relevant measures. Other fragmented measures with an impact on the territory could be found in the fields of environment (water supply and sewerage infrastructure) and social services (educational and health services). The support of the development in the rural areas (tourism, heritage and natural protection) has been in comparison less intensive.

The Structural Funds in this period function as the only tool for regional development and are not complemented or reflected upon through additional regional plans, strategies or measures.

This situation changes considerably in the next programming period. In the current OP 2000-2006, the awareness of the overall territorial articulation is much higher. In fact, in the definition of the regional development strategy, the notion of territorial imbalance appears more often (with regard to transport infrastructures, social facilities and services, employment, environment). It is considered that the Structural Fund priorities (determined through the national Community Support Framework) do not match fully the regional needs and that complementary regional Plans and measures are necessary, also as a means to make the actions more sustainable and develop a long-term development perspective (taking into account that the amount of Structural Funds is decreasing and will decrease more with the future classification as Objective 2 or similar). Therefore, a wider regional development strategy (with short, medium and long-term development priorities) is presented in the framework of the integrated OP 2000-2006, and then linked to the predetermined objectives of the Structural Funds. Concrete needs for complementary regional actions and links to existing regional plans are highlighted (Industrial and Technology Plan, Strategic Tourism Plans, Information Society Plans, Heritage Protection Plan, Reforestation Plan, Road Construction Plan, Plan for the Development of the Coastal Areas, Law for Spatial Development and Urbanism, etc.)

In short, the linkage of the OP to territorial awareness and spatially sensitive regional development is much more important in the OP 2000-2006 and probably influenced by the experience with the previous Structural Fund Programmes.

The key trends for development in the region in relation to specialisation, population and accessibility and transnational networks are presented in the following chapters.

### 3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM

The overall classification of the region and of the Functional Urban Area of Santander is “transnational/national”, tending towards a more important “national” level. The Urban Area of Torrelavega is classified as “regional/local”.

The region is not specialised on a macro or European level. Even on national level, Cantabria or the functional urban area of Santander is not especially developed or characterised. Any specialisation refers more to a regional meso level and is clearly determined by the regional geography. The inner mountain areas are very scarcely populated and the main economic activities are agricultural and rural tourism. These areas, however, have an important natural and environmental value and have many potential resources which could be used for sustainable generation of energy. On the other side, the coastal strip is where the population and the industry is located and where, in addition, the beach tourism and a high number of part-time apartments and housing leads to a considerable pressure on the territory. The Structural Funds had so far little influence on the existing or non-existing regional levels of specialisation.

The region of Cantabria is at the same time Autonomous Region (NUTS II) and Province (NUTS III). The **administrative status** (classification: regional) of the Autonomous Region allows Cantabria to have the same status in the national context (meso level) like the other Spanish regions. No specific specialisation in this context can be found.

With regard to **higher education and research**, the region is considerably underdeveloped within a national and especially in a European context (local-regional function), but increasingly important on micro level, that is for the region itself. Only the International Summer University Menendez Pelayo (UIMP) has a national/transnational reputation, whereas the University of Cantabria is mainly important for the regional context. The Structural Funds support currently the development of academic facilities and infrastructures. The actual number of research institutes (public or private) is very low, a new Technology Park (under construction from 2004 on) shall foster R&D activities and innovation in the region.

**Manufacturing, industrial economic activities** are important at a micro level, very few large firms are located in the region.

Also the **Decision-making** (location of headquarters) function is less important even on meso and micro level (classification: local), since the industrial sector is very weak in the region and very few company headquarters – mainly of SMEs and regional firms – are based in Cantabria.

Because of its natural endowment (mountain, natural history, natural parks, coast and beaches), the region is a relevantly important national **tourism** destination, although mainly for people coming from the neighbouring regions. Here, a specialisation at national or meso level can be observed and probably be extended and strengthened in the future. The regional authorities are well aware of the advantages of a specialisation on tourism and see the development of additional services, tourism activities and attractions now as their first priority for the long-term development strategy.

In addition and linked to that, the regional authorities try to convert the region into an environmental model region. With that it is envisaged that the natural resources of the region will be better protected and at the same time sustainably exploited (wind, water, and sun energy), which subsequently will increase the attractiveness of the region for tourists. In addition, the improved environmental management and new services in this field are expected to offer new jobs and economic opportunities. This line of development is supported also by the Structural Fund Programmes and Projects.

In general, the Structural Funds have only had small influences on regional specialisation and functions so far. Possible SF contributions to regional development will become more visible in a few years, when they are able to show their final impacts or when they are adequately complemented by additional regional measures.

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence
<b><i>Tourism</i></b>	Important at meso level, but at a small scale (no mass tourism, but natural, rural, beach tourism, mostly for Spanish tourists from the neighbouring regions).	Growing importance, possible specialisation at meso level.	Development and consolidation of tourist offer by Structural Funds, especially important as an economic alternative for the less populated rural regions and for fighting the territorial imbalance.	1
<b>Industry</b>	Very weak, dominance of mature subsectors (heavy chemical, steel, shipbuilding, automotive)	Potential growth area, but limited to certain industrial sub-sectors (automotive, agro food, technology-based)	Creation of better business environments (industrial zones, transport infrastructure, ICT connections). Innovative Action (IMPULSO) tries to promote new sectors and innovation in old industrial sectors.	1
<b>Knowledge / Higher education institutions</b>	Relative important international Summer University (UIMP), only locally relevant University of Cantabria.	Relative important international Summer University (UIMP), only locally relevant University of Cantabria.	Certain Influence of SF Measures while creating new knowledge and HE infrastructures and promoting innovation in the private sector, not very visible yet.	0,5
<b>Decision-making / Location of company HQs</b>	No important company HQ	No important company HQ	Not relevant	0
<b>Administrative status</b>	Autonomous Region	Autonomous Region	The Structural Funds did not influence the administrative status.	0
<b><i>Economic base</i></b>	Based on service sector, weak and mature industry, few high added value activities.	Tourism and more innovative industrial activities are developing.	Indirect influence through Measures focused on rural development or which improve basic and knowledge infrastructures and qualification levels.	1

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

In 1997 Cantabria had a total population of 526.118 and the population density was of about 100 inhabitants/Km<sup>2</sup>. This represents a number sensitively higher than the national mean (which is of 78 inhab/Km<sup>2</sup>) but lower than the European mean. (which is of 117 inhab/Km<sup>2</sup>).

The amount given for Cantabria is, however, deceitful because of the high demographic concentration in a very reduced territorial space that makes this number not representative for the whole regional reality. Concretely, more than the half of the regional surface has a population density below 10 inhabitants/Km<sup>2</sup>.

Besides, because of physical reasons and economic factors, Cantabrian population is very unequally distributed trough the region. The population imbalance in the territory generates a depopulation in the south of the region and a big concentration in the coastal areas.

Only two cities, Santander and Torrelavega, have a population of more than 50.000 inhabitants, but generally this region has only functional urban areas of small-medium size.

Already historically, the population tended towards a localisation at the coast. This trend expended even more during the last decades.

#### Littoral Population in Cantabria 1981-2001

	1981	1991	2001
Inhabitants in the Cantabrian littoral	388.398	411.177	424.653
% of regional population	76 %	78 %	79 %

Moreover, about 87% of the industrial firms are located in the coastal strip, and only 0,7% to 5,4% in each of the other five areas of Cantabria.

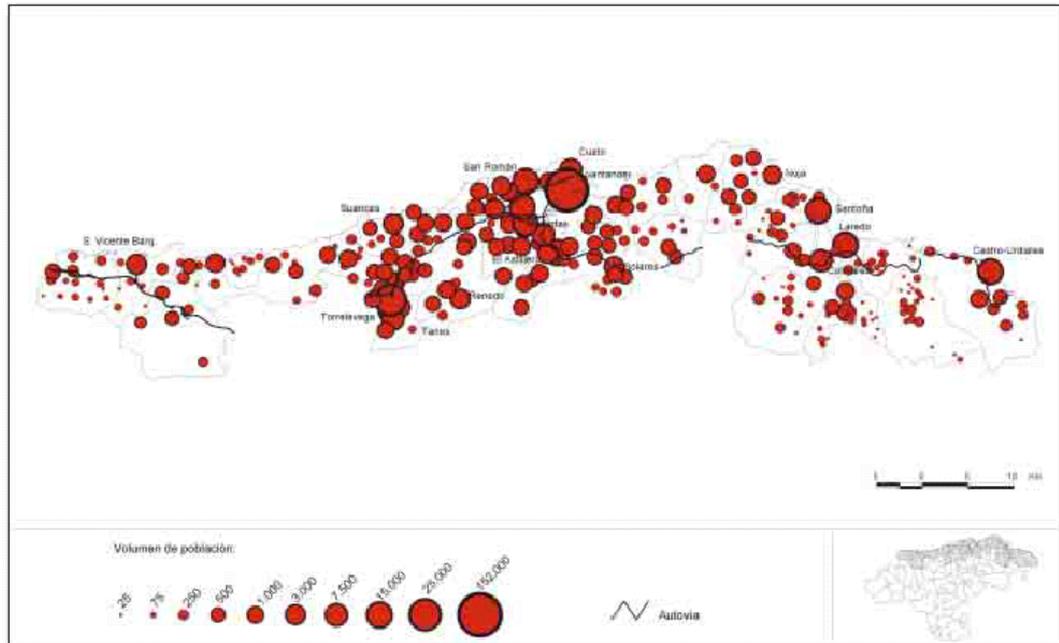
On the other side, even in the littoral, the population and the economic activities are concentrated in the Santander Bay area. The city of Santander and the smaller municipalities Cueto, Monte, San Roman, Peñacastillo, Santa Cruz de Bezana, Astillero, Camargo, Villaescusa, Medio Cudeyo and Marina de Cudeyo establish the Bay area and concentrate 57% of the coastal population or 243.385 inhabitants (2001).

Torrelavega, situated west and a little bit south of Santander, is the second largest town of Cantabria. Its wider urban area (reaching in the north up to the coast) has a population of 69.225 (2001), representing 16% of the coastal population.

The third population core with more than 15.000 inhabitants is formed by Castro Urdiales in the east of the region and close to the Basque Country and to the metropolitan area of Bilbao.

## Population Distribution in the Coastal Area of Cantabria

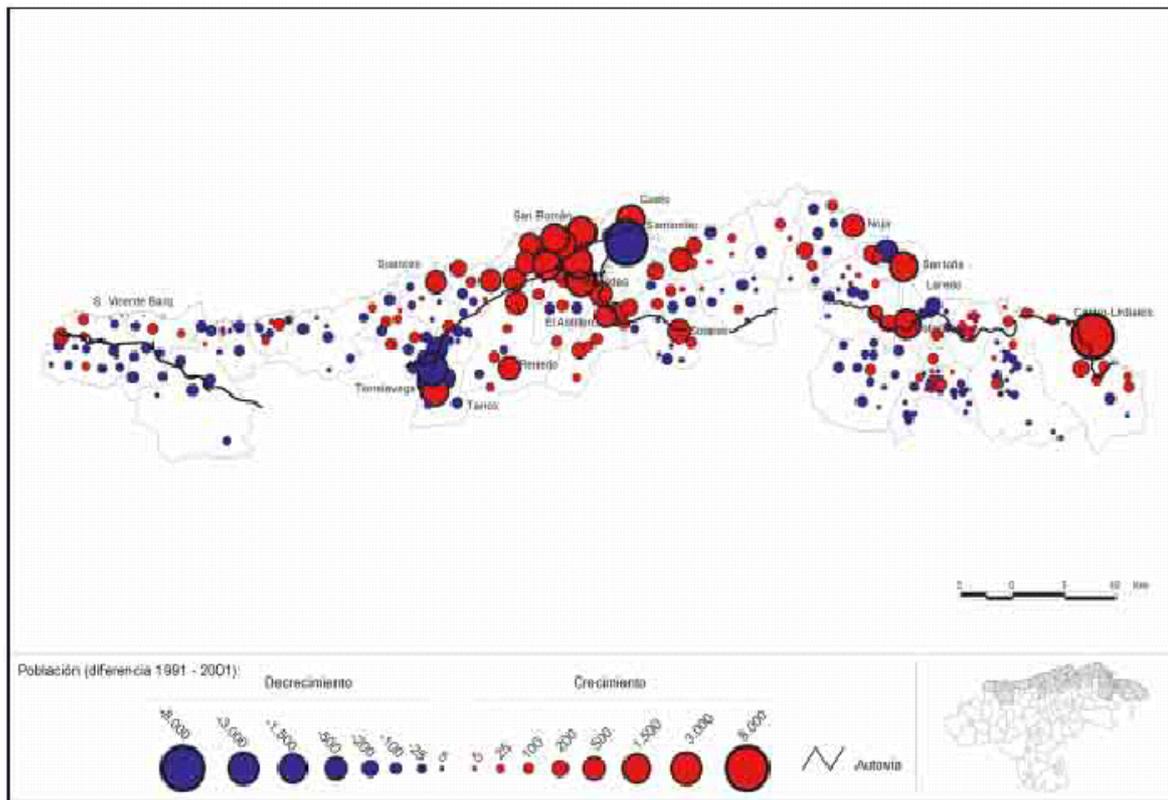
Source: POL 2004



The population evolution during the last ten years indicates an on-going concentration on the Santander Bay area and on the some coastal towns in the east of the region, especially on the town of Castro Urdiales, which is benefiting from the quick highway connection to the Greater Bilbao region. In both functional urban areas, only the main cities of Santander and Torrelavega themselves have lost population in a visible process of suburbanisation.

The negative evolution of most small inner villages and some industrial-oriented towns (Torrelavega) is highly alarming with regard to polycentricity and the future territorial balance.

### Population Evolution in the Coastal Area of Cantabria 1991-2001 (Red: Positive, Blue: Negative)



Source: POL 2004

The Structural Funds have contributed indirectly to this suburbanisation development, while supporting the construction of new roads, highways and other infrastructure and permitting the quick access from suburbs and smaller villages to the capital cities.

The coastal concentration, however, reflects a historical development and the Structural Funds only sought to alleviate the negative effects of depopulation in the rural areas and needs for educational, health or social facilities.

In the inner mountain areas, the principal problem is the lack of economic and job alternatives for the local residents. Here, 3 LEADER and 3 PRODER Action Groups (similar national programme for rural development co-funded via Structural Funds in national Programmes) initiated new development approaches in the rural areas and created alternatives for the people living in the rural areas.

	Status during 1995-1999	Current status	Possible Structural Funds influence	Rating of SF influence
<b>Population density</b>	Relatively low: 100 inh./km <sup>2</sup> (1997), reaching	Similar	Influence could only become visible at a long-term.	0

	from 10 to 5,470 inh./km <sup>2</sup>			
<b>Possible concentration trends</b>	Main concentration of population on Coastal Areas	Concentration of population in Santander Bay Area	Structural Funds through new road infrastructure facilitate the concentration on the coastal areas, especially on Santander, at micro level.	1
<b>Rural-urban status</b>	Rural and mountain areas disadvantaged, badly connected and loss of population.	Rural and mountain areas better connected and endowed.	Measures in Priorities 4 (94-99) and 7 (00-06) focus on the support of rural development and of alternative economic activities in the rural areas;  Measures creating new health and education infrastructures in rural areas (Priority 6 in OP 94-99; Priority 5 in OP 00-06);  3 LEADER Action Groups.	2
<b>Promotion of rural-urban interaction</b>	Loose interaction because of different geographical profiles.	Similar.	Few measures aiming at an improved interaction, indirectly Measures which improve the local and regional road system.	0
<b>“Best practices” of promoting rural-urban interaction</b>	Few alternatives to agriculture to make a living.	Alternative economic activities for people in rural areas.	LEADER: Diversification of economic activities, especially promotion of Rural Tourism as an economic alternative to agriculture in the rural areas.	1

### 3.1.3 RELATION FUNCTION

The **accessibility** of the region Cantabria is on a relatively high level. The region has an important seaport (Santander), a regional-national airport, railway and road connections. The natural connection by road to the South (central Spain, Madrid) is hampered by the “*Cordillera Cantabrica*” (up to 1000m) and must be seen as the weak point in the regional transport system. The corresponding highway “*autovia de la meseta*” will be finished not until 2010, with the Cantabrian part finished in 2005 (budget 470 million EUR). This highway will have to level out peaks up to 1.002 meter and wide valleys and canyons up to a length of 378 meter.

The east-west connection from the Basque Country to Asturias (and Galicia) had some bottlenecks until very recently (late 2003). Only since last year the whole track through Cantabria is covered by a highway.

These projects have been the most important with regard to regional accessibility. The new connections have been in part supported by the Structural Funds, although they were not so relevant in a macro context, since they have not been co-financed by the Cohesion Fund.

The road network of Cantabria covers 8.134 km, of which 7,2% are national highways and main roads, 24,7% are regional road and 68% are municipal and local streets. The system of regional and local roads is generally good developed but shows some shortcomings in the rural and mountain areas, which are difficult to overcome because of the physical conditions. The focus of current road works is on developing the roads in the wider Santander Bay area, enhancing the security at some black spots, and creating bypasses in some smaller towns.

The regional railway system is not very good developed and not very important in the overall macro (national/European) context, like in Spain in general. The railway is more relevant at a regional level where it connects smaller towns and suburbs with the city of Santander. In 2002, about 4.447.500 passengers were transported by the Railway Company FEVE.

The **Port of Santander** has an important relational function for the region. It is not only a logistic centre but also a centre for fishery, transport of goods/passengers and commerce, with all the services and activities related to it. The Port of Santander has an extension of 299 Ha. (land) and 3.443 Ha. (sea) and a storage area of 431.345 m<sup>2</sup>. During 2002, more than 1.500 commercial ships with more than 5,4 million tons of goods, 61.507 passengers, and 8.495 passengers in cruises reached Santander Port. Other regional ports are leisure or fishing, but not commercial ports.

The **Airport** of Cantabria occupies approximately 193 Ha. in 10 Km distance to Santander. The airport has only one runway which is 2.400 m long. The flights to and from Santander airport are almost all regular commercial national flights. In 2002, about 262.000 passengers. It is estimated that in 2005 the number of passengers will increase to 315.000 and corresponding extension and improvements works are foreseen.

With regard to the **Information and Communication Technologies**, Cantabria is slightly less developed than the national Spanish average. In the year 2000, there were 212.882 phone lines installed in the region, 25,9% of the regional population have a PC. The connection to Internet and the situation regarding ICT is, however, worse. The Cantabrian population with an Internet access represents only 1% of the total national. The average figures also hide the bad situation in the rural areas, where until recently even the connection to the phone network was rare, let alone Internet or fibre optic. In the coastal areas the cable infrastructure is quite good. A regional company offers cable television already in smaller cities.

Currently, several pilot projects, such as “Digital Cities” and “Rural Internet”, are supported by the central Spanish Government and the regional authorities (and in the end

through Structural Funds national Programmes) and try to introduce the ICT into the local infrastructures and lives of citizens and companies.

The Structural Funds supported in the period 1994-1999 (Priority 1) especially the development of the road and highway network. A second focus was given to telecommunication networks and infrastructures, especially in the rural areas with the Plan for Rural Phone Connection. The participation in other infrastructure works (railway, port, airport) was less important in the overall context of the Operational Programmes and in the context of overall regional and national budgets.

Another aspect that has been favoured by the Structural Funds programmes has been the development of **transregional and transnational cooperation** projects and networks. With regard to regional cooperation Cantabria belongs to the Atlantic Arc and carried out already in former programming periods INTERREG projects with other regions, especially from the Atlantic Arc. In the period 2000-2006, the Common Secretariat and the Management Team for INTERREG IIIB SUDOE is situated in Santander.

Also the participation in other networks (Research, Innovative Actions, Twinning with new Members States, etc.) helped to improve the cooperation with other regions in Europe. One example is the network ERNACT (European Regions Network for the Application of Communications Technology) which was established in 1990 as a joint cross border European Economic Interest Grouping (EEIG) to maximise the use and economic benefit of ICT.

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence
<b>Accessibility and Changes in accessibility</b>	External accessibility: relatively good, road connections to other Spanish regions less developed (no highways), airport and important sea port.  Internal: Deficient, especially in rural areas.  Deficient IT and broadband connection.	External accessibility: improved, new highways for north-south and east-west connections, improved internal road system.  Better IT connection (digital phone lines and Internet in rural areas).	Positively influencing in various areas of transport infrastructure, especially on highway construction and new telecommunication infrastructures and pilot projects.	2
<b>Key strategic and functional</b>	Situated within in the macro European region of the Atlantic	Active institutional and business cooperation with other regions	Especially INTERREG Atlantic Arc, INTERREG IIIB South-West Europe,	2

<b>networks (promoting specialization)</b>	Arc. Participation in transregional projects and exchange of experiences with other European regions.	(INTERREG), various other networks (EU Research Framework Programme, Innovative Actions networks, etc.).  Secretariat for INTEREG IIIB South-East for 2000-2006 located in Cantabria.	other networks based on Pilot Projects or Community Initiatives, such as LEADER, URBAN, EQUAL, Innovative Actions, ERNACT, Twinning Projects with regions in new member states.	
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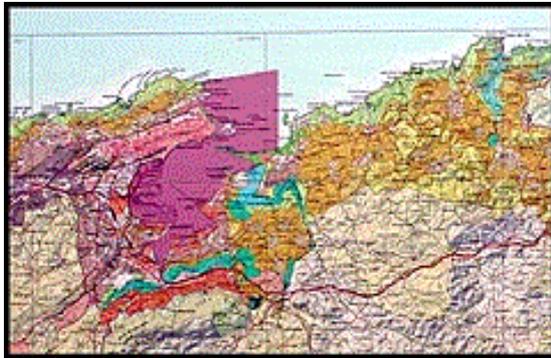
### 3.2 OTHER DRIVING FORCES

Especially the funding period 2000-2006 has seen the development of various regional development plans which tried to guide territorial development and to canalise European support programmes and co-funded measures, putting them into a regional context. Especially during the last two years, the Cantabrian Government has worked on new general guidelines for the more balanced and integrated regional and urban development.

In the first place, the new Cantabrian **Law for Territorial Development and Urban Land Use** is the legal framework for the development of the territory. This regional Law was presented in 2001 and gives general indications for land use, construction, housing and other modifications of the current situation. In comparison to former similar laws and regulations, this one is much more restrictive and responsible with the environment and natural valuable areas.

Another plan which is fundamental for concretising the overall territorial development is the Cantabrian **Development Plan for Coastal Areas (POL)**, which is under public discussion now and will be finally presented in September 2004. This plan sets the general guidelines and orientations for a balanced spatial development in the coastal areas (37 municipal districts), since it determines clearly the predominant future use of each zone in the region as well as certain limits for public access, housing and economic activities. Although it concentrates on the coastal areas, these more densely populated areas are exactly the ones where most conflicts of uses and interests took place in the past. This Plan will be the first territorial development plan which defines a territorial model for the region, which analyses the different territorial units (urban, rural, and low density littoral), and which develops adequate strategies and protection levels for the different unit types. The central reason behind the POL was to learn from the development in the oriental areas of the Cantabrian littoral, where the demand from people from the Basque Country for part time and summer apartments caused an uncontrolled growth and the destruction of many valuable natural areas. The development of the other occidental and metropolitan coastal areas shall be guided in the future with more integrated strategies and specific development priorities for certain zones.

## **Territorial Model for the Cantabrian Coast (POL 2004): Santander Bay Area (in purple)**



Source: POL 2004.

In addition there are the **Regional Development Plan** (2000-2006) as well as the **Rural Development Plan** (2000-2006) which serve as the base for public interventions in the region and in rural areas in relation to agriculture.

For the near future, a regional **Territorial Development Plan (PROT)** for the whole Cantabrian territory is envisaged. Its elaboration shall start in autumn 2004 and follow the methodology and approach of the POL elaboration (participation of the population, profound analysis of the territorial units, cooperation between public administration and researchers from the University of Cantabria).

In general, these plans have been influenced indirectly while considering the requirements of general Structural Fund legislation (e.g requiring monitoring data, including sustainable development as a horizontal priority) and the possibilities of EU funding for future implementation.

On the other side, the elaboration of these Plans, especially of the POL has influenced the general development strategy which is the base for the Operational Programmes and for the particular projects funded by the Structural and the Cohesion Fund.

## **4 POLICY IMPACTS**

## 4.1 IMPACT UPON GOVERNANCE ASPECTS

The Structural Fund support of the regional policy in Cantabria had also impacts on the general policy and institutional landscape of the region. The Structural Funds, especially through the smaller (regarding the financial resources) Community Initiatives, Innovative Actions and Pilot Projects, where regional and transregional networking and cooperation are fundamental project activities.

In Cantabria especially projects in the framework of former Initiatives ADAPT, EMPLOYMENT, LEADER, URBAN, EQUAL, Innovative Actions (ESF, ERDF) created or strengthened new public or private-public development initiatives. The influence of the Structural Funds in this field has been appraised as valuable and positive, although difficult to quantify. The impact and the level of influence has been also linked to additional regional or national initiatives and to the success or failure of the Structural Fund project.

The Structural Funds influenced in Cantabria directly and indirectly the creation and consolidation of new regional actors, many of them public or public-private partnerships, such as the

- **SODERCAN**, is the regional Economic Development Agency, created in 1985. The Cantabrian Regional Development Agency, although created without the support of Structural Funds, manages nowadays various programmes and projects co-funded by the Structural Funds (Innovative Action in Cantabria IMPULSO, EQUAL, Digital Cities, Emprecan, Plan Forintel, etc.). The fields of activity are the support of innovation and technological development, entrepreneurship and training, internationalisation and ICT development. Its shareholders include the Regional Government of Cantabria (51%), Regional Savings Bank (48,49%), and the Chamber of Commerce, Industry and Navigation of Cantabria and its main objectives are:
  - To promote the creation and development of companies within Cantabria.
  - To promote inward investments towards the industrial sector.
  - To provide integral business support and consulting services to companies and entrepreneurs (Technical assistance, grants and subsidies, business location, etc).
  - To provide financial sources for entrepreneurial projects at regional, national and trans-national level on the field of information society, R+D+I and internationalisation.
  - To improve the competitiveness of the regional enterprises through quality, innovation and internationalisation programmes.
- **LEADER Local Action Groups and similar PRODER Action Groups**, which work as Local Development Agencies in 6 specific rural areas.

- **Emple@cantabria** is the joint Employment Service of Cantabria, funded by the ESF. In Empleacantabria, information, promotion and support for job-seeking people is offered in a joint Internet portal and coordination office with 9 employees (UPD) with the participation of the 28 Local Development Agencies in Cantabria, the Regional Development Agency SODERCAN and the 6 LEADER and PRODER Action Groups.
- the **Science and Technology Park of Cantabria** will presumably be supported by Structural Funds. The Park, to be created during the next years, will be an important regional tool of the regional RTDI policy and favour the sustainable implementation of the regional innovation plan (developed with Structural Funds in a RIS project).

	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Consistency of national and European policy goals outlined in programme documents	Since the Operational Programmes followed the national Community Support Framework, which determines the national regional policy, national and EU policy goals are consistent and in many cases identical.	2
Examples of promoting learning	Especially within different Community Initiatives and Innovative Actions.  The examples to promote learning are related especially to new forms of public-private cooperation, participation of the local population and stakeholders, programme management and evaluation, etc.	2
Governance innovations	The creation of new public partnerships or public-private partnerships as well as institutions, such as LEADER and PRODER Action Groups, empleacantabria, the Science and Technology Park.	1
Trans-national links linked to governance practices	New and multiple transnational links and partnerships in the framework of INTERREG, Innovative Actions and other EU projects, e.g. in the framework of the Fifth and Sixth Research Framework Programme.	1
Inclusion of new actors and organisation in partnerships	Private and voluntary organisations have been increasingly involved in SF projects.	1
Links to traditional democratic decision-making	Less influence.	0
Financial practices enabling enlargement of partnerships	Little effects of SF on new financial practices.	0,5
Ways of avoiding the technocratic elite pluralism	Less influence.	0

## 4.2 INCLUSION OF THE LISBON THEMES

In the Structural Fund programmes of Cantabria, most of the 'Lisbon themes' have been addressed and promoted actively, like already in the Community Support Framework for Spanish Objective 1 regions. Especially the themes Innovation and R&D, as well as the Information Society and are increasingly important in the context of the overall regional development strategy in Cantabria.

In the field of R&D and innovation, one of the weaknesses in the regional socio-economic structure, the Structural Funds support various initiatives, which are already structured in form of strategic approaches, such as:

- Framework Plan “**Regional Plan for Technological Development 2002-2006**”, promoting Innovation and R&D in regional companies, universities and research institutes.
- The creation of the **Science and Technology Park of Cantabria**.

With regard to the Information Society, the good and fast connection to global ICT networks helps to promote the Information Society among other regions and businesses. Within the region and especially in the disadvantaged rural areas, most businesses and private users were still not linked to the new technologies at the beginning of this programming period. Therefore, supported by the Structural Funds, Cantabria and namely SODERCAN promote several generic schemes and specific projects to promote the use and integration of ICT in the region:

- Plan “**PYME Integrated Management**” – fostering the use of ICT tools in the processes of production, distribution and management.
- Plan for **Rural Phone Connection** (digital lines (1994-1999), and Plan for **Rural Internet** (2000-2006)
- Project “**Digital Cities**” – four towns in Cantabria will be supported to create broadband infrastructures and ICT facilities and services,
- Programme “**Forintel**” – training for improving qualifications of employees working in the field of ICT.

The other topics, especially the development of business centres and sound business environments in rural and scarcely populated areas, the promotion of basic skills, encouraging lifelong learning, reducing deficits in the service economy, and the promotion of wide access to knowledge and opportunity, have been and are also specifically supported by Structural Funds programmes in Cantabria.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>Deficient use of ICT in public and private sector. Deficient connection even to phone lines in the rural areas.</p>	<p>Improving, but still insufficient use of ICT in public and private sector.</p>	<p>Information Society projects have been and are supported by the Structural Funds, e.g. Plan for Rural Phone connection (digital lines) and Rural Internet, Project Digital Cities, Programme Forintel, Plan PYME Integrated Management, etc.</p>	2
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	<p>Few research activities, innovation is only emerging as a priority area within the regional development strategy..</p>	<p>R&amp;D and innovation are becoming key areas for the regional development in Cantabria.</p>	<p>R&amp;D infrastructures, support of private innovation and Innovative Actions have been supported by the Structural Funds. Examples are the Regional Plan for Technological Development and the new Science and Technology Park.</p>	2
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>Situation was difficult due to lack of infrastructures and schemes, especially in rural areas.</p>	<p>Improvement: New infrastructures and interfaces (Industrial Zones, incubators), new support schemes, new services, etc.</p>	<p>Improving the business environment and fostering entrepreneurship have been and are key aspects of the Structural Fund programmes.</p>	1
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	<p>Situation was deficient in the region, especially in smaller towns and rural areas.</p>	<p>The creation of new education infrastructures and new co-funded training schemes are in place and improved significantly the regional situation.</p>	<p>Education and training has been one of the main areas of SF support over the last programmes, in specific ESF Measures and pilot projects and initiatives (EQUAL, ADAPT, EMPLOYMENT, etc.)</p>	2
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps;</li> <li>Encouraging lifelong learning;</li> <li>Reducing deficits in the service economy;</li> <li>Extending equal opportunities</li> </ul>	<p>Unemployment was a major problem for the region</p>	<p>Unemployment is still a problem, but unemployment rate and levels of qualification are improving.</p>	<p>(see area above)</p> <p>Training and improved access to labour market has been one of the main areas of SF support over the last programmes, in specific ESF Measures and pilot projects and initiatives (EQUAL, ADAPT, EMPLOYMENT, etc.)</p>	2
<p>Promoting social inclusion:</p>	<p>Social exclusion has been less</p>	<p>Social exclusion is less present in</p>	<p>This theme was not a priority, but has been</p>	1

<ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and opportunity.</li> </ul>	present in Cantabria.	Cantabria.	tackled indirectly.	
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## 5 CONCLUSIONS

In the region of Cantabria the Structural Fund programmes have had a certain impact on the development of the territory in various aspects.

On the one hand, Structural Funds and Cohesion Fund supported especially the creation of new infrastructures (transport, environment, education, health) which have been very important for balancing the regional physical imbalances (difficult access to and deficient infrastructure in mountain areas) in a micro context and for improving the accessibility of the region in a meso context. The region was not specialised in specific functional areas at a macro context and even the Structural Funds or other regional measures have not been able to change this.

On the other hand, the influence and relative importance of smaller Community Initiatives, Innovative Actions and other EU-funded pilot projects in Cantabria opened the access to new forms of project management, public and public-private cooperation, new approaches and activity fields for public policies. Those projects permitted to create new actors and institutional infrastructures, to establish new partnerships and links and to developed cooperation between public and private actors in the region and with other European regions.

For concrete examples and a general overview of the Structural Funds' impact, please see the table below.

**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ran- king	Short description	Ran- king	Short description	Ran- king
<b>Type of influence/ effect</b> <b>Aspects explicitly targeting polycentric development</b>	Direct	-	0	-	0	-	0
	Indirect	Not explicitly stated. Not present in OP 1994-1999 but underlying general development strategy in the programme 2000-2006.	1	The SF programmes support indirectly a better integration into the national context through the construction of highway links to other Spanish regions.	1	Not integrated.	0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	-	0	-	0	-	0
	Indirect	Through the improvement of living conditions in the rural areas, better transport and other infrastructure, and through new industrial zones in the less populated areas, the SF programmes had and have indirect impacts on fixing the population in smaller towns and the rural areas.	2	-	0	-	0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	Ranking	Short description	Ranking	Short description	Ranking	
<i>Type of influence/ effect</i>							
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labour between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	The SF programmes intent to strengthen emerging or possible future specialisation (tourism, heritage, nature model region) of and in the region, but seek mainly to improve weaker fields (Information Society, Research and Innovation).	2	In general, no specific specialisation at national level exists, which could be supported by the Structural Funds.	0	In general, no specific specialisation at macro level exists, which could be supported by the Structural Funds	0
	Indirect	Indirectly, the SF follow the Community Support Framework which indicates general priorities for all Spanish Objective 1 regions, so that an in-depth response to regional particularities or specialisations is not possible within the SF programmes in Spanish Objective 1 regions.	0	-	0	-	0

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ranking	Short description	Ranking	Short description	Ranking
<i>Type of influence/ effect</i>							
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	New highways, improved road system and rural paths, improved port and airport, better access to telecommunication and ICT etc. have been SF measures that had a huge impact on internal accessibility and development.	2	New highways, improved road system and rural paths, improved port and airport, better access to telecommunication and ICT etc. have been SF measures that had a huge impact on accessibility and development in the Spanish context.	2	-	0
	Indirect	-	0	-	0	The measures had only an indirect impact on accessibility on a macro level (only port, highways).	2
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	-	0	Especially INTERREG projects and Innovative Actions, but also participation in Community Initiatives and other networks of regions established new institutional partnerships.	2	Especially INTERREG projects and Innovative Actions, but also participation in Community Initiatives and other networks of regions established new institutional partnerships.	2
	Indirect	-	0	SF, INTERREG and other cooperation projects (Research) supported cooperation between businesses and research institutions.	1	SF, INTERREG and other cooperation projects (Research) supported cooperation between businesses and research institutions.	1

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ranking	Short description	Ranking	Short description	Ranking
<i>Type of influence/ effect</i>							
<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct	Through the improvement of living conditions, the specific support of rural areas, the promotion of industrial activities, many parts of the region benefited from the SF. The main beneficiary is, however, the coastal area, and there, especially the Santander Bay Area, so that regional divergence even increased.	0	-	0	-	0
	Indirect	Many SF measures (training, health infrastructure, water supply, etc.) indirectly had a positive impact on disadvantaged rural areas and on territorial balance.	1	-	0	-	0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	Ranking	Short description	Ranking	Short description	Ranking	
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct	Strong and positive influence of Structural Funds and Cohesion Fund on territorial development, especially through support of infrastructure (transport, education, health, environment) development. But concentration of many measures on the coastal and Santander Bay Area, so that territorial imbalance persists.	1	Positive influence of Structural Funds and Cohesion Fund on territorial status and development in the Spanish context, especially through support of infrastructure (transport) development (connection to neighbour regions and population cores (Bilbao, Madrid)..	2	Weak/no influence of the SF and Cohesion Fund on the status of the region in a macro context.	0
	Indirect	Strong and positive influence of Structural Funds and Cohesion Fund on territorial development and balance, indirectly through training, support of tourism activities, supporting new entrepreneurial initiatives, protection of the natural resources, etc.	2	Certain influence of Structural Funds and Cohesion Fund on territorial status and development in the Spanish context, indirectly through support of tourism, protection of natural resources, support of Innovation and R&D, etc.	1	Weak/no influence of the SF and Cohesion Fund on the status of the region in a macro context.	0

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- Consejería de Economía y Hacienda [Regional Ministry for Treasury and Economy], responsible for Structural Fund Programme Management.

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**ESPON 221**  
**Case study of Catalonia**

MCRIT SL

**1 FOCUS OF INTEREST/HYPOTHESIS**

The Spanish region in focus for this case study is Catalonia, in the North East of the country. This region shares a border with France along the Pyrenees mountain range and enjoys a 580km long coastline on the Mediterranean Sea.

Spain was under authoritarian rule for nearly four decades following the civil war of 1936-1939. When General Franco died in 1975, Spain embarked upon the difficult process of the transition to democracy. The country was considerably backwards in relation to the advanced economies that had flourished from war-torn Central Europe, and still very much divided on ideological grounds and the model of democratic governance to adopt. For several years thereafter, different regions and sectors of society quibbled over the system they wanted to see established.

With the adoption of the Constitution in 1978, Spain became a “regional state” operating under a three-tier system; central, regional (Autonomous Communities) and local (provinces and municipalities). Each Autonomous Community negotiated its own competencies before central government in Madrid.

Catalonia as one of the historic Autonomous Communities in Spain gained extensive and exclusive policy-making and implementation competencies in many important areas such as land-use and spatial planning, regional development, transport, education, cultural heritage and economic development.

Under article 138.1 of the Constitution, the Spanish State is bound to effectively implement the principle of solidarity, and in particular to ensure an adequate economic balance throughout the different parts of the Spanish territory. This concept is close to that of territorial balance laid out in the ESDP.

The main instrument of regional policy used to achieve this aim is the so-called Interterritorial Compensation Fund designed to assist the lagging regions in Spain. Since 1990, this Fund has constituted the main instrument of regional policy to assist Objective 1 regions or regions in transition, basically, through strategic investment.

Catalonia, as one of the richest regions and few Objective 2 areas in Spain is not only a net contributor to this Fund, but also, to the EU budget. One of the reasons for choosing Catalonia to carry out a case study is its high GDP per capita, close to the EU average, in the context of one of the poorer countries of EU15. Also, this region has traditionally been considered to be of strategic and geo-political importance in terms of sharing a border with France and being situated along the Mediterranean or Latin Arc. The development and type of communication networks which have been financed with Structural and Cohesion Funds is therefore interesting in terms of analysing polycentrism at the European scale or even perhaps Europe's relations with other parts of the World. For the purposes of this study, however, the chosen levels of analysis are: Barcelona in Catalonia (is the capital city of Barcelona *macrocephalic* in relation to Catalonia? Were SF investments used to increase the centralisation of connections from the inland regions to Barcelona?) and Catalonia in Spain (Were Structural Funds in Catalonia used to increase Spanish centralisation?). This initial hypothesis draws on the debate on regional equilibrium of Catalonia as "City of Cities".

## 2 DESCRIPTION

### 21 CASE STUDY REGION:

Catalonia became one of the 17 Autonomous Regions since the approval of the 1978 Constitution integrate the Spanish territory. Situated in the North East of Spain, from the European perspective, Catalonia is a NUTS 2 region (ES 51). The region has a complex territorial and administrative structure consisting of four provinces (Barcelona, Girona, Lleida and Tarragona), forty counties and 946 municipalities.

In the broader context of the EU, Catalonia is considered an engine of growth in the European economy. Its geographic location, its industrial and commercial tradition and its relatively high standards of living, in comparison with the rest of Spain, have favoured a rapid integration process into the European Union. Today she figures among the most developed regions in Europe.

Catalonia has the shape of a triangle, with the North side corresponding to the border with France and the East side to the Mediterranean coastline. Although it is considered peripheral from the European perspective, it has a privileged position in terms of its relative proximity to the centre of Europe and its strategic position along the Mediterranean Arc.

With a surface of 31.895 km<sup>2</sup> and 6.343.110 inhabitants in 2001, it has a population density of some 199 inhabitants/km<sup>2</sup>, more than twice the Spanish average, and way above that of the EU. Catalonia has a Mediterranean climate with mild winters and

hot summers. Its morphological diversity, however, determines some important variations in climate. The Pyrenees and nearby areas have climates typical of high mountainous regions, with minimum temperatures below 0°C, annual rainfall of above 1,000 mm and heavy snowfall in the winter. Coastal areas have mild, temperate weather, whereas the climate inland, far from the sea, is typical of continental Mediterranean regions, with cold winters and very hot summers. The settlement structure is very diverse, from the sparsely populated and declining areas in some parts of the interior and high mountain areas to the agglomeration of the capital city Barcelona, home to approximately one fourth of the total population of Catalonia. However, a pronounced mountainous relief has caused population and industry to settle predominantly in the Barcelona Metropolitan Area and all along the coast.

The quality of communication links are relatively good compared to the rest of Spain, although the density of road network is substantially inferior, both in terms of population and surface. Moreover, if we consider the region's weight in the national economy and its strategic position as access point from the Iberian Peninsula to Europe and gateway to the Mediterranean, Catalonia appears to have a substantial deficit in transport infrastructure.

From the regional point of view, Catalonia is well articulated, with good motorways, an extensive, if not particularly good, road network providing accessibility to many parts of the territory, even remote mountain areas, and enough tunnels and bridges to overcome the barriers posed by the abrupt nature of its landscape. This good communication, however, has come at a cost, and tolls are commonplace throughout the regional transport network.

From the national perspective, High Speed Rail infrastructure is long overdue. A new service from Madrid to the interior provincial capital of Lleida has only just started running, at less than optimum speed, and the important connection to Barcelona is not expected to be complete until 2007. There are also important shortcomings in communications along the Mediterranean Arc towards the south.

Concerning access to the rest of Europe, connectivity varies between transport modes. High Speed Rail communication to France is still a missing link, and will continue so well into 2009. Meanwhile, infrastructure across the Pyrenees is still unsatisfactory on account of poor investment and lack of political clout. As regards maritime transport, the Port of Barcelona is currently undergoing important works aiming to double its capacity and to become integrated into the broader surrounding multimodal transport system to compete as one of the key freight ports in the Mediterranean basin. Finally, the airport infrastructure in Catalonia consists of the three main airports of Barcelona, Girona and Reus and eight smaller airports without regular services for private use in different points of the territory. Barcelona International airport is being expanded with a third runway due to be finished by August 2004, while the regional airports of Girona and Reus have increased substantially their international traffic due to new arrangements between local authorities and low-fare airlines.

According to a study published in 1994, Catalonia is among the Spanish regions with less capital endowment per capita. Although situated at around 80,6% of the national

average, this supposes a relative improvement from previous years. Moreover, the ratio between public capital stock and GDP at 26,4% is also one of the lowest in Spain. If we consider the functional distribution of this stock, 62% is devoted to basic infrastructure whereas 20% goes to social infrastructure in health and education. In the light of these figures it is remarkable that Catalonia manages to generate one of the highest GDP per capita in Spain, around EU average.

Since Spanish accession to the EU in 1986, Catalonia's performance measured in terms of evolution of GIP has shown a similar growth pattern to the rest of Spain although, due to the predominance of the industrial and construction sectors, the Catalan economy has proved more vulnerable in periods of economic crisis. Today the tertiary sector is progressively gaining terrain and it is thought that in periods of economic growth, the Catalan economy is generally more dynamic and supple than the rest of Spain.

The last available statistics show Catalonia's GDP has been stagnant since 1997, with a slight decrease in GDP per capita from 100% of EU average in 1997 to 99% in 2000. This performance is consistent with the easy convergence of GDP per capita of Spain in relation to the rest of Europe.

The most permanent problems of the Catalan economy are structural deficiencies of the economy that threaten to undermine productivity in the industrial and services sectors. Industrial companies located in Catalonia during the eighties start moving towards eastern European countries for the same reasons they came: low salaries, access to EU markets, and business-oriented governments eager to provide cheap land and subsidies. While tourism is a growing sector, the region lacks significant investments on research and development, and knowledge-based activities.

Unemployment figures have dropped in recent years, but nevertheless remain well above EU average, with particularly high rates in vulnerable population groups such as women and youngsters. Also, employment creation has varied widely across sectors, with growth occurring predominantly in the construction sector (approximately 7,2% annual growth) while others have remained stable (around 3%). Counties presenting a pronounced industrial character have suffered most from high unemployment rates (Barcelonés, Baix Llobregat, Vallés Occidental, Maresme, Garraf, Vallés Oriental and Anoia), concentrating as much as 70% of the population. Finally, precarious working conditions and lack of training at work are still a common feature of the labour market landscape.

A poor educational system not well adapted to the changes occurring in productive systems and innovation in the labour market somewhat burden the Catalan economy, but no more than what is also happening in most European regions. Predominantly industrial, albeit gradually loosing ground to services, Catalan firms need to adopt new management systems and technologies and invest more in RTD if they are to

compete in the European market and overcome the current stagnation trend. The majority of Catalan firms are SMEs, enjoying a high degree of flexibility to undertake new technologically and more advanced activities, but with relatively little capacity to invest in RTD, modernise and penetrate international markets. 75% of Catalan firms are thought to be family businesses. As regards, the agricultural sector, it is still considered important due to its role in other sectors of the economy and its function in relation to nature conservation and territorial balance, but face problems of depopulation due to ageing population, poor competitiveness of small and medium exploitations and territorial unbalances.

On the other hand, Catalonia has many hidden potentials to conduct a reconversion and development strategy: extensive business experience and productive factors that could easily be adapted to new activities and production processes with added value, a diverse economic fabric, light industry enabling industrial adaptation, great potential for the tourism sector and a favourable strategic location vis-à-vis the rest of Europe and the Mediterranean.

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>▪ Openness of the economy</li> <li>▪ Geostrategic position in the Mediterranean and southern Europe</li> <li>▪ Entrepreneurial character</li> <li>▪ Industrial tradition</li> <li>▪ Attractive to foreign investment as a source of innovation and modernisation</li> <li>▪ Potential of tourism sector</li> <li>▪ Important degree of penetration of ICR</li> </ul> <p>Good balance between labour costs and skilled labour</p>	<ul style="list-style-type: none"> <li>▪ Clear deficit of fiscal balance with State</li> <li>▪ Insufficient RTD</li> <li>▪ Few Catalan multinational companies</li> <li>▪ High unemployment of certain groups of society and insufficient labour mobility</li> <li>▪ Better connection between training and labour market</li> <li>▪ Prevailing of SMEs with limited risk capacity</li> <li>▪ Insufficient capacity of some firms to adapt and innovate</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>▪ Internationalisation of the economy with Catalan capital abroad</li> <li>▪ Improving quality of industry and services</li> <li>▪ Leader in the process of increasing the European influence in the Mediterranean region</li> <li>▪ Developing an integrated and technically advanced infrastructure network</li> <li>▪ Maintaining and consolidating the welfare</li> </ul>	<ul style="list-style-type: none"> <li>▪ Loss of national autonomy in relation to monetary policy</li> <li>▪ EU enlargement and lower labour costs in accession countries</li> <li>▪ Lower level of RTD may undermine the importance of design and quality in favour of lower costs alone</li> <li>▪ Loss of equilibrium between competitiveness and environment</li> </ul>

<p>state and guaranteeing social cohesion</p> <p>Reducing unemployment and improving working conditions</p>	<ul style="list-style-type: none"> <li>▪ Possible loss of geo-strategic importance due to insufficient communication infrastructure</li> <li>▪ Insufficient specialised labour for certain jobs, particularly in the light of an ageing population</li> </ul>
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## **2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999 AND 1999-2006)**

Catalonia and its constituting NUTS3 regions are beneficiaries of Structural and Cohesion Funds under both programming periods. In particular they qualify as Objective 2 regions. Thus, they can benefit from financial assistance on account of the socio-economic transformations they are experiencing in the industrial and service sectors or due to rural decline. The province of Barcelona is considered to be under socio-economic transformation, Girona in rural decline and Tarragona and Lleida in both.

### **STRUCTURAL FUNDS PROGRAMME 1994-1999**

Catalonia was eligible for financial support from the EU in the period 1994-1999 under Objectives 2 and 5b and to a lesser degree Objectives 3 and 4.

The eligible area for structural aid in 1996 comprised 842 municipalities of a total 944. Benefiting from these measures were 4.510.041 inhabitants, representing 74% of the total population, and 29.778km<sup>2</sup>, some 93% of the total surface.

### **OBJECTIVE 2**

Catalonia received in total 2.584 million euros under Objective 2 for the period 1994-1999, approximately 425 euros per capita. Only 45% of this sum was provided by the EU. The initial programming period for Objective 2 was for three years after which it was revised for another 3-year period.

From the period 1994-1996, the total cost of Objective 2 interventions was of 1.010 million ECUS, 440 million of which were contributed by the EU (43,8% of the cost). The European Regional Development Fund (ERDF) financed 77.1% of the EU grant, whereas the European Social Fund (ESF) financed the remaining 22,9%.

The actions financed by the Structural Funds (ERDF and ESF) revolve around 5 different axes in addition to technical assistance programme priority axes are:

1. Improving competitiveness and employment and developing the productive infrastructure
2. The environment, nature conservation and water resources / environment in industry

3. The knowledge-based society (innovation, R+D, information society)
4. Developing transport and energy networks
5. Local and urban development
6. Technical assistance

		<b>TOTAL</b>	<b>MEURO</b>
<i>Measures</i>			
1. Productive environment		183,0	91,5
2. Environment		77,6	28,8
3. Knowledge-base		29,4	14,7
4. Infrastructure		411,1	164,0
5. Local and urban development		83,3	41,6
<b>Total ERDF</b>		<b>784,5</b>	<b>340,7 (77,1%)</b>
1. Productive environment		100,9	45,4
2. Environment		0,0	0,0
3. Knowledge-base		18,2	8,2
4. Infrastructure		0,0	0,0
5. Local and urban development		106,2	47,8
<b>Total ESF</b>		<b>225,3</b>	<b>101,4 (22,9%)</b>
<b>TOTAL</b>	<b>43,8%</b>	<b>1009,8</b>	<b>442,1</b>

Source: DOCU

## Objective 2 (1997-1999)

The Operational Programme for Catalonia in the period 1997-1999 included financing of 1.574,5 million ECUS, 709 million of which correspond to the contribution made by the EU, approximately 45% of all estimated costs. 80.71% of this contribution comes from the European Regional Development Fund whereas only 19,30% comes from the European Social Fund.

The priority axes of the programme are roughly the same and the funding is distributed as follows:

		<b>TOTAL</b>	<b>MEURO</b>
<i>Measures</i>			
1. Productive environment		457,6	225,8
2. Environment		180,3	90,2
3. Knowledge-base		152,0	76,0
4. Infrastructure		394,6	121,9
5. Local and urban development		116,4	58,2
<b>Total ERDF</b>		<b>1300,9</b>	<b>572,1 (80,7%)</b>
1. Productive environment		151,3	75,6

2. Environment		4,4	2,2	
3. Knowledge-base		18,1	9,0	
4. Infrastructure		0,0	0,0	
5. Local and urban development		99,8	49,9	
<b>Total ESF</b>		<b>273,6</b>	<b>136,8</b>	<b>(19,3%)</b>
<b>TOTAL</b>	<b>(45,0%)</b>	<b>1574,5</b>	<b>708,9</b>	<b>(100%)</b>

Source: DOCU

## OBJECTIVE 5B

Catalonia received some 154 million euros under Objective 5b in the programming period 1994-1999, of which 92,8 million (619%) came from EAGGF-Guidance, 37,5 million euros (24%) from the ERDF and 23,9 million euros (15%) from the ESF. The funds were distributed to the regional and local authorities.

The funds were distributed according to five different axes and technical assistance in the following proportions.

<b>AXIS</b>	<b>EAGGF-GUIDANCE</b>	<b>ERDF</b>	<b>ESF</b>	<b>TOTAL MEURO</b>
Basic infrastructure for economic development	56,49	2,97	-	59,46
Economic diversification / employment creation	6,25	10,71	-	16,96
Natural resources	22,13	1,39	-	23,52
Improvement of rural habitat	7,73	22,4	-	30,13
Human resources	-	-	23,85	23,85
Technical assistance	0,17	-	-	0,17
<b>TOTAL</b>	<b>92,78</b>	<b>37,47</b>	<b>23,85</b>	<b>154,10</b>

## OBJECTIVES 3 and 4

Catalonia received a total sum of 472.697.441 euros from the ESF under Objectives 3 and 4 for the period 1994-1999. Approximately 70% of this sum was dedicated to the promotion of job opportunities for disadvantaged groups. Some 142 million euros were dedicated to training of workers to assist adaptation to the changing labour market.

## EU INITIATIVES

A number of EU initiatives were also launched and financed by the ERDF during the same period:

- RECHAR II (1994-1997): 2,3 million euros, representing 6,8% of the total sum that Spain was granted, of which 50% to local corporations and the other 50% to regional government.
- LEADER II (1994-1999) : Catalonia was granted 12,97 million euros. 6,19 million ECUS came from EAGGF-Guidance, 6,16 million ECUS from ERDF and 0,63 million ECUS from the ESF. 40,5% of the funds went to initiatives co-funded by Regional Government, 30,1% by local corporations and 29,5% by Central administration.
- INTERREG II (1994-1999): The total amount of funds granted was of 11,1 million ECUS for projects instigated by Catalan local corporations and regional government.
- URBAN II (1994-1999): Two projects worth 10 million ECUS were financed in Catalonia.
- KONVER II (1994-1997): The proposal presented by Central Government only involved public companies in the defence sector.
- PME (1994-1999)

- PESCA (1994-1999): The grants under this initiative are managed by Regional Government for a total 2,2 million euros of which 1,4 are come from IFOP, 0,5 million from ERDF and 0,3 million from the ESF.

## COHESION FUNDS

Grants to Catalonia between 1994-1999

	<i>Adm Central</i>	<i>Autonomous Adm</i>	<i>Local Adm</i>	<i>TOTAL</i> <i>(Thousand €)</i>
1994	101328,44	0,00	19698,24	121026,69
1995	128774,95	99567,20	40382,30	268724,45
1996	103853,09	23659,53	116849,00	244361,63
1997	16488,34	114889,40	5452,03	136829,77
1998	75649,19	0,00	5253,67	80902,86
1999	282916,57	1592,93	7628,04	292137,53
<b>TOTAL</b>	<b>709010,58</b>	<b>239709,06</b>	<b>195263,28</b>	<b>1143982,93</b>

### Results in brief

According to the ex-post evaluation of Objective 2, Structural Funds have helped to create new jobs and have contributed substantially to the sustained economic growth of the Catalan economy. The report measures the impact of the funding programme in relation to job-creation, productivity and Gross Added Value, all of which appear to have improved over time.

As far as employment is concerned, the ERDF and ESF are estimated to have created a total 65.811 new jobs, 35.937 directly and 29.874 indirectly. Productivity is also thought to have increased substantially, generating gross added value.

According to the same study, interventions carried out under the Objective 5b programme have created 2.970 new jobs, improved productivity and generated gross added value.

Needless to say, these macroeconomic estimates provide just of a reference of the actual economic impacts.

STRUCTURAL FUNDS PROGRAMME 2000-2006

ESPON 221 – Annex report A

On the basis of the diagnosis of the socio-economic situation of Catalonia and the challenges faced by the different administrations, the main aims of the funding period 2000-2006 are:

Strategic objectives:

1. Favours real convergence by stimulating business and territorial competitiveness, technological development and implementation of the information society, better infrastructures to articulate the territory, diversification of the productive fabric, better qualification of human capital and local and urban development and support to the tourism sector.

2. Favours the creation of employment, employability and equal opportunities.

3. Favours sustainable development, social welfare and quality of life through environmental protection and conservation policies, better infrastructure, an improved network of social services, the development of the welfare state and territorial balance.

These are very much a continuation of those established in the previous funding period and in line with the three strategic priorities in the Commission's guidelines for the 2000-2006 programmes and the political objectives of the ESDP.

The interventions anticipated for the period 2000-2006 can be classified into 5 different axes:

1. Improve competitiveness, employment and development of the productive fabric
2. Environment and hydric resources
3. Knowledge society ( innovation, R&D, Information Society)
4. Development of communication and energy networks
5. Local and urban development
6. Technical assistance common to all objective 2 regions

OBJECTIVE 2 (2000-2006)

The eligible area in Catalonia for the above financing period was determined on the basis of three different factors:

1. Population limit constraints (max 38% of EU pop benef, down from 50% from previous funding period- note 20% for objective 1, so only 18% down from 25%).
2. Maintaining the status quo in relation to the previous funding period
3. The four NUTS3 meet the criteria in para. 5 and 6 of article 6 of the general regulation.

Barcelona: areas under socioeconomic transformation in the industry and services sector (3 conditions)

Lleida: Rural areas in decline (2 conditions)

Girona and Tarragona: both

The decrease in population eligible affects the Barcelonès region.

Catalonia has experienced a greater rate of economic growth than the rest of Europe in the last 8 years. It is currently situated at around the same GDP per capita to the European average in terms of PSS. Moreover, Catalonia is disadvantaged by the national structure, which involves a drain of resources.

#### OBJECTIVE 2 (2000-2006)

	Axis	2000	2001	2002	2003	2004	2005	2006	TOTAL	%
1	Competitiveness, employment and productive fabric	47.640.305	52.239.449	53.619.220	54.338.674	50.616.377	51.640.623	52.729.305	362.823.953	29,4
2	Environment and hydric resources	20.242.940	20.669.872	21.125.189	21.563.169	19.897.441	20.343.474	20.961.928	144.804.013	11,7
3	Knowledge society	53.491.800	55.017.459	56.248.030	57.477.518	52.861.372	54.091.078	55.245.286	384.432.543	31,1
4	Communication / energy networks	26.502.544	22.665.571	22.009.369	21.697.774	17.914.191	16.754.539	15.346.679	142.890.667	11,6
5	Local + urban development	30.734.827	29.105.482	28.626.904	28.121.070	25.143.239	24.965.414	26.029.454	192.726.390	15,6
6	Technical assistance	1.067.341	1.092.977	1.133.581	1.126.238	1.042.416	1.242.060	1.105.348	7.809.961	0,6
	total	179.679.757	180.790.810	182.762.293	184.324.443	167.475.036	169.037.188	171.418.000	1.235.487.527	

### OBJECTIVE 3 (2000-2006)

	AXIS	2000	2001	2002	2003	2004	2005	2006	TOTAL	S/total
1	Integration of the unemployed	1.503.641	1.105.863	1.127.980	1.150.539	1.064.088	1.085.370	1.107.077	8.144.558	3,80%
2	Business capacity-building	231.503	663.984	677.263	690.808	638.901	651.679	664.713	4.218.851	1,90%
3	Strengthening of stability/employability	4.922.065	5.020.506	5.120.916	5.223.334	4.830.854	4.927.471	5.026.021	35.071.167	16,20%
4	Strengthening of technical-professional education	7.561.887	7.713.125	7.867.387	8.024.735	7.421.758	7.570.193	7.721.597	53.880.682	24,80%
5	RD	3.178.592	3.242.164	3.307.007	3.373.147	3.119.689	3.182.083	3.245.725	22.648.407	10,40%
6	Participation of women in labour market	2.070.813	2.112.230	2.154.474	2.197.563	2.032.440	2.073.088	2.114.550	14.755.158	6,80%
7	Integration of people with special difficulties	9.897.286	10.095.231	10.297.136	10.503.079	9.713.880	9.908.157	10.106.320	70.521.089	32,50%
8	Local initiatives to generate employment	0	0	0	0	0	0	0	0	0,00%
9	Technical assistance	1.094.548	1.116.439	1.138.770	1.161.542	1.072.325	1.093.756	1.115.651	7.793.031	3,60%
	TOTAL	30.460.335	31.069.542	31.690.933	32.324.747	29.893.935	30.491.797	31.101.654	217.032.943	100%

### EU INITIATIVES

A number of EU initiatives were also launched and financed by the ERDF during the same period:

- LEADER + and PRODER (2000-2006) : The initiative Leader+ has been 49.490.341,15 euros for the incumbent period. Proder received another 43.991.681,99 euros.
- INTERREG III (2000-2006): In the period 2000-2006 the total amount of ERDF funding initially programmed for Catalonia was of 17,51 million euros. Most recent figures, however, show slightly higher figures, distributed into the four different programmes as follows:

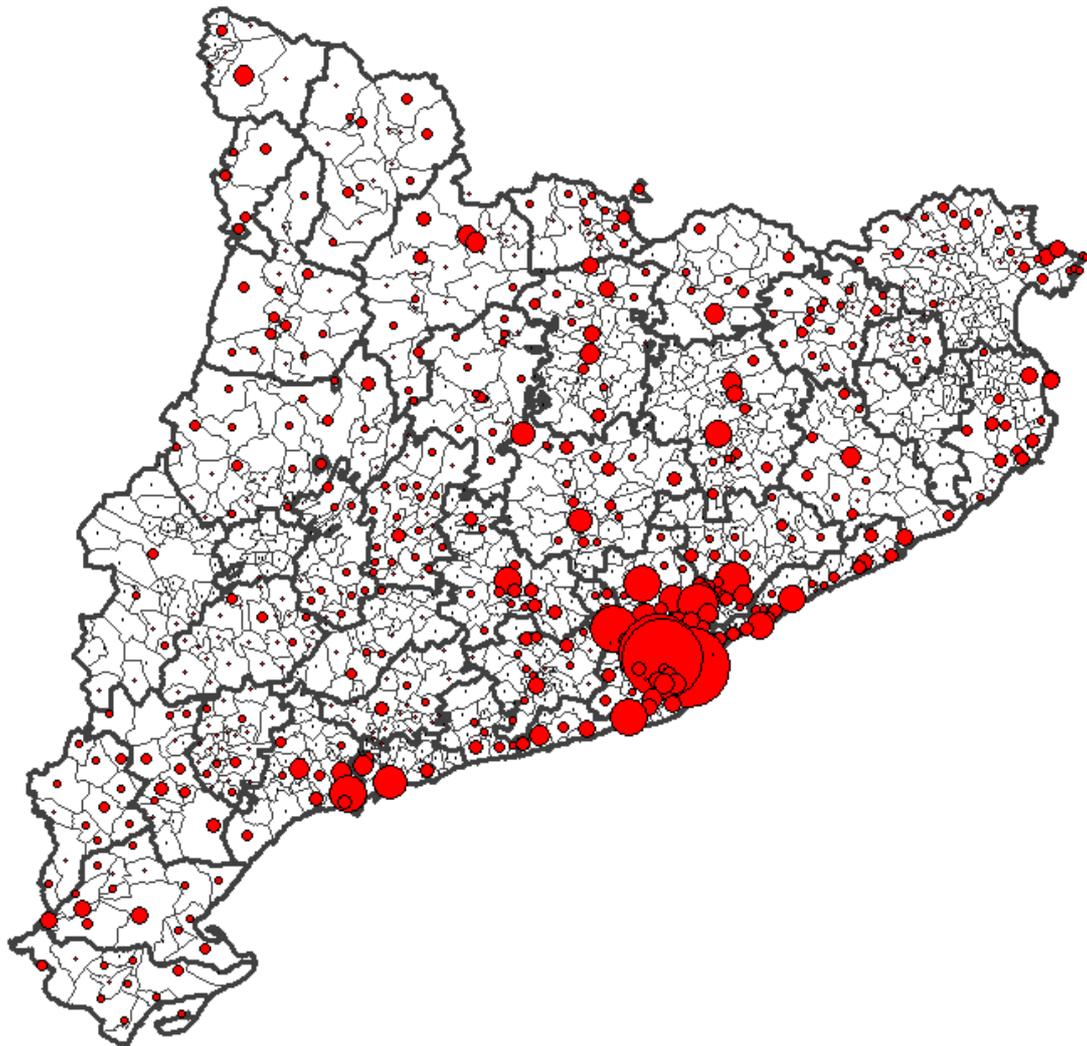
Interreg III A: Spain -France (tranborder cooperation) 15.585.729 euro

Interreg III B: Western Mediterranean (transnational cooperation) 1.791.913 euro

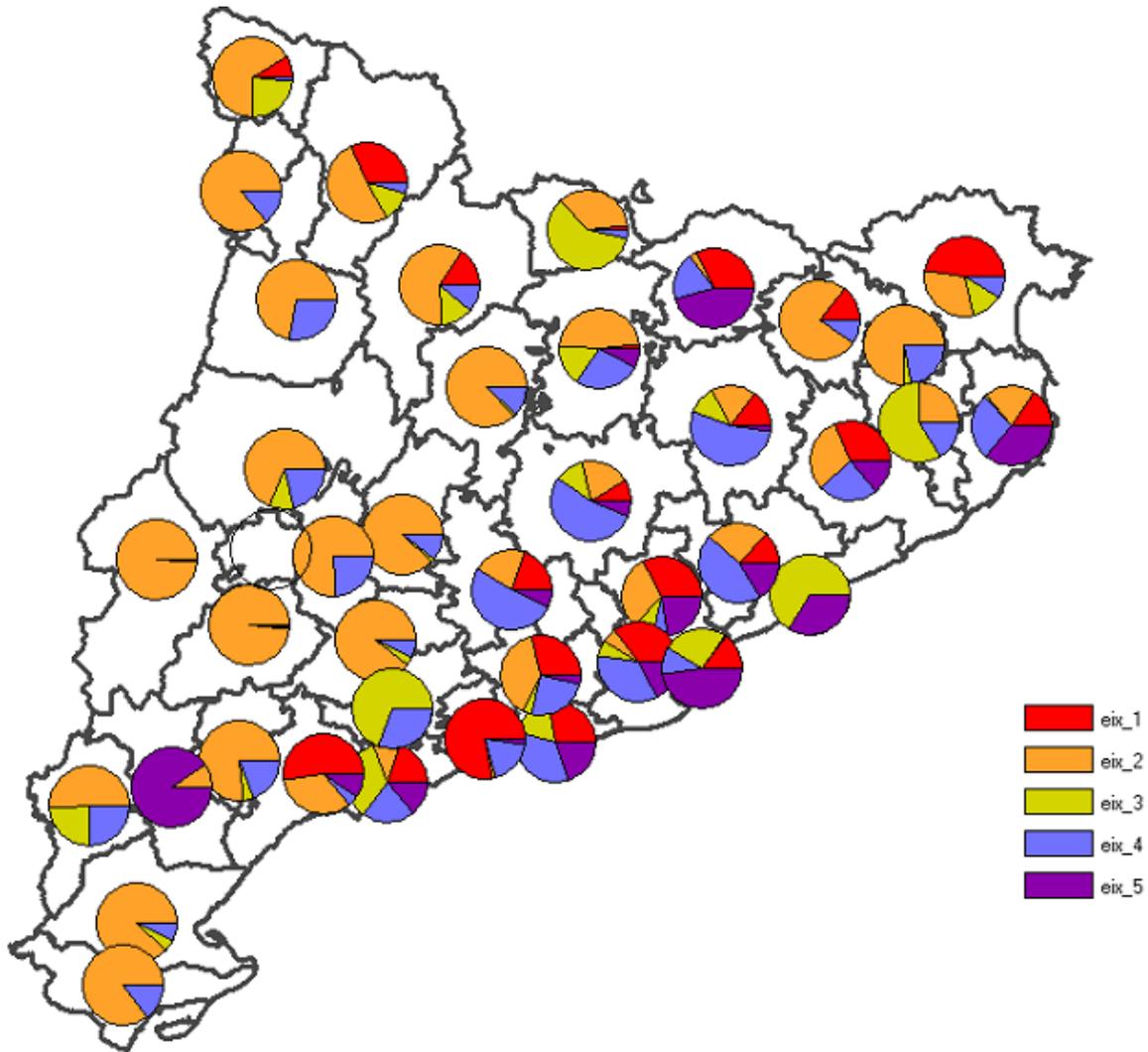
Interreg III B: South-West Europe (transnational cooperation) 1.812.130 euro

Interreg III C (transregional cooperation) 1.348.077 euro

- URBAN (2000-2006): One regeneration project alone has been approved for financing under this initiative. The total investment required is of 24,68 million euro, of which the ERDF finances 50%.
- EQUAL (2000-2006) :



Map 1. Total SF (ERDF+Cohesion Funds) allocated per municipality 1994-1999 (for all territorialised projects)



Map 2. SF (ERDF+Cohesion Funds) allocated by county and priority 1994-1999 (for all territorialised projects)

**The five largest projects funded in the 1994-1999 period are:**

Waste incineration plant in Constantí	Department of Environment	11.043.650.968
Regional Motorway: Sta. Maria d'Oló-Vic	Department of Public Works and Planning	11.084.088.225
Metropolitan motorway: Mataró - Granollers	Department of Public Works and Planning	8.059.948.386
Subsidy to an industrial firm: SEAT-WOLKSWAGEN	Department of Industry, Commerce and Tourism	5.928.600.000
Metropolitan motorway: A-16 (Variant C-245)	Department of Public Works and Planning	7.302.841.872

The projected impact of these projects are as follows: with regard to the two regional motorway projects, these have contributed to the notion of polycentrism in Catalonia by linking inner medium-sized cities to contrast overpowering Barcelona. At a lower scale, the two metropolitan motorway projects likewise foster polycentrism but this time within the metropolitan area of Barcelona. The incineration plant and the subsidies to a large industrial firm are strategic projects at regional level.

### **3 IMPACTS ON SPATIAL DEVELOPMENT**

At the turn of the 21<sup>st</sup> century, Catalonia is no longer a “triangle with two sides to develop” that spatial development thinkers spoke of a century ago. Many of the deficits that built up during the period of unfettered development of the sixties and seventies have now been overcome, and today Catalonia enjoys a balance, integration, social welfare and access to health care and education comparable to that of the most developed European States. A reconstruction policy has been implemented at all scales. In major cities, the most dilapidated neighbourhoods have been urbanised and equipped, while considerable improvements have been achieved in rural areas traditionally lagging behind. In fact, regions such as the Alt Pirineu, the vertex of those two sides of the triangle that a century ago had to be “civilised”, today enjoys close to the highest national income per capita. In addition, more than a hundred years after the Universal Exhibitions, Barcelona, an emblematic Mediterranean city, but also Catalonia as a whole, have regained international projection. But today’s World also brings greater uncertainties, and Catalonia, with its mountainous relief, its location in the Western Mediterranean, its fragile vegetation and scarce natural resources, is undergoing critical and complex change: demographic, economic, technological and institutional, both in Spain and Europe. These changes have been sudden and unexpected, and have followed a period of relative internal stability during which Catalonia had “6 million”.

#### **3.1 POLYCENTRIC DEVELOPMENT**

The impact of Structural Funds in terms of polycentricity is difficult to establish since the concept is largely absent from the operative programmes. Benchmarking exercises and selected indicators used in the course of programme evaluation shed little light on the question of spatial polycentric development at any scale.

In the 1994-1999 Programme there was no explicit nor inferred reference to polycentrism or urban-rural development. For instance, the measures pursued give no indication of awareness regarding the functional relations between urban centres and their surrounding hinterland but focus mainly on punctual questions of socio-economic transformation and rural development.

In the 2000-2006 SF Programme there is mention of the ESDP and of the Commission's Guidelines for the Programme. The measures under axes 1, 3, 4 and 5 of the programme are considered coherent with the objective of spatial polycentric development. Coherence however is a fairly passive state and thus polycentric spatial development cannot be said to positively underlie or influence the Programme. Indeed it has been explicitly stated that the main consideration in determining the new eligible areas for funding and focus of the measures in respect of the previous period has been continuity.

The geographical and thematic scope of the programme and the types of measures pursued therefore are no less oblivious to the objective of polycentric development enshrined in the ESDP as they were back in 1994. The Programmes establish axes of intervention responding to a sectoral policy-making approach. Continuity is as much a reflection of satisfaction with the results of the funding period 1994-1999 and the desire to continue with a given course of action as of political constraint. Indeed, it is politically very difficult to interrupt funding or certain interventions once a source of funding has been allocated. Even when these are cut-down, as is the case for the second funding period, the primary concern is one of least possible disruption to beneficiaries. Considerations of equity prevail over strategic spatial objectives.

### 3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM

While a dynamic economy has been one of the main forces of social integration in Catalonia, we no longer have the leading Spanish companies on a par to the top European firms: those first nabob factories, the steam-run industries, the textile colonies and the pharmaceutical companies of the beginning of the 20<sup>th</sup> c. At present, the large companies established in Catalonia are foreign, and the economic fabric far more diverse. For instance, the agro-food industry, the largest industrial sector, represents a mere 4% of GDP. In Catalonia, more than 250.000 companies export over 50% of their production; the tourism industry is very important, albeit lacking in sectors of excellence and Catalan multinational companies; finally, despite slow progress towards the Information Society, 42% of Spanish technological exports have their origin in Catalonia. Education for innovation is scarce, and schooling programmes do not encourage experimentation or interdisciplinarity. The fragmentation of knowledge into distinct and separate subjects is schematic and boring and does not stimulate the entrepreneurial character or the vital curiosity of students. Continuous education and innovation are crucial in order for SMEs to jump in the bandwagon of the Information Society and take advantage of the opportunities offered by the new forms of network, delocation and organised work. SMEs can follow a project logic rather than a corporate one, and concentrate on the management of knowledge processes rather than on final products. The image of the entrepreneur has lost its gloss, and the truth is that there are hardly any successful businessmen young people can look up to today.

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence (Rate)
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			(priorities, measures, projects etc.)	from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Tourism	European	European	Measure 5.5: Tourism and cultural infrastructure (ERDF)	0
Industry	National	National	Priority 1: Support to industry (ERDF)	1
Knowledge / Higher education institutions	National	National	Priority 3: Information Society	1
Decision-making / Location of company HQs	National	National	Priority 1: internationalisation (ERDF)	1
Administrative status	Regional	Regional		1
Economic base	National	National	Priority 1: support to industry (ERDF+ ESF)	1

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

Five percent of the territory is built-up, a significant enough proportion considering its occupational pattern. In the 60s and 70s, tourism and traditional industry occupied the territory sparsely. Today, secondary residences represent almost 50% of all housing in coastal and mountain counties, and recently, more than one hundred new periurban activities have been catalogued: from campings, to car-dismantling and water treatment plants, landfills, cargo stations, teleports, golf courses, hotels, petrol stations and theme parks, generally, implanted in green fields under different legal forms. This exerts significant pressure on the landscape, which appears almost entirely occupied, all along the coast and the interior axes of the Besòs-Congost, the Llobregat and parts of the N-II from Lleida. Maintaining agricultural land in periurban areas, even in counties such as the Penedès, represents a high opportunity cost for land owners in relation to sale prices resulting from speculation of future land reclassification. In rural areas, the fragmentation and smaller dimension of properties render conditions

for their exploitation more difficult. In total, agriculture manages to keep 30% of the total surface in relatively good landscape conditions, while forests, due to their low economic value, have grown spontaneously, without restraint, leading to an excess of biomass and a high risk of forest fires in the hot summer seasons.

Social integration or earlier emancipation of the young (in Spain, 7 out of 19 people under the age of 30 live at their parents' home), as well as their entrepreneurial character and disposition to take risk, depend on education and training, but first and foremost, on access to housing. Catalonia has a rigid real estate market, with few flats for rent, while the price of housing in the city and surroundings areas of Barcelona has doubled since 1996. Whereas the price of property in other cities of Catalonia remains lower, in tourist coastal areas, prices can be as high as in the city of Barcelona. On average, in order to buy a property in the Metropolitan Region of Barcelona, 50% of the salary is required over a period of 30 years. Moreover, property for rent is scarce, negligible compared to other European countries, with hardly affordable prices for most families. The rate of council flats to newly-built ones has dropped to 1 to 25. Although the urban quality of most towns and cities in Catalonia is high, there are 50 or so neighbourhoods, primarily in the surrounding areas of Barcelona, where the quality is very poor. These neighbourhoods are experiencing the exodus of middle-income residents and the imminent threats of social segregation and an underground economy, brought about by the new illegal immigrant population living there.

More than nine hundred municipalities suffer from poor financing conditions, depending largely on the taxes and levies raised from urbanisation and construction. This situation does not exactly encourage the containment of urban expansion and concentration. Neither does it favour the realisation of strategic supramunicipal projects, whether we are talking about intensive economic activity or active protection of ecological corridors. Thus, in only a few decades we have gone from worrying about the high density and centralisation of Barcelona in relation to Catalonia to pondering about low densities and dispersion; from fearing extreme population densities to dreading population loss in the municipalities of Barcelona and its first inner city ring. The landscape of Catalonia has undergone discontinuous urbanisation processes and, as in so many other places, the activities have tended to de-localise according to connectivity to transport and communication networks rather than proximity to other activities, consumption centres or production. This new non-urban geography, discontinuous and characterised by overlapping heterogeneous uses, is basically irreversible, and exerts a lot of pressure on the landscape while generating demand in transport and natural resources beyond the ideal territorial pattern based on continuous and compact cities.

	Status during 1995-1999	Current status	Possible Structural Funds influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Population density	Spatial sprawl	Spatial sprawl	Productive environment, economic diversification and CAP	1
Possible concentration trends	weak	weak	Local and urban development	1
Rural-urban status	High integration	High integration	Local and urban development	0
Promotion of rural-urban interaction	High	High	Infrastructure	0
“Best practices” of promoting rural-urban interaction	-	-	-	0

### 3.1.3 RELATION FUNCTION

Transport, people and freight infrastructure, as well as infrastructure for producing and transporting resources, energy, water and managing waste are fundamental in Catalonia’s open development model, based on tourism, industrial exports, etc.. Catalonia has always had a shortage in natural resources, and has lacked the necessary infrastructure and services to get hold of them, as well as the appropriate Government to lead the country’s modernisation. For this reason, ever since the Mancommunity’s first Six Year Plan in 1920 through to the Public Works Plan of the Republican Generalitat (both attempts failing due to military uprisings), the main objective was to overcome these historical deficits by “structuring” the land with infrastructure and public equipment. The conditions of autonomous financing result in a negative fiscal balance vis-à-vis Spain representing a transfer of funds of 7- 8% of Catalonia’s GDP. This figure is unmatched by any other European region and limits substantially the public investment capacity of Catalan institutions. Historically, the larger part of Catalonia’s infrastructures were built with private capital: the Urgell Canal, the railways and the toll motorways. At present, Catalan infrastructure management companies have sufficient critical mass to project their activities towards international markets.

Despite the volume of public transport investment underway and planned for the coming years (e.g. the extensions of the port and the airport and the High Speed Rail), according to experts, the underlying infrastructure deficit is a persistent bottleneck for

Catalonia's development. If the volume in freight traffic continues to increase in a scenario of moderate and sustained economic growth, and if Catalonia pursues its aim to become the logistic platform of the Mediterranean, we can predict congestion problems in the mid-term, especially in roads. Another growth model based on other sectors such as tourism and entertainment would lead rather to the substantial increase in passenger flows by plane or rail. Ultimately, the bickering and disagreement among Catalan institutions over priority infrastructures and their inability to define concrete and agreed investment plans and programmes have not eased the task of central government when deciding upon infrastructure building in Catalonia. On the other hand, the existence of a strong corporate group managing transport infrastructure, and the water and energy sectors, should improve the management of the existing networks and introduce a more efficient tariff system -in particular of direct motorway tolls, traditionally imposed based on criteria far removed from the efficient management of traffic and territorial equity-.

Next table tries to summarise the following questions:

- How is the accessibility of the region at micro, meso and macro level?
- Have there been major changes in this regard?
- What forms of integration in co-operation networks (public and private) does the region have (possibly related to its specialisation)? What kind of functional networks is the relation part?
- Have these networks and relations changed?

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Accessibility	Average	Average	Financing of national roads	1
Changes in accessibility	Small	Small. Significant in the middle of the region		1
Key strategic and functional networks (promoting specialization)	Weak	Weak		1

### 3.2 OTHER DRIVING FORCES

National identity is always present in territorial matters, and language and territory are the basic elements of self-identity. In an increasingly integrated and globalised World tending towards the harmonisation of lifestyles and the, often coarse, simplification of cultural differences, maintaining a distinguishable cultural and linguistic identity can be ultimately useful to navigate and interact with changing and extremely diverse worlds, as long as we avoid dissolving into uniformity and keep something truly genuine to offer. So far, social integration and the reconstruction of a cultural identity in Catalonia has been feasible through an economy that stimulates social dynamics, a culture of association, socially inclusive health and educational policies and, finally, urban structures with fairly homogenous quality standards, offering sufficient public space to foster casual meetings and spontaneous interaction among neighbours, visitors and foreigners alike.

## **4 POLICY IMPACTS**

### **4.1 IMPACT UPON GOVERNANCE ASPECTS**

There are strategic questions that benefit from relatively high levels of social awareness (for instance, housing), others that have been identified by experts (for instance, the depletion of the ozone layer or the fact that the expansion of the logistic and industrial area of the Llobregat delta can cause congestion in motorway accesses to the Port in a matter of only few years), and some which are perceived as contradictory by experts and citizens (for instance the tolerable level of security and risk). At present, there are many social and political conflicts based on territorial and environmental issues, arising from different perceptions regarding the nature of a problem or from the so-called “Not here!” syndrome, that is, the systematic opposition of those directly affected by projects involving some form of traumatic territorial transformation, be it eolic parks, river transfers or new roads. The sociological and political dynamics of such conflicts, their creation and evolution involve important challenges for governing the territory.

These challenges are common to all territories and levels of governance, even to those with more deeply rooted planning traditions. It is significant that recent evaluations of regional development policies carried out in the different member states under the auspices of the European Commission show that, with the exception of the Nordic countries and Germany, and perhaps France, territorial planning and prospective studies ceased to be a common practice in the eighties and nineties. This decline can be partly attributed to the fact that conventional methods and techniques were being overwhelmed by the growing complexity of social and territorial dynamics.

The greatest complexity today derives from the increasing interdependency across sectors and scales. It creates new challenges for local, regional, national or

international governments, both in terms of efficiency and legitimacy. The territorial organisation and division into zones falling under different and exclusive administrative jurisdictions is in direct conflict with the de-location parameters of companies, families and the operators of inter-relational networks. Historical legitimacy can no longer justify the efficiency problems of the administrations. New forms of co-operation and institutional reform are required to confront new territorial problems, which may indeed have more diffuse and volatile causes but certainly more concrete impacts on a given place and on people.

Many of the social conflicts arising in Catalonia in recent years have a specifically territorial foundation whereby a social group contests an infrastructure project or some other government or business initiative: the Gavarres power line, the eolic parks in the Pàndols range, the Cardona landfill, the Bracons tunnel, the Ebro River transfer, the fourth ring road, pig slurry in the Ter basin, segregation of marginalised population nuclei in Sant Miquel de Balanyà, secession of municipalities such as Badia and Salou or of entire counties; and so, a long list of conflicts as extensive as for any of our neighbouring countries. So far, conflicts due to immigration have been few and far between, but there is nevertheless a latent risk, even in such a balanced and traditionally welcoming society as Catalonia's. Health and social assistance services will have to provide better and more personalised services to encourage interaction in an ever more socially and culturally diverse society.

The political state of affairs in Spain indicates that self-government is unlikely to strengthen in the coming years. Europe is unlikely to become the Europe of the people or of the nations without State. As for the Mediterranean, it seems to have temporarily vanished from the centre of European interests. The transformations occurring in the European institutions and in the framework of Enlargement point towards a reduction in the Commission's budget and the re-nationalisation of policies. Spain will inevitably receive less structural funds and support to agriculture than in the past. With the decrease of net external contributions to the less developed Spanish regions, reducing the fiscal deficit or improving significantly the autonomous financing of Catalonia is likely to become even more difficult. Moreover, while city councils only manage around 5% of Catalan GDP, in the U.K and Denmark these entities manage 12% and 32% respectively. Thus, the contribution of urbanisation and construction activities to the municipal finances continues to generate excessive urbanisation dynamics, dispersed across the territory. The reform and modernisation of the different administrations and their finances is a basic element to acquire more institutional intelligence.

	Examples of SF influence (priorities, measures,	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence,
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	projects etc.)	2=important influence)
Consistency of national and European policy goals outlined in programme documents	Through reporting and evaluation requirements	1
Examples of promoting learning	Financing of local and higher education programmes, equipment and facilities	2
Governance innovations	Greater participation of local actors and civil society	0
Trans-national links linked to governance practices	Experience through INTERREG	1
Inclusion of new actors and organisation in partnerships	Bottom-up and creation of a network (LEADER)	1
Links to traditional democratic decision-making		0
Financial practices enabling enlargement of partnerships		0
Ways of avoiding the technocratic elite pluralism		0

## 4.2 INCLUSION OF THE LISBON THEMES

How have the “Lisbon themes” been addressed and promoted through the interventions analyzed?  
Checklist of relevant Lisbon themes included in the table below.

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
An information society for all: <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote</li> </ul>	Focus on knowledge-base and economic diversification		Productive environment: GIS for economic promotion	1

sustainable development				
Establishing a European area of research and innovation: <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	Weak attempts	Strong attempts	Productive environment: Technological development aid	1
Creating a business friendly environment for SMEs: <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	Weak attempts	Strong attempts	Productive environment: grants for market diagnosis, enhanced productivity and internationalisation	1
Education and training for living and working in the knowledge society: <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	Weak attempts	Strong attempts		0
More and better jobs: <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps;</li> <li>Encouraging lifelong learning;</li> <li>Reducing deficits in the service economy;</li> <li>Extending equal opportunities</li> </ul>	Weak attempts	Strong attempts		0
Promoting social inclusion: <ul style="list-style-type: none"> <li>Improvement of skills;</li> <li>Promotion of wide access to knowledge and opportunity.</li> </ul>	Strong attempts	Strong attempts		0

## 5 CONCLUSIONS

The attached table summarises the levels of polycentricity in the case study region. Includes both explicit and implicit inclusion (based on the references to polycentricity themes in the programming documents, evaluation reports and interviews) of themes relevant to the different dimensions of polycentricity.

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
<i>Type of influence/ effect</i>		Short description	ranking *	Short description	ranking *	Short description	ranking *
<b>Aspects explicitly targeting polycentric development</b>	Direct						
	Indirect						
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct	Agricultural aid to farmers in rural areas to avoid depopulation					
	Indirect						
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	Aid to diversification and continued activity (Seat-VW)					
	Indirect						
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Roads					
	Indirect						
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct					Grants and technical assistance	
	Indirect						
<b>Diminishing regional divergence,</b>	Direct						

increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Indirect						
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct						
	Indirect						

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#### Interviews:

- Juan Lúria Pagès: DG of Economic Programming, Catalan Government
- Laura Arlegui: DG of Economic Programming, catalan Government
- Pilar García Doñoro: Joint Subdirector General, DG EU Funds and Territorial Financing
- Fernando Gómez-Jover: Joint Subdirector General, EU Programmes and Initiatives, Ministry of Agriculture, Fisheries and Food
- Joan Calvera Vehí: Head of Service of DG of Rural Development, Ministry of Agriculture, Fisheries and Food

## ESPON 2.2.1

### Case study of Extremadura

#### Aims of the case studies

Case studies are undertaken in order to answer the following research questions:

- **“What (if any) can be seen to be the territorial impact of Structural Funds implemented in 1994-1999 in the chosen case region in question?”<sup>90</sup>**
- **“What (if any) has been the relationship between this impact and territorial cohesion / polycentricity?”<sup>91</sup>**

As outlined in the 2<sup>nd</sup> Interim Report...

- The main focus of the case studies will be on explanatory factors for the relation between spatial performance of a region and the type of Structural Funds investments as well as the overall amount of funding.
- The case studies are intended to highlight the constancies (and inconsistencies) in regional and local implementation strategies and measures within the Structural Funds framework.

Both of these issues are considered in relation to territorial cohesion and polycentricity.<sup>92</sup>

#### Aims of the case study template

This template is intended to be used as a guideline of the **questions to be covered by all case studies**.<sup>93</sup> The national experts are to identify the specific sector or region-specific focus of the case studies both in terms of the REGION and the RELEVANT PROGRAMMES to be included in the analysis, i.e. providing a tentative hypothesis on the Structural Funds impact on territorial cohesion in the region in question (a hypothesis relating to a specific policy area, sector or function).

#### The case studies consist of the following five sections:

- 1. Tentative hypothesis as to the impact of SF in the region in question (relating to the direct or indirect impact of SF in terms of endowment factors,**

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<sup>90</sup> = Looking to identify changes in temporal perspective from the previous programming period to the current one. When necessary, you can also relate these to the current programming period by using concrete examples from the programming documents, evaluations and project examples.

<sup>91</sup> = Looking to identify causality – when the template refers to “identifiable changes”, this relates to changes that are at least in part attributable to the SF intervention; For an elaboration of how polycentricity is defined and operationalised in this project see the methodological note on polycentricity attached.

<sup>92</sup> As has been argued in the 2<sup>nd</sup> interim report, there is a close connection between territorial cohesion and polycentricity. Territorial cohesion is used more as an umbrella concept covering the territorial aspects of cohesion expressed in polycentric development and equally including the objectives of balanced and sustainable development.

<sup>93</sup> More detailed and region/programme/project-specific guides can be developed in addition to this shared template by each national expert to be used in the interviews. Example of the Swedish case study is attached.

**governance structure, centrality of cohesion issues in programming, key trends in national policy development);**

- 2. Description of the case region (spatial development trends and governance structures) and programme(s) in question (Baseline analysis)**
- 3. Spatial impacts**
- 4. Policy impact**
- 5. Territorial impact analysis based on the previous steps and conclusions**

## 1 FOCUS OF INTEREST/HYPOTHESIS

The Autonomous Region of Extremadura in Spain is one of the least populated regions in the European Union. The spatial system of Extremadura is built around the capital cities of the two provinces of Extremadura, Badajoz and Caceres. Small to very small population settlements are distributed among the territory, while communication infrastructures concentrate on a North-South line (along the main road which connects Andalusia to Salamanca and the rest of northern Spain) and an East-West connection (main road which connects Lisbon to Madrid). Extremadura suffers a double territorial disadvantage, since it is located at the periphery of the European continent as well as at the national Spanish periphery and border to Portugal.

Extremadura is still a very rural region and shows one of the lowest levels of industrialization in Europe (EU15). The region is in many senses underdeveloped – from the point of view of European regional and economic development –, but has, however, a high quality of life and is rather rich in terms of natural and ecological potential. Through infrastructure and economic development in the sense of European Structural Policy, this regional wealth could be spoiled and important development alternatives (natural parks, ecotourism, extensive agriculture) could be restricted. It is therefore especially important to see and analyse the region's territorial development not only in terms of employment, GDP and income, but to take into account the need for a balanced and sensitive development strategy for Extremadura.

At macro level, Extremadura presents no specific type of specialisation. The only type of specialisation lies in the considerable size of the territory which has been declared natural protection area or important area for wild bird (37%) and which converts the region into one of the most important (winter) destination and habitat for birds and other animals in Europe. Recently, Extremadura tries to specialise as a destination for natural and rural tourism. At meso level, Extremadura is important in a Spanish context in connection with natural resources (agricultural products such as ham, olives, wine, as well as rural tourism, cork and hydro-electric power generation). With regard to all added value activities (R&D, innovation, technology-based activities, higher education, economic exportations, etc.), Extremadura is situated at the bottom of Spanish regions' lists.

Structural Funds and Cohesion Fund-projects present an important part of the overall public expenditure in the region and contribute, therefore, considerably to regional and territorial development. Support is visible and effective in the whole region and in many fields (infrastructure, business support, environmental protection, training and qualification, support of agricultural activities or areas, rural development, RDTI support, cross-border cooperation, etc.).

Development over recent years was positive regarding GDP and employment. However, although regional GDP increased in the European context, it has not been possible to cut down the differences to other Spanish regions and to initiate major changes in regional specialization or economic structure. The Structural Funds had therefore a positive influence on the region, but to the same degree as they had in other Spanish regions. Influence was especially notable in sectors which are not reflected in traditional socio-economic indicators, such cross-border cooperation, cultural development, protection and sustainable development of natural resources, increasing quality of life.

## **2 DESCRIPTION**

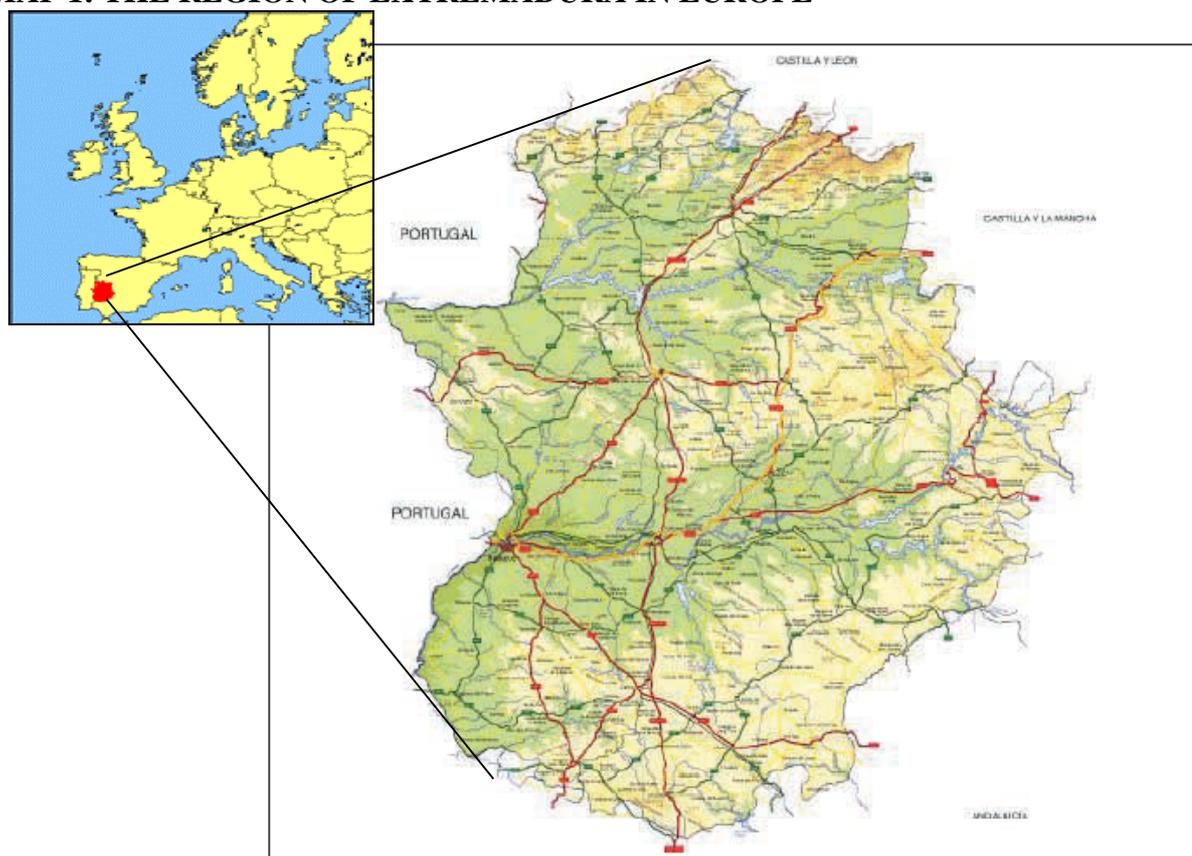
### **2.1 CASE STUDY REGION**

Extremadura is one of the least-developed Autonomous Communities in Spain and has one of the lowest population densities in Europe, 26 inhabitants per square kilometre (80 inh./km<sup>2</sup> in Spain and 117 inh./km<sup>2</sup> in EU15). In 2000, 1,069,420 inhabitants of the region lived on 41,602 sq.kms.

Extremadura shares borders with the Alentejo and Centro regions in Portugal, as well as with Castilla y Leon, Castilla-La Mancha and Andalusia in Spain. Extremadura embraces two provinces, named after their capital cities, Badajoz and Caceres. Badajoz is the only town which exceeds 100.000 residents. Only seven population cores in Extremadura reach relative urban size and quality: Badajoz (133.954 inh.), Caceres (82.235), Mérida (52.000), Plasencia (37.018), Don Benito (31.012), Almodralejo (29.585), and Villanueva de la Serena (20.204).

Population settlements and economic activities concentrate mainly in the river basins of two of the most important rivers in Spain (Tajo and Guadiana). In the same way, communication infrastructures concentrate along a North-South line (along the main road N-630 which connects Andalusia to Salamanca and the rest of west-northern Spain) and, especially along the East-West connection (N-V Highway), which connects Madrid to Lisbon and central Portugal.

## MAP 1: THE REGION OF EXTREMADURA IN EUROPE



Source: Representation of the European Commission in Spain, 2002.

The Extremadura region is characterized by a rich and widely untouched natural landscape, small lakes and natural water reservoirs, vast meadows and pastures (home of porcine exploitations and the famous Iberian ham), oaks and cork trees as well as by poor soils, lack of water for intensive agricultural production and a continental climate (dry and hot summers, cold winters).

These severe natural conditions led to an uneven distribution of population and economic activities among the territory. Larger towns concentrate along rivers and communication

axes, while there exist wide areas (mountain areas, dry lands) with depopulation problems. Extremadura has 382 municipalities, but 60% of the regional population concentrate in 374 municipalities with not more than 15.000 inhabitants. Together with the low population density, the situation of the rural areas of Extremadura is negatively affected by ageing of the population and low birth rates, which, linked to the low income levels, hamper the regional capacity to demand and create more productive and economic activities.

The **regional economic development** of the last years has been positive. However, Extremadura's development was in line with the general development of the Spanish Objective 1 regions, and could therefore not overcome the distance to other regions, still lagging behind the Spanish and European average levels.

#### Extremadura: GDP evolution in a Spanish and EU context

GDP PER HEAD (PPS) ( EU15 = 100)	1995	1996	1997	1998	1999	2000
Extremadura	49	50	50	50	53	53
Spanish Obj. 1 Regions	65	66	67	66	68	69
Total Obj. 1 Regions (as in 1994-1999)	70	70	71	70	71	71

Source: European Commission (2001): Second Cohesion Report. Volume 2.

Contemplating the regional evolution of the GDP per capita indicator within the Spanish and European context it becomes even clearer, that the development of the region has been positive but quite reserved in comparison to other Spanish Objective 1 regions. In the same line, GDP per capita in Spanish Objective 2 regions grew even stronger, so that the divide between Spanish rich and poor regions increased and Extremadura could not change its relative position.

#### GDP/head evolution (in PPS) in the Spanish and EU context (EU15 =100)

SELECTED AUTONOMOUS COMMUNITIES (NUTS II)	1995	2001	ANNUAL AVERAGE CHANGE % 1995-2001	POPULATION DENSITY (INH./KM <sup>2</sup> )
Galicia (Obj.1)	63.2	66.5	+2.8	92.6
Cantabria (Obj. 1 phasing out)	72.7	82.7	+4.2	100.0
Castilla y Leon (Obj.1)	74.5	78.0	+2.4	26.2
Castilla-La Mancha (Obj.1)	64.2	67.1	+3.1	21.7
<b>Extremadura (Obj.1)</b>	<b>49.3</b>	<b>53.5</b>	<b>+3.5</b>	<b>25.9</b>
Andalusia (Obj.1)	58.0	64.3	+4.0	83.6
Comunidad Valenciana (Obj.1)	74.2	81.1	+4.3	175.7
Basque Country (Obj.2)	93.3	105.1	+3.9	284.9
Comunidad de Madrid (Obj.2)	102.9	112.4	+4.2	652.6
<b>TOTAL Spain</b>	<b>78.2</b>	<b>84.2</b>	<b>+3.7</b>	<b>79.8</b>

Source: European Commission (2001): Second Report on Economic and Social Cohesion.; European Commission (2004): Third Report on Economic and Social Cohesion.

Extremadura suffers also from its peripheral situation in Spain. The disadvantage is double, since the region lies at the border to Portugal and also outside the larger, trans-European network system. The only strength that could influence development positively is its situation between the two capitals Madrid and Lisbon, connecting both cities with highways (and possibly in the future high-speed trains).

Also in the region itself, development has been rather uneven. Within the region, economic and population growth has favoured mostly larger towns and their surrounding settlements. Smaller towns which are situated in the main settlement path Badajoz-Merida-Trujillo are used as dormitory suburbs of the larger centres Badajoz and Merida and are gaining population and economic capacity, whereas small rural towns, especially in the border areas and in the south of the region are among the poorest municipalities in Spain and live in danger of losing population and being abandoned.

The **economic structure** of the region is characterised by an outstandingly important agricultural sector (13.3%), the very low developed industrial segment (25.7%), and an average service sector (61%), compared to other regional Spanish figures.

**Employment by Sector (in % of total) 2002**

SELECTED REGIONS	AGRICULTURE	INDUSTRY	SERVICES
Galicia (Obj.1)	12.9	32.8	54.3
Cantabria (Obj. 1 phasing out)	6.6	33.9	59.5
Castilla y Leon (Obj.1)	9.2	30.9	59.9
Castilla-La Mancha (Obj.1)	9.5	33.6	56.9
<b>Extremadura (Obj.1)</b>	<b>13.3</b>	<b>25.7</b>	<b>61.0</b>
Andalusia (Obj.1)	10.5	25.3	64.3
Comunidad Valenciana (Obj.1)	4.1	36.7	59.2
Basque Country (Obj.2)	2.0	37.9	60.1
Comunidad de Madrid (Obj.2)	0.8	24.5	74.7
<b>TOTAL Spain</b>	<b>5.9</b>	<b>31.2</b>	<b>62.9</b>

Source: European Commission (2004): Third Report on Economic and Social Cohesion.

The primary sector is central to the regional economy, not only because of its high contribution to the regional GDP, but also because of its linkages to other manufacturing sectors, namely the agro-food industry and other industries based on the further development of raw materials and primary resources (cork, minerals, water, etc.). The agricultural production shows a series of structural deficiencies, such as low productivity, small size of farms, low levels of training and information, lack of advanced technologies, high debt levels of farmers, etc.

Within the industrial sector, the presence of sectors is also quite uneven. Non-manufacturing sectors such as water and energy-related industries contribute 58-60% to the

secondary sector. Energy is important because of the presence of several energy plants (nuclear and hydro-electric), but there is no real industrial fabric in these fields. Within the manufacturing industries, agro-food, beverages and tobacco represent more than 50%. The main manufacturing areas are the food industry (Iberian ham, olives, olive oil, cheese, wine, fruits, honey), wood/furniture and cork industry (Extremadura produces up to 10% of global natural cork), as well as construction materials (ornamental stones, shale, clay, granite, marble, etc.) and minerals. The manufacturing of metal products and machines combines very diverse activities with an atomised company structure.

The industrial sectors in general are characterized by low and inefficient levels of productive specialization, very low levels of exports and external commercialisation, small sizes of firms, a high orientation towards direct regional and national demand, and very low technological and added-value contents.

The service sector shows a strong orientation towards the classic services: public sector, trade, hotels and bars, repair, transport. Tourism, mainly rural hotels, cultural, recreation and sport activities are of growing importance, especially to the rural areas. They are often the only alternative to an income based on agricultural activities or to the migration to larger towns.

Firms in Extremadura are mostly small and family based. Of almost 52.000 firms that were counted in 1997 (2.18% of Spanish total), 60.2% do not have employees (3.5% more than the Spanish average), whereas 24.9% employ between 1 or 2 people. Only 2.9% of the firms are public limited companies, compared to 6% at overall Spanish level. Only four companies in the region have more than 500 employees.

Activities in technology and innovation development are relatively weak in regional companies. Financial and advanced services and commercial structures are poor developed.

With regard to **occupation and unemployment** rates, Extremadura is one of the most disadvantaged regions in Spain.

**Labour Market in Extremadura 2003**

SELECTED INDICATORS	EXTREMADURA	SPAIN
Activity Rate	52.53	55.98
Employment Rate	44.09	50.08
Unemployment Rate (harmonized EU25 = 9.1%) 2004	17.40	11.30

Source: INE. Regional Accounting.

The development from 1994 on, when unemployment reached in Extremadura a regional average of 30%, was rather positive. However, the general reduction of unemployment

occurred also and even faster at national and European level, so that Extremadura still is lagging behind Spanish average figures.

With regard to **transport infrastructures** (road density), Extremadura occupies the last rank among the Spanish regions and is far from reaching the European averages. However, construction and amendment works during the last years helped to at least create a region-wide network of quality roads, so that the number of infrastructures compared to the number of inhabitants is better than the national average.

#### Transport Infrastructure Extremadura 2002

SELECTED INDICATORS	EXTREMADURA	SPAIN
Total roads (Km/100 km <sup>2</sup> )	21.2	32.4
Total roads (Km/1.000 inh.)	8.4	4.0
Roads > 7 m wide (as % of the network)	47.1	37.4
Roads with concrete pavement (as % of the network)	88.8	65.3
Railways (Km/100 km <sup>2</sup> )	1.9	2.8
Railways (Km/1.000 inh.)	0.7	0.4

Source: INE. Regional Accounting.

The railway system is still very basically developed. Levels of electrifications are low and speed levels are reduced. Transport infrastructures also concentrate on the main development and settlement axes, whereas the rural hinterland is very badly connected.

Extremadura has one civil airport of medium size which connects to other Spanish airports. The number of passengers is limited (42.600 in 2003).

**Telecommunication infrastructures** are poor developed in Extremadura, although in the last years considerable improvement could be achieved. The density of telephone lines increased from an index of 60 in 1987 to 75 in 1996, taking as a base of 100 the Spanish average. Rapid development also experimented the quality of the services. The degree of digitalisation increased from 71% of the national average to almost 96%. However, in the national and EU context, the regions still shows low levels of IT integration, as can be observed in the following table.

#### Telecommunication and Information Technologies in Extremadura 2003

SELECTED INDICATORS	EXTREMADURA	SPAIN
Households with phone line (%)	87.0	88.1
Households with Mobile phone (%)	65.8	73.7
Households with Internet access (%)	14.3	25.2
Households with broadband Internet access (%)	14.5	35.5
Households with PC (%)	32.1	43.3

Source: INE. Regional Accounting.

As regards **Research, Development and Innovation**, the level of R&D expenditure is very low, even in the Spanish context. Especially the low level of private R&D expenditure in Extremadura is worrying. The lack of private commitment to technological innovation and the difficult economic structure of the region must be seen as important weaknesses to economic development. With regard to public research and innovation, the University of Extremadura is the only higher education institution in the region carrying out scientific research. In addition, some sectoral technology centres (Cork, Wood and Coal Institute, Technology Institute for Ornamental Stones, Institute for Construction Materials) try to promote and increase industrial research activities in the region.

**R&D expenditure in Extremadura and other Spanish regions 1995 and 2002**

SELECTED REGIONS	R&D EXPENDITURE AS % OF GDP 1995	R&D EXPENDITURE AS % OF GDP 2002	PRIVATE SECTOR % OF R&D EXPENDITURE 2002
Galicia (Obj.1)	0.57	0.80	38.68
Cantabria (Obj. 1 phasing out)	0.60	0.54	42.03
Castilla y Leon (Obj.1)	0.59	0.81	53.18
Castilla-La Mancha (Obj.1)	0.48	0.45	40.46
<b>Extremadura (Obj.1)</b>	<b>0.29</b>	<b>0.60</b>	<b>11.91</b>
Andalusia (Obj.1)	0.67	0.62	34.73
Comunidad Valenciana (Obj.1)	0.55	0.81	32.40
Basque Country (Obj.2)	1.31	1.32	75.79
Comunidad de Madrid (Obj.2)	1.96	1.90	58.09
<b>TOTAL Spain</b>	<b>0.92</b>	<b>1.03</b>	<b>54.8</b>

Source: European Commission (2004): Third Report on Economic and Social Cohesion.

Regarding the endowment with other infrastructures, the development levels are low. Although in the region are some of the most important power plants (1 nuclear in Almaraz, various hydro-electric plants) of Spain located, which generate energy for the large population centres (Madrid, Seville), electric energy supply and distribution infrastructures in the region itself are rather deficient and do not cover the whole region.

With regard to **water supply and environmental infrastructures**, the situation is similar. In general, infrastructures and services are well distributed and reach almost the totality of the population. However, quality of services and equipments (waste treatments, water sewerage) is low and needs to be adapted to new environmental standards and legislation.

Although in Extremadura are some of the most important river basins in Spain located (rivers Tajo, Guadiana, and Guadalquivir), water use and management are affected by severe temporal irregularities. Extremadura suffers from the alternation of dry and humid

seasons, both within a year and in multiannual cycles. Summers are normally very hot and dry, in addition every few years periods of drought disturb especially agricultural activities in the region. Due to this, some thirty villages present regularly problems of water supply.

With regard to **health services**, attention is guaranteed for the whole population, coverage is even better than in the national average. However, quality and level of equipments (x-rays, etc.) is lower than the Spanish standard. Social and cultural infrastructures also exist in the region. The offer is appropriate for a region of its size.

With regard to **education and training infrastructures** and accessibility, the last years brought important improvements. However, a lack of education centres, of specialised professional training centres and of equipments (material and IT) can still be observed.

Extremadura has one University, which enhanced its number of faculties, degrees and students considerably during the last 10 years. The Faculty of Economic Sciences, Library buildings and other faculties and university services in the campus of Badajoz, Caceres, Merida and Plasencia were created with support of the ERDF. The number of students increased from 9.999 (1982) to 20.591 (1993) to 26.365 in 2003.

Specific environmental circumstances and the low population density in many areas turn Extremadura in a the region of an extraordinary **ecological interest**. The existence of wide meadows and pasture (“dehesa”) has such an important value as an ecosystem for the region and its agricultural and socio-economic structure, that its protection has been institutionalised by the approval of a special law (“Ley de la Dehesa”). The lack of population in many areas and the existence of wide river basins and humid areas (30% (!) of internal water zones and rivers of Spain are located in Extremadura) allowed the region to become a destination for birds and other animals.

In general, more than 5% of the region are protected natural areas, still far from the internationally recommended 10-12%, only 14% of those correspond to natural parks, whereas the rest are protected lakes, biospheres or natural monuments. However, about 37% of the region’s territory, more than 1.500.000 ha, has been declared in recent years *Important Bird Areas* (IBA) and *Special Protection Areas for Birds* (SPA) and has been integrated into the European network NATURA 2000.

Based on this natural wealth and the recent development of rural tourism and sport activities (horse riding, hiking, fishing, swimming, thermal spas, etc.), Extremadura more and more a destination for tourists interested in nature and ecology. Most tourists come from Spain and especially for shorter stays during the whole year. This kind of tourism is very different from the typical sun&beach mass tourism of the Spanish coastal areas, and can be linked especially to rural development activities. This kind of tourism and related activities (production and trade with local products, new recreation and sport services, development of museums and interpretation centres) offers in many areas of Extremadura

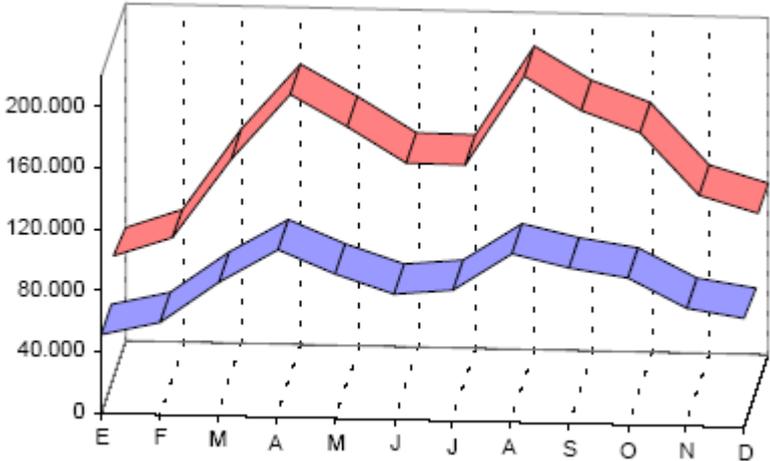
an alternative to agricultural activities and allows for local people to enhance their income levels and to find new or additional part-time jobs.

In 2000, the participation of the tourist sector in the regional GDP presented 4%. The employment in the hotel and restaurant sub sector reached 7% of overall employed people. The budget of the Regional Department for Tourism increased from 1991 to 2000 more than 53%.

The regional offer regarding accommodation in 2000 included 26,808 beds and accommodation places, of that 10,124 places in camping, 9,722 beds in low standard hotels (1 and 2 stars), 5,431 beds in medium standard hotels (3 and 4 star, and state-owned historic hotels “paradores”), and 8n2 beds in rural houses and farms. The offer in these rural houses and farms increased (to a great extent due to Structural Fund Programmes and LEADER activities) between 1995 and 2000 more than 1,200%. The overall increase with regard to the accommodation offer was 56%.

In 1999, 87% of the tourists where Spanish, 32% of the national tourism came from the region of Madrid. Extremadura is near enough to Madrid to satisfy the demand for natural weekend stays of Madrid people. 23% of the foreign tourists come from Portugal. The region – with the support of ERDF funded actions wants to increase the number of tourists in the period 2000-2006 from 205.000 foreign visitors to 348.000 visitors from abroad.

**Tourism Statistics Extremadura: Overnight stays (red, above) and overall visitors (blue) 2003**



Source: Regional Statistical Office Extremadura (2004): Extremadura in Figures.

Tourism and rural development represent also one of the preferred areas of local development and cross-border cooperation with Portuguese regions and municipalities. In recent years and supported by Community programmes such as INTERREG and LEADER, local and cross-border action expanded and led to important new initiatives and the fixing of population in rural areas.

## 2.2 STRUCTURAL FUND PROGRAMMES IN EXTREMADURA 1994-1999 AND 2000-2006

The structural problems and the existing deficiencies in Extremadura motivated its integration in the Objective 1 group of the Structural Funds from the beginning on in 1986. The region also benefited from diverse Community Initiatives in these first years for European Structural Fund support. In the first funding period 1989-1993, Extremadura received 665.75 million ECU, of those 64.2% came from the ERDF, 20.9% from the ESF, and 14.9% from the EAGGF.

Structural Fund support increased considerably over the next two funding periods.

The overall strategy for regional development was already set up in the late 1980s. General objectives were the promotion of economic activities, the articulation of a balanced territorial development and the improvement of infrastructure and social service endowments. Among the economic activities to be promoted and modernised were especially agricultural and, already at that time, tourist services and infrastructures.

### THE FUNDING PERIOD 1994-1999

The Operational Programme for Extremadura 1994-1999 was funded by ERDF, ESF, and EAGGF. The general funding strategy for that period was integrated in one regional Operational Programme per Fund (being the ERDF programme by far the most important) and various multiregional thematic Programmes (e.g. Local Development, Professional training, etc.), managed and co-funded by the Spanish Central Government for all Spanish Objective 1 regions. Regional and thematic Programmes follow the Objective 1 Community Support Framework (CSF) and complement each other.

The Regional Operational Programme was based, like the other Objective 1 Programmes, on the CSF priorities and included the following measures:

#### Priorities and Measures Operational Programme Extremadura 1994-1999

Priorities	Measures / Types of activities	Indicators/ results of relevance to polycentricity	Relevance for polycentricity
1. INTEGRATION AND TERRITORIAL ARTICULATION (ERDF)	1.1 Highways, main roads and roads	Better accessibility,	2
	1.2 Railways	Decentralisation	2
	1.7 Telecommunications	Balanced territorial development	2
2. DEVELOPMENT OF	2.1B. Other industries and	Job creation	1

THE ECONOMIC FABRIC (ERDF)	crafts	Fostering traditional and industrial economic activities	1
	2.2. Local development		1
	2.3. Industrial zones and crafts.		
3. TOURISM (ERDF)	3.2. Valorisation cultural resources of tourist interest	Consolidation of Tourist Attractions, Promotion of economic activities based on tourism	1
4. AGRICULTURE AND RURAL DEVELOPMENT	(EAGGF)	Improving rural infrastructures and support agricultural activities /rural life Offer valuable economic alternatives in rural areas	2
6. SUPPORT INFRASTRUCTURE TO THE ECONOMIC ACTIVITY (ERDF)	6.1. Water	Balance water supply in the region	2
	6.2 Energy	Improve energy production and distribution	2
	6.3. Protection and improvement of the environment	Improve environmental quality	2
	6.4A. Aids to R&D	Support of R&D activities	1
	6.5. Sanitary equipments	Balanced health service offer	2
	6.6. Information society	Territorially balanced access to ICT	2
7. VALORISATION OF HUMAN RESOURCES (ERDF)	7.1 Training equipment and infrastructures	Balanced levels of qualification and improved access to jobs	2
	7.2 Strengthen Professional and Technical Training		2
8. TECHNICAL ASSISTANCE, MONITORING AND INFORMATION (ERDF)		-	-

Source: Operational Regional Programme for Extremadura 1994-1999 (1994)

As can be observed, the regional strategy in the Operational Programme embraced 7 general objectives. Those were made more operational through 27 intermediate objectives and 79 concrete actions within the three mono-fund Operational Programmes. The focus was especially on the construction of infrastructure (roads, education, health, energy, etc.) and on local development activities. The agricultural sectors and the rural development received specific attention in the regional development strategy. Measures, however, were mainly included in the specific EAGGF and ESF Programmes.

In the following table, although reflecting a provisional expenditure situation of the year 2000, the ERDF Structural Fund programme in Extremadura in the period 1994-1999 is presented.

**Community Support Framework Objective n° 1 (1994-1999) Extremadura. (In millions of Euros and %)**

Priorities and Sub-programmes*	Total programmed	Total executed (as	Total % execution
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		of 31/12/2000)	
1.1 Highways, main roads and roads	493.613	320.010	64.83
1.2 Railways	61.433	38.240	62.25
1.7 Telecommunications	66.671	63.687	95.52
<b>1. INTEGRATION AND TERRITORIAL ARTICULATION</b>	<b>621.717</b>	<b>421.937</b>	<b>67.87</b>
2.1B. Other industries and crafts	97.578	106.053	108.69
2.2. Local development	196.535	171.769	87.40
2.3. Industrial zones and crafts	37.911	33.756	89.04
<b>2. DEVELOPMENT OF THE ECONOMIC FABRIC</b>	<b>332.024</b>	<b>311.578</b>	<b>93.84</b>
3.2. Valorisation cultural resources of tourist interest	61.101	60.361	98.79
<b>3. TOURISM</b>	<b>61.101</b>	<b>60.361</b>	<b>98.79</b>
<b>4. AGRICULTURE AND RURAL DEVELOPMENT</b>	<b>38.906</b>	<b>26.496</b>	<b>68.10</b>
6.1. Water	181.488	189.608	104.47
6.2 Energy	31.537	29.572	93.77
6.3. Protection and improvement of the environment	136.485	82.660	60.56
6.4A. Aids to R&D	36.426	31.293	85.91
6.5. Sanitary and health equipments	109.066	105.483	96.71
6.6. Information society	6.513	5.185	79.61
<b>6. SUPPORT INFRASTRUCTURE TO THE ECONOMIC ACTIVITY</b>	<b>501.515</b>	<b>443.801</b>	<b>88.49</b>
7.1. Training equipments and infrastructures	45.180	43.721	96.77
7.2 Strengthen Professional and Technical Training	72.632	62.621	86.22
<b>7. VALORISATION OF HUMAN RESOURCES</b>	<b>117.812</b>	<b>106.342</b>	<b>90.26</b>
<b>8. TECHNICAL ASSISTANCE, MONITORING AND INFORMATION</b>	<b>3.111</b>	<b>3.145</b>	<b>101.09</b>
<b>TOTAL</b>	<b>1,676.186</b>	<b>1,373.660</b>	<b>81.95</b>

\* the numbers, e.g. 1.5, which are not presented here, do not form part of this regional programme, but of the Community Support Framework.

Source: Regional Programmes and their instruments. Annual report 2000. Ministry for Treasury. Spain. 2001.

The share of Structural Funds co-funding reached on average 73.4%, so that of the overall expenditure (as of end of 2000) 1,008 million EUR where spent by the ERDF in the period 1994-1999.

Due to the fact that Extremadura in the period 1994-1999 was not among the Spanish priority regions as regards major infrastructures, the **Cohesion Fund** supported no major projects in the 1994-1999 period in Extremadura. However, the Cohesion Fund spent about 90 million EUR in smaller projects in the region.

Some minor Structural Fund contributions through Community Initiatives such as the URBAN project in Badajoz (about 14.000.000 EUR total cost, 65% Structural Funds ERDF and ESF), LEADER, PYME and Employment projects, as well as REGEN

(improvement of Natural Gas networks and connection with Portugal in the framework of INTERREG), and Innovative Actions (RIS, RISI) completed the overall support of the region through Structural Funds.

Highly important for the region was the participation in the INTERREG Spain-Portugal Programme together with the Portuguese regions Centro and Alentejo. Common Infrastructure works, the local development in border towns, the protection of the common natural resources and the cultural heritage were some of the priorities of the cross-border cooperation programmes.

Together with the EAGGF and the ESF Regional Programmes, the participation of the region in the nationally managed multiregional Programmes, and the smaller Community Initiatives, an overall sum of about 2,054,800,000 EUR was spent in Extremadura between 1994-1999. (Representation of the European Commission in Spain 2002)

The overall sum is not the largest in Spain. However, keeping in mind the low number of inhabitants and the reduced size of the Extremaduran economy and regional budget, the Structural Funds were extremely important for the region.

Considering this overall Structural Funds support, the region of Extremadura received between **1994 and 1999 a European Structural Funds contribution of 1,921.42 EUR per capita**. Community Resources presented in 1999 about 58% of the overall Regional Income, 10% more than on Spanish average (Quasar 2003).

## THE FUNDING PERIOD 2000-2006

The Operational Programme 2000-2006 for Extremadura as Objective 1 region is an integrated programme and co-funded by ERDF, ESF, and EAGGF. The Programme is based on the priority lines defined in the Community Support Framework for Objective 1 regions. It contains seven main priority lines, which are then divided into Measures.

The Measures and Actions are thematically structured, as can be observed here:

PRIORITY AND MEASURES OP 2000-2006 EXTREMADURA	FUND
Priority 1: Improving regional competitiveness and development of the economic fabric	
Measure 1.1: Support the industrial, commercial and service companies	ERDF
Measure 1.2: Improvement of the transformation and commercialization of agricultural products	EAGGF

PRIORITY AND MEASURES OP 2000-2006 EXTREMADURA	FUND
Measure 1.3: Provision and adjustment of productive spaces and services to companies	ERDF
Measure 1.4: Support to companies related to social economy	ERDF
Measure 1.5: Improvement of business financing conditions	ERDF
Measure 1.55: Global Grant SODIEX (Public Company for Investments in Extremadura)	ERDF
Measure 1.6: Support to internationalization and outer promotion	ERDF
Measure 1.7: Promotion of business organizational capital	ERDF
Measure 1.8: Strengthen the generation of new activity that allows the employment creation	ESF
Measure 1.10: Development, promotion and services to the tourist companies	ERDF
Priority 2: Knowledge society (Innovation, R&D)	
Measure 2.1: To support the investment in human capital within the framework of RTDI and the transfer of knowledge towards the productive sector	ESF
Measure 2.2: Research, innovation and technology development projects	ERDF
Measure 2.3: Scientific and technology equipment	ERDF
Measure 2.4: Technology transfer	ERDF
Measure 2.5: Research public centres and technology centres	ERDF
Measure 2.7: Information society	ERDF
Priority 3: Environment, natural and water resources	
Measure 3.1: Water supply to population and to economic activities	ERDF
Measure 3.2: Improvement of the existing infrastructures effectiveness and of water use	ERDF
Measure 3.3: Residual water draining and purification	ERDF
Measure 3.4: Integral management of the urban and industrial residues	ERDF
Measure 3.6: Protection and regeneration of the natural environment	ERDF
Measure 3.7: Monitoring, control and reduction of air pollution	ERDF
Measure 3.8: Ground and spaces regeneration	ERDF
Measure 3.9: Forestry	EAGGF
Measure 3.10: Environmental actions derived from landscape conservation and agrarian economy	EAGGF
Priority 4: Development of human resources, employability and equal opportunities	
Measure 4.1: Construction, reform and equipment of educative and formation centres	ERDF
Measure 4.12: Strengthen the access to professional training and its extension, in its two components: the professional training of base and the specific professional formation	ESF
Measure 4.13: To develop new modalities of supply in professional training	ESF
Measure 4.14: To promote integration and improvement mechanisms of the efficiency of the professional training subsystems	ESF
Measure 4.6: To offer to unemployed people possibilities of insertion in the labour market	ESF
Measure 4.7: To combat prolonged unemployment by means of labour reintegration actions of long-lasting unemployed people	ESF
Measure 4.2: To assure the update level of competences of workers	ESF
Measure 4.3: To maintain the consolidation of the existing employment	ESF
Measure 4.10: To support the insertion of handicapped people in the labour market	ESF

PRIORITY AND MEASURES OP 2000-2006 EXTREMADURA	FUND
Measure 4.11: To propose integration opportunities of the groups in risk of exclusion of the labour market	ESF
Measure 4.16: To improve the women's employability	ESF
Measure 4.17: To promote the women's business activities	ESF
Priority 5: Local and urban development	
Measure 5.3: Collective infrastructure and equipment in municipalities with less than 20.000 inhabitants	ERDF
Measure 5.6: Support to local employment initiatives	ESF
Measure 5.7: Tourist and cultural infrastructures	ERDF
Measure 5.8: Conservation and rehabilitation of the historical, artistic and cultural heritage	ERDF
Measure 5.9: Social and sanitary infrastructure and equipments	ERDF
Measure 5.10: Sport and leisure facilities	ERDF
Priority 6: Transport networks and energy	
Measure 6.1: Highways and roads	ERDF
Measure 6.3: Railways	ERDF
Measure 6.6: Multimode transport systems and transport centres	ERDF
Measure 6.8: Energy distribution networks	ERDF
Priority 7: Agriculture and rural development.	
Measure 7.2: Development and improvement of support infrastructures	EAGGF
Measure 7.5: Endogenous development of rural areas, relative to agricultural activities	EAGGF
Measure 7.8: Services supply to agricultural exploitations, quality and financial engineering agrarian product commercialisation	EAGGF
Measure 7.9: Endogenous development of rural areas, bound to non-agricultural activities	ERDF
Priority 9: Technical Assistance (all funds)	

The regional Operational Programme contained the following budget lines. It must be stressed that Priorities 3 (Environment, natural and water resources) and 6 (Transport networks and energy) cover the bulk of Structural Funds. Within Priority 3, measures 3.6, 3.2 and 3.1 are the most important. Within Priority 6, most resources are spent under Measure 6.1.

Here, the on-going lack of adequate infrastructure and the importance of its natural and water resources becomes clear. The wider objectives of the underlying Programme strategy are however other ones:

- Improvement of the regional competitiveness and job creation through diversification and modernization of the economy.
- Strengthening and dissemination of the Information Society.
- Qualification and valorization of human resources.

- Development of communication infrastructures and energy supply.
- Use the endogenous potential of the regions through local and urban development.

The distribution of resources per Priorities is as follows.

**OP Extremadura 2000-2006 (ERDF, ESF, EAGGF) (programmed in millions of EUR)**

Operational Programme of Extremadura 2000-2006						
Priorities of intervention	Total eligible cost	Public participation				TOTAL National
		EU				
		Total EU	ERDF	ESF	EAGGF	
Priority 1	314.241	232.435	146.021	39.119	47.295	81.806
Priority 2	137.416	94.278	66.503	27.775	0	43.139
Priority 3	682.477	496.912	418.502	0	78.410	185.565
Priority 4 A	266.233	176.985	41.162	135.823	0	89.248
Priority 4 B	124.540	87.178	0	87.178	0	37.362
Priority 4 C	46.215	34.661	0	34.661	0	11.554
Priority 4 D	21.475	16.106	0	16.106	0	5.369
Priority 4 E	7.941	6.352	0	6.352	0	1.588
Priority 5	256.937	185.083	170.448	14.635	0	71.854
Priority 6	974.930	649.645	649.645	0	0	325.285
Priority 7	207.985	145.927	2.254	0	143.673	62.058
Technical Assistance	7.087	5.670	2.566	1.923	1.181	1.417
<b>Total</b>	<b>3,047.475</b>	<b>2,131.232</b>	<b>1,497.100</b>	<b>363.573</b>	<b>270.559</b>	<b>916.243</b>

Source: Integrated Operational Programme 2000-2006 Extremadura.

The planned share of Structural Funds implemented in this programme is 69.88% of the total eligible expenditure (ERDF, ESF, EAGGF). The ERDF (70.3%) is the most important fund followed by the ESF (17%) and the EAGGF (12.7%).

The national Spanish Operational Programmes, where the region of Extremadura is partly benefiting from, are:

- Research, Technology and Innovation Operational Programme.
- Information Society Operational Programme.
- Local Development Operational Programme.
- Competitiveness Operational Programme.
- Various ESF Operational Programmes (Training).
- EAGGF Operational Programme (Agriculture and rural development).

The estimated amount of Structural Funds that will be received by the region in the framework of these national programmes is 964.5 million EUR.

Just as in previous programming periods, the INTERREG initiative (now IIIA) of the cross-border cooperation between Extremadura, Centro (PT) y Alentejo (PT) offers considerable support especially to smaller social, cultural and economic cooperation projects. Through the OP INTERREG IIIA Spain-Portugal Extremadura will receive 65.7 million EUR in the current programming period.

Minor contributions of the Structural Funds to the region of Extremadura are included in the framework of Community Initiatives, such as INTERREG IIIB, LEADER+ (32 million EUR in Extremadura), URBAN II (Caceres, ERDF contribution of 11.4 million EUR), EQUAL, as well as through the Innovative Actions (ERDF and ESF Art. 6).

According to the budget planning of the regional OP and the national Operational Programmes, Extremadura will presumably receive in the period **2000-2006 a total amount of 3,139,000,000 EUR** (Representation of the European Commission in Spain 2002), which means a **per capita contribution of 2,935.24 EUR**.

## **RESULTS OF THE SF PROGRAMMES 1994-1999**

The summary of the main physical results and projects of the 1994-1999 Operational Programme in Extremadura indicates the importance of basic infrastructures in the regional development. (Source: Operational Programme Extremadura 2000-2006).

*ERDF component:*

- 74 km of national roads improved and conditioned.

- 683.2 km of secondary roads constructed or improved.
- 153,900 new telephone lines installed.
- 1,200 km of fibre optic, 165 transmission systems, 62 broadcasting centres, 54 digital centres new.
- Support of local industrial employment: 23,000 sqm of new business incubator space, 2,382 new jobs. 23 industrial zones constructed or improved.
- Restoring and rebuilding of cultural and historic heritage: 39,000 sqm
- 360 new hotel beds.
- 20.12 km new sewerage infrastructure. 261 km of riverbeds conditioned. 1,000 km new water supply infrastructure. Water supply infrastructure constructed or improved for 245,000 people.
- 81 km new electric overland supply infrastructure. Improvement of urban electric supply infrastructures for a total of 302,000 beneficiaries.
- Cultivation of woodland: 76.6 ha new planted woods and forests.
- 5 new waste treatment centres and 6 new waste transfer centres.
- 6 new nature information and interpretation centres, 1 wildlife interpretation centre, 5 recreational-educative parks.
- Improvement of health services in 55 Local Health centres and in 278 local practices, with about 1,050,000 beneficiaries.
- 5 new health centres, 41 new local practices, 7 hospitals reformed and improved.
- Construction of education centres: 450 new places for kindergarten, 1,225 new places for primary school., improvement of 20 high schools.
- Creation of a new Faculty for Economics and Business Studies, with 17 new careers at the University of Extremadura in Caceres.

*ESF component:*

- 13,388 beneficiaries of Professional Training Actions.
- 15,751 beneficiaries of training measures for unemployed.
- 22,754 people benefited from support to firms for contracting unemployed people.
- 2,260 persons benefited from support measures for training and contracting in the field of RTDI.

*EAGGF component:*

- 15 km new rural roads, 1,144 km rural roads improved and conditioned.
- 187,339 m of drainage and watering systems renovated and improved.
- 1,765 Ha of woodland newly planted.

- Construction of fire walls in forests: 875 Ha.
- Establishment of 11 denominations of origin (quality mark for agricultural products) and 48,846 quality analyses of agricultural products.

To date, it is still early to give information about the results of the programmes 2000-2006.

### 3 IMPACTS ON SPATIAL DEVELOPMENT

Due to the important size of the Structural Fund support in the Autonomous Community of Extremadura (with a regional Operational Programme and important transfers through thematic multiregional Objective 1 Programmes), the impacts on spatial development in the region are considerable, although difficult to quantify in many areas.

With regard to the different aspects of spatial development and polycentricity to be analysed (specialisation, population function, relation function), the region and its Operational Programmes are articulated as follows:

- **Specialisation:** The region is specialised as a rural and agricultural area with important natural resources (territory, humid zones, minerals, hidro-electric energy, etc.). Many of the current industrial and service activities in the region are linked to these features. They are also reflected in the overall regional development strategy and in all three Structural Fund programmes. With regard to industrial, technological or innovative activities, the region is not specialised and is lagging behind national and European averages. The Structural Funds intended to increase regional competitiveness and to diversify the regional economy, which is determined by agriculture, agro food industry and other primary resources.
- **Population Function:** The region has very few population centres of wider importance. Only one city has more than 100.000 inhabitants and there is no town in the region, which could play a role in national, supranational or European city networks. Population density is generally very low in the region. The Structural Funds were not able to improve the importance of regional towns, but contributed to improve the quality of life in the smaller towns and villages, so that depopulation processes could be slowed down.
- **Relation Function:** The Structural Funds have been important for the development of the relation function of the region. Especially with regard to the internal accessibility, the supported projects (highway “autovia de la Plata”, rural roads, railways, bridges) were important for the overall spatial development in the region. The activities and impacts were however limited and did for example not effect the improvement of airport structures or the construction of a high-speed train, as in other parts of Spain

(due to low priorities of Extremadura in National Development Plans). Another aspect that has been favoured by the Structural Funds programmes has been the development of cross-border and transnational cooperation projects and networks, especially with the neighbouring Portuguese regions *Alentejo* and *Centro*. The INTERREG Programme has been very important in order to initiate cross-border institutional and personal cooperation, which have already turned into self-sustainable contacts and agreements.

### **3.1 POLYCENTRIC DEVELOPMENT**

The spatial system of Extremadura is built around the three capital cities of Badajoz, Caceres (capital cities of the two provinces) and Merida (administrative capital of the Autonomous region). A balanced city-system exists in the region. Recently some tendencies for the larger cities to grow and to create belts of suburban, dormitory villages along new road infrastructures (highways) appeared.

Balance between the larger and smaller cities also becomes evident in the Operational Programmes where not only primary connections are supported but especially secondary roads, urban infrastructure in smaller towns, and rural roads. Infrastructure support is widely spread among towns and the territory.

The Structural Fund programmes have strengthened this balanced territorial development. The overall regional development strategy and the Operational Programmes tried and still try to improve accessibility, basic living conditions, as well as the supply of goods, water and services (health, education) in the smaller towns.

At meso and macro level, Extremadura is situated at the periphery, which hampers the development of any specialization process at these two scales.

The key trends for polycentric development in the region of Extremadura in relation to specialisation, population and accessibility and transnational networks are presented in the following chapters.

#### **3.1.1 SPECIALISATION AND ROLE IN THE WIDER SPATIAL SYSTEM**

The overall classification of the Functional Urban Areas region is “regional/local”, whereas only Badajoz seems to fulfil its role as regional capital due to its relatively good connection via highway and airport to other cities and capitals. There does not exist any Functional Urban Area in Extremadura with national or transnational importance. The region is specialised as a rural and agricultural area with important natural resources

(territory, humid zones, minerals, hidro-electric energy, etc.). With regard to industrial, technological or innovative activities, the region is not specialised and is lagging behind national and European averages. The Extremaduran University does not have any national or European importance nor does the administrative, decision-making functions in the region.

The region is getting more important as a tourist destination, although more for national **tourism** until now. It is known for its natural beauty even among foreign tourists, but international tourism is not yet economically important nor does it count with the necessary infrastructures for an increased number of visitors. For example, only one 5-Star hotel exists in the whole region. Compared to many other Spanish regions, Extremadura is not specialised in tourism. It is only a good alternative for development in the rural areas, where almost no industrial or service sector exists. The Structural Funds helped to improve the tourist offer, infrastructure and services during the last years.

With regard to **transport**, the region is situated at the periphery of Europe, so no specialization in this field at the macro level is possible. However, Extremadura is strategically good situated between Madrid and Lisbon and gained through the increased traffic and contact between the two countries.

The **administrative status** (classification: regional) is that of a Autonomous Region. It is only important within the national Spanish context. Structural Funds had no influence on the status.

With regard to **higher education and research**, the activities performed in Extremadura are considerably underdeveloped within a national and European context (local-regional function), but increasingly important on micro level, that is for the region itself. Structural Funds helped to raise its importance, through creating new University Faculties and buildings.

**Manufacturing, industrial economic activities** as well as **Decision-making** (location of headquarters) are less important even on meso and micro level (classification: local), since the industrial sector is very weak in the region and very few large companies are based in Extremadura. Preparation and export of specific agricultural or natural products is nationally (water, hydro-energy) and internationally (cork) important, but not linked to added value or labour- or capital-intensive manufacturing.

Structural Fund Programmes and Projects concentrated on the creation of basic and support infrastructures, in order to promote external investments and economic diversification (industrial sectors, research, technology, innovation).

Although there have been important impacts on regional development, the general specialisation structure did not really change.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
<b><i>Tourism</i></b>	Limited importance, specialisation at micro-meso level.	Growing importance as one of the motors for regional development in Extremadura, certain specialisation at meso-macro level.	Priority 3 (94-99), 5 (00-06) and LEADER initiative; in addition indirect positive influence of other measures and projects, such as highways, road system, rural tourism development, etc.	2
<b>Industry</b>	Very weak, limited to certain industrial subsectors (energy, food and beverages, cork, wood, minerals)	Very weak, limited to certain industrial subsectors (energy, food and beverages, cork, wood, minerals)	Wide support of industrial investments in the region, innovation, cooperation of firms (cluster) and industrial development, but no major changes in economic structure in the region.	1
<b>Knowledge / Higher education institutions</b>	Small University, very few knowledge-related infrastructures or activities.	Small University, very few knowledge-related infrastructures or activities.	Important influence with Measures, creating new knowledge and HE infrastructures and promoting innovation in the private sector. But few changes in regional knowledge structure.	2
<b>Decision-making / Location of company HQs</b>	Not relevant	Not relevant	Not relevant	0
<b>Administrative status</b>	Autonomous Region	Autonomous Region	Not relevant	0

<b><i>Economic base</i></b>	Based on agriculture and industries related to primary resources, very few high added value activities.	Little changes, some new activities (tourism, industrial, IT sector) appear.	Some influence through Measures which improve basic and knowledge infrastructures, the creation of firms, etc.	1
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### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND RURAL-URBAN SETTING

The region has very few population centres of wider importance. Only one city has more than 100.000 inhabitants and there is no town in the region, which could play a role in national, supranational or European city networks. Population density is generally very low in the region. Population distribution is quite balanced among the territory, having also some areas (mountain, river basins) with practically no human population. The Structural Funds were not able to improve the importance of regional towns, but contributed to improve the quality of life in the smaller towns and villages, so that depopulation processes could be slowed down and even converted.

The overall regional development strategy and the Operational Programmes, tried and still try to improve accessibility, basic living conditions, the supply of goods, water and services (health, education) in the smaller towns, in order to facilitate a measured growth in all larger and smaller municipalities. Since 1989, the overall development strategy is built on a polycentric and balanced approach. Beside the infrastructure improvements, Structural Funds helped to create employment and to fix population in the small towns and villages especially through the activities in the field of *Local Development* and *Tourism*.

There must be mentioned also the 24 Rural Development Action Groups (10 LEADER and 14 PRODER which is a similar approach only funded through a national Obj. 1 Operational Programme), which cover the whole territory of Extremadura excluding only the urban areas of Badajoz, Merida and Caceres.

24 Rural Development Action Groups in Extremadura 2004



Source: REDEX – Information Material

These groups work in small rural zones with common characteristics (“comarcas”)– although with no administrative delimitation or competencies – and promote innovative approaches and alternatives for the people living in the rural areas.

They cover 374 municipalities and 76% of the overall regional population. With the support of direct and indirect Structural Funds, but also y raising private and other public funds, between 1994 and 2000 314 new firms were created, 2,400 new beds in rural tourism, 1,100 full time jobs and 750 temporary jobs were created 3,500 projects were supported in the framework of LEADER II and PRODER in the areas where the different Action Groups work.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Possible Structural Funds influence</b>	<b>Rating of SF influence</b>
<b>Population density</b>	Very low: 26 inh./km <sup>2</sup> (1991).	Very low: 27 inh./km <sup>2</sup> (2001).	No Structural Funds influence on population density. Possible indirect influence on preventing depopulation of rural areas.	0
<b>Possible concentration trends</b>	Main concentration of population in Badajoz, Caceres, Merida	Main concentration of population in Badajoz, Caceres, Merida. Some suburbanization trends	No direct influence. Structural Funds indirectly supported suburbanization due to new highways and faster connections to the city centres.	0
<b>Rural-urban status</b>	Mainly rural areas in the region.	Mainly rural areas in the region, but rural areas are better endowed now.	Priorities 4 (94-99) and 7 (00-06), etc. support widely rural development and of alternative economic activities in the rural areas;  24 LEADER and PRODER Action Groups helped to increase quality of life in rural areas and villages.	2
<b>Promotion of rural-urban interaction</b>	Good but slow connection. Loose interaction.	Improved connections but loose interaction, many areas are still not well connected (slow connection, narrow streets)	Measures improving the local and regional (internal) road system.	1
<b>“Best practices” of promoting rural-urban interaction</b>	Few alternatives to agriculture to make a living.	Alternative economic activities for people in rural areas.	LEADER: Diversification of economic activities, especially promotion of Rural Tourism as an economic alternative to agriculture in the rural areas.	2



### 3.1.3 RELATION FUNCTION

The Structural Funds have been important for the development of the relation function of the region.

Especially with regard to the internal **accessibility**, the supported projects (highway “autovia de la Plata”, rural roads, railways, bridges) were important for the overall spatial development in the region. The activities and impacts were however limited and did for example not effect the improvement of airport structures or the construction of a high-speed train, as in other parts of Spain (due to low priorities of Extremadura in National Development Plans<sup>94</sup>).

In the region there did not exist important Cohesion Fund activities like in other region. Projects that have been supported were mainly smaller roads of the secondary road network, rural roads, inner-urban streets, regional railway connections, etc. The support of Structural Funds was therefore important but is not reflected in one particular major infrastructure like in other regions.

With regard to the **Information and Communication Technologies**, Extremadura was very weakly developed, even with regard to normal phone lines. Recently, connection figures are improving and reach now Spanish averages. Connection is naturally better in the larger towns than in smaller villages and the depopulated areas. Thanks to the Structural Funds, Extremadura will be the first Spanish Region, which has a region-wide network of broadband Internet access in March 2006.

Another aspect that has been favoured by the Structural Funds programmes has been the development of **cross-border and transnational cooperation** projects and networks, especially with the neighbouring Portuguese regions *Alentejo* and *Centro*. Especially, the INTERREG Programme as well as other transnational projects (e.g. EQUAL, or Networks of Regions with RISI, Innovative Actions) promoting networking, have been very important in order to initiate cross-border institutional and business cooperation.

Especially, the INTERREG Operational Programmes Spain-Portugal (Subprogramme 4 Extremadura-Alentejo/Centro) are fundamental to improve the relationship between regions, villages, people, associations, firms, Universities, etc. The Programme changed

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<sup>94</sup> The construction of a high-speed-train line from Madrid to Lisbon is foreseen for the future. The works should start in Extremadura in 2008. Within the Structural Fund Programmes, only a feasibility study for this line was included and co-financed.

the mentality towards a real culture of cooperation and exchange. Traditionally, the region was closed at the border and no interaction was possible. After the opening of the borders, first contacts took place. Today, joint events, fairs, exhibitions, sport events or leagues, economic cooperation, scientific exchange are the rule.

Many joint projects not even need or apply for INTERREG support to be organised. During the last years, a boom for Portuguese language courses in Extremadura started. Now, of the total of 15.000 students of Portuguese language in Spain, 66% study in Extremadura. From 667 people who learned Portuguese in 1996, the number increased to almost 9.000 in 2002.

### INTERREG IIIA Spain-Portugal – Territorial Structure



Source: Operational Programme INTERREG Spain-Portugal 2000-2006.

\*The red circle shows the Extremaduran-Portuguese border region, the blue circles show the capital cities of Lisbon and Madrid.

The Bureau for Cross-Border Cooperation GIT that finances language courses received for the year 2003/2004 not less than 203 applications. Language courses are offered in primary schools, high schools, at the University and at Language schools. In Extremadura, Portuguese has already established as the second foreign language behind English. These effects do not limit to the border areas but cover the whole region of Extremadura. (Personal Interview with the GIT)

The interaction with Portugal is seen as a possible source for income and economic development.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
<b>Accessibility and Changes in accessibility</b>	External accessibility: moderate.  Internal: good connection but bad quality.  Low access to phone lines, less to IT and broadband.	External accessibility: moderate.  Internal: Significantly better quality of connections.  Better in relation to IT and phone connections	Many Structural funds actions in priorities 6 (both periods) and 5 (00-06) improved roads and highways, especially important for internal accessibility.  Important support to telecommunication connections	2
<b>Key strategic and functional networks (promoting specialization)</b>	Initiating cooperation with Portuguese border regions, but traditionally living back to back.	Active institutional and private cooperation with Portuguese border regions, change of culture towards active exchange, "Iberian" (joint), events, fairs, associations, products.	INTERREG II Spain Portugal,  INTERREG IIIA Spain-Portugal, Subprogramme 4 Extremadura-Alentejo/Centro,  Other transregional projects within INTERREG, LEADER, Innovative Actions, etc.	2

### 3.2 OTHER DRIVING FORCES

Beside the Structural Funds which come directly to the region and those which induce first the development of national Plans and Programmes (SME support, R&D activities, training, etc.) and come then indirectly to the region, no major driving forces could be detected.

However, the two funding periods 1994-1999 and 2000-2006 have seen the development of various regional development plans which tried to guide territorial development and to canalise European support programmes and co-funded measures, putting them into a regional context.

All of these Plans are based on the Regional Development Programme (base for the regional Operational Programme) and supported to less or more extent by Structural Funds. That means that they are not really “other driving forces” beside the Structural Funds. Due to the size and diversity of funding, no other important driving forces exist in the region beside the European and national funds. However, the development of these plans shows the interest of the region to find its own way and to guide the available funds in support channels, which lead to a balanced and sustainable development of the region.

In the first place, the **Regional Plans for Employment and Industrial Development** suppose the framework for all activities dedicated to the improvement of the economic fabric, the competitiveness of firms and the region, and to the improvement of employability and the situation of the labour market. The third Plan for the period 2000-2003 was already quite comprehensive and funded widely by Structural Funds. The current fourth Plan (2004-2007) helped even more to define a strategy based on concrete regional needs and existing regional structures and actors.

The **Plan for Regional Tourism** (2000-2006) is based on the Regional Law for Tourism (1997) which demands the articulation of agreed development plans and the coordination which existing regional development (namely the Structural Fund Programmes). The Plan seeks to foster and guide the regional progress in enhancing the quantity and the quality of the tourist offer and to plan promotional campaigns to enhance the attraction of tourists to the region. The plan identified the regional tourist resources which are: rural and nature, health, sports, culture, religion (heritage), and meetings and events. Strengths and weaknesses of the region in relation to the tourist offer and demand were analysed, and 5 Action lines were defined.

An example is the Action 3.1.1 which refers to the improvement and promotion of thermal installations and spas in the region. So far, a route of six spa towns has been developed and is announced in the Extremaduran web site and information flyers.

## Extramaduran Spa Towns

1. Alange
2. Baños de Montemayor
3. El Raposo
4. Fuentes del Trampal
5. Brozas (San Gregorio)
6. Valdefernando



Source: <http://www.turismoextremadura.com/espanol/balnearios/home.html>

Moreover, the second **Plan for Research, Development and Innovation** can be seen as a direct outcome of the RIS Extremadura project (Regional innovation Strategy) which helped to analyse the existing RTDI framework and activities in the region and to define the main action lines for the first Plan for RTDI.

The **Plan for Technological Alphabetisation** is another example of a general strategic outcome of a Structural Fund supported project. It was initiated in the framework of INFODEX, the RISI project in Extremadura (Regional Strategy for the Information Society). The project NCC/INTEGRARED started in 1999 with the setting up of 6 pilot centres with public and free access to computers and Internet in Extremaduran towns. After that, other 14 centres and in a third round another 12 were opened. The centres are located in local cultural or social centres and are supervised by one technician and one animator in each centre. The Plan and the creation of these centres (NCC) are the outcome of a efficient cooperation between the regional government, the local governments, women associations, and local neighbour associations. Between 1999 and 2001 the programme had 35,926 direct beneficiaries (users of the centres) and over 228,000 visitors in general. 16,360 e-mail accounts were created and 953 new web sites were build in the centres. Indirectly, the programme induced the installation of 9,071 computers and equipments at home, new broadband and ISDN lines, etc.

## 4 POLICY IMPACTS

### 4.1 IMPACT UPON GOVERNANCE ASPECTS

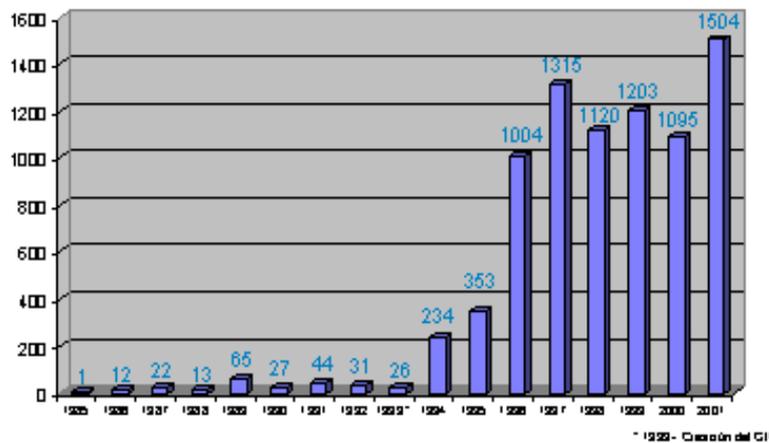
Before the Structural Fund support, regional development or territorial development policies had a weak position in the Spanish Regions. With the requirements of the Operational Programmes and the need to work on Regional Development Plans and on concrete and useful Action lines and measures, the governance framework in the field of regional development developed more and more. Nowadays, polycentricity and territorial balance are common and well-known concepts within the regional development of Extremadura. Positive changes towards a territorial consciousness have been introduced especially by specific EU requirements for programming and integration of different funds, by horizontal priorities and projects such as LEADER, URBAN and INTERREG. The discourse about territorial balance and rural development in the region of Extremadura is influenced by the importance of natural and primary resources on the regional society, economy and overall appearance and, on the other side, on the growing importance of tourism for the regional economy. The Structural Funds have strengthened this consciousness and have offered the instruments (financial, coordination, Rural Development Action Groups) to establish the serious and long-term policies. The EU obligations which accompany the Structural Funds and the Cohesion Fund canalised the funds towards integrated projects that underpinned the regional development strategy.

The Structural Funds influenced in Extremadura the overall governance system while causing the creation or supporting the existence of new regional actors, many of them public or public-private partnerships, such as the

- the **GIT, the Bureau for Cross-Border Cooperation**. GIT was created in 1993 with the support of INTERREG, in order to foster the cooperation between Extremadura and the Portuguese neighbour regions. Already before GIT, the main regional institutions signed cooperation protocols and had common working groups. GIT has offices in Merida, but also in the Portuguese regions. It is supported each year with INTERREG funds, helps to set up INTERREG projects for the regional and local institutions, but also manages and assigns non-EU funds of the Regional Government, dedicated to cross-border cooperation projects. The number of staff in the central office in Merida is 4 full-time and 2 part-time employees. Each year GIT handles a budget for projects of about 1,000,000 EUR. GIT as cooperation structure has been named as a good practice in the framework of European INTERREG publication by the European Commission. Other GITS were established later in the other Spanish border regions of Castilla y Leon and Andalusia. The exit in Extremadura, especially in recent years, regarding the number of projects, is reflected in the number of references in regional press to

Portugal. In the year next to the creation of GIT, in 1994, the number already jumped to 234.

Evolution of press notices and announcements related to Portugal in Extremaduran regional press:



Source: [www.gitextremadura.com](http://www.gitextremadura.com)

- **SODIEX**, is a private-public agency for industrial development which was established more than 25 years ago by the Central Government. It offers support lines to firms and SMEs. It has been supported in the previous and in the current Operational Programme with a global grant in order to strengthen the venture capital offer in the region and to support the creation and development of “risky”, technology-based firms.
- In the framework of **ERDF Innovative Actions (RIS, RISI)**, public and private actors from the field of RDTI and ITC came together and worked on strategies to improve the regional innovation system and the introduction of the ICT into the region. Especially FUNDECYT, Foundation for the Development of Science and Technology in Extremadura, was created in 1995 in order to promote Science and Technology activities in the region.
- **LEADER and PRODER Local Action Groups**, which work as Local Development Agencies in rural areas. They promote sustainable rural development and economic alternatives for the rural population and strengthen the cooperation between local actors, public and private.
- **REDEX**, the network of these Rural Development Action Groups, was created in 1998. It helps to organise and coordinate these Action Groups, to plan the general training offer for rural development agents, to support the work with a web site and to work on common projects. The REDEX network represents the Action Groups towards the Regional Administration and represents the region and its interest in wider Spanish and European networks of rural development organisations.

- **New local partnerships**, set up to work on Local Employment Plans in the framework of an Article 6 ESF project called AGROCIUADES. For the first time, local public and private organisations related to training, employment and labour market, linked to the corresponding provincial and regional bodies, came together to work on specific analyses and plans, adopted to local circumstances and needs in order to fight unemployment and low levels of qualification.
- A new figure, beside the already existing Agents for Local Development which exist currently in almost all municipalities (even the small ones), are the **Agents for New Technologies (ICT)**. They have been supported since 2000 in the framework of the 3<sup>rd</sup> Plan for Employment and Industrial Development (ERDF and ESF support). Groups of smaller towns (mancomunidades), which exist in most of the Extremaduran territory, can contract these Agents. They have the specific task to introduce information and communication technologies in the Extremaduran firms and organisations, enhancing their competitiveness and their management efficiency.
- **Local Employment Centres** were strengthened, extended and coordinated with other services in the framework of the ESF and ERDF support. For example, the project NCC/INTEGRARED and the Plan for Technological Alphabetization helped to strengthen local cultural and social centres with the installation of computers and free access to IT services and Internet.
- Many new public and private **training centres and NGOs** which offer training courses benefited from the support of the ESF.

Some of the new actors and institutions are only related indirectly to the Structural Funds. The European influence, however, helped to enhance the activities, to make them more sustainable and to introduce innovative approaches into overall policy making and support to firms and associations.

The Structural Funds helped also to promote joint decision and management of programmes and projects (between ERDF, ESF, EAGGF, FIFG and Cohesion Fund).

	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
Consistency of national and European policy goals outlined in programme documents	Since there was no important national regional policy, Structural Fund programmes have been important for designing actual national and regional programmes, therefore wide consistency between European and national policy goals and instruments.	2
Examples of promoting learning	Within different Community Initiatives and Innovative Actions. Especially Innovative actions such as the ESF Art. 6 project Agrocities introduced new forms to fight unemployment which later on will be introduced in mainstream labour policies.	2
Governance innovations	The creation of new public partnerships or public-private	2

	partnerships as well as institutions, such as GIT, REDEX, LEADER LAG, training and education centres, etc.	
Trans-national links linked to governance practices	New and multiple transnational links and partnerships in the framework of INTERREG.	2
Inclusion of new actors and organisation in partnerships	See Governance innovation. Integrated SF programmes and projects also helped to create partnerships between ERDF, ESF, and EAGGF management bodies. Local, private and voluntary organisations have been increasingly involved in SF projects.	2
Links to traditional democratic decision-making	SF programming and implementation is linked to traditional democratic decision-making.	1
Financial practices enabling enlargement of partnerships	Very little effects of SF on new financial practices.	0
Ways of avoiding the technocratic elite pluralism	Little effects of the Structural Funds	0

## 4.2 INCLUSION OF THE LISBON THEMES

In the Structural Fund programmes of Extremadura, most of the ‘Lisbon themes’ have been addressed and promoted actively. Especially the themes Information Society and Education and Training are important in the context of the overall regional development strategy in Extremadura. However, it must be said, that the topics of rural development, agriculture and natural and environmental protection are more important to Extremadura but are not included as such in the Lisbon Strategy.

With regard to the Information Society, the improvement of the connection to ICT networks helps to promote the Information Society within the region. The region is lagging behind with regard to most ICT technologies and infrastructures. Most businesses and private users are still not linked to the new technologies. Therefore, supported by the Structural Funds, the Regional Government promoted a regional strategy “INFODEX” and several specific projects to promote the use and integration of ICT in the region (within the Government services, using open source software, in rural areas and small towns, in University and education centres, domestic and firm connections). INFODEX was supported in the RISI Innovative Action framework (ERDF) in a first phase from 1997 to 1998, where regional analysis and diagnostics were the main focus of the work. From 1999 to 2000 in a second phase the project INFODEX II focussed especially on the support of virtual classrooms and business centres in the area of the ICT. From 2000 on, several web pages were set up and INFODEX was continued as an Information Society Observatory in Extremadura.

Through regional OP’s and through National programmes managed by the Spanish Employment Service), Training and Education as well as the creation of jobs were specifically supported.

The Structural Fund programmes are widely designed to create a business friendly environment, naturally in the sector of agro food, food industry and tourism as these are the most important economic sector, but as well for other service firms. Among the measures promoted by the Operational Programmes that favour business creation and development are: basic infrastructure improvement (transport), qualification and training, promotion of R&D, innovation and ICT support, the attraction of foreign investments, etc.

The other topics, especially encouraging lifelong learning, reducing deficits in the service economy, and the promotion of innovation, have been and are also specifically supported by Structural Funds programmes in Extremadura.

	<b>Status during 1995-1999</b>	<b>Current status</b>	<b>Examples of SF influence</b>	<b>Rating of SF influence</b>
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>Weak connection to ICT and Internet, including normal phone connection.</p>	<p>Better connection to ICT, integration of ICT in public and private sector is improving, but still insufficient use.</p>	<p>Information Society projects have been supported by the Structural Funds. Especially the Innovative Action INFODEX initiated positive developments in this field.</p>	2
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>	<p>Few research activities, innovation is only emerging as a priority area within the regional development strategy..</p>	<p>R&amp;D and innovation are getting more important for the regional development – in order to diversify and modernise the primary-sector based economy.</p>	<p>Private R&amp;D activities, and Innovative Actions have been supported by the Structural Funds. Infrastructures were supported through National thematic Operational Programmes for RTDI.</p>	1
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>Weak industrial sector, weak business support system and measures.</p>	<p>Improvement: New support schemes, industrial zones and incubators.</p>	<p>Strengthening the endogenous business potential and regional competitiveness are aspects of the Structural Fund programmes.</p>	1
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	<p>Situation was deficient in the region, especially in smaller towns and rural areas.</p>	<p>The creation of new education infrastructures and new co-funded training schemes are in place and improved significantly the regional situation.</p>	<p>Education and training has been one of the main areas of SF support over the last programmes, in regional and national programmes.</p>	2
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>Improving employability and reducing skills gaps;</li> <li>Encouraging lifelong learning;</li> <li>Reducing deficits in the service economy;</li> </ul>	<p>Very high unemployment, low levels of qualification.</p>	<p>Unemployment improved in line with the Spanish average, levels of qualification are improving.</p>	<p>This theme was a priority, and has been tackled directly and indirectly through regional and national programmes.</p>	2

	Status during 1995-1999	Current status	Examples of SF influence	Rating of SF influence
<ul style="list-style-type: none"> <li>Extending equal opportunities</li> </ul>				
Promoting social inclusion: <ul style="list-style-type: none"> <li>Improvement of skills;</li> <li>Promotion of wide access to knowledge and opportunity.</li> </ul>	Social exclusion has been less present in Extremadura than in other regions in Spain (Madrid).	Social exclusion is less present in Extremadura than in other Spanish regions (Madrid).	This theme was not a priority, but has been tackled indirectly.	1

## 5 CONCLUSIONS

In Extremadura, the Structural Fund programmes have had a significant impact on the development of the territory in various aspects.

On the one hand, Structural Funds and, to less extent, Cohesion Fund supported projects assisted and led to job creation and economic growth. The regions is still lagging behind Spanish and European averages in terms of income and unemployment, however distances could at least be maintained. With regard to the improvement of basic infrastructure (transport, energy, education, health, telecommunication) the Structural Funds were very effective. But also the support of training, business aids and other soft measures helped to improve the quality of life and of the economy in the region and to guarantee a balanced development between urban and rural areas.

On the other hand, the influence and relative importance of Operational Programmes, Community Initiatives, and Innovative Actions in Extremadura have permitted to create new actors, to establish new partnerships and links and to developed cooperation between public and private actors in the region and with other European regions. Especially the INTERREG support helped to work on active cooperation with the Portuguese neighbouring regions.

For concrete comments and a general overview of the Structural Funds' impact, please see the table below.

**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ran- king	Short description	Ran- king	Short description	Ran- king
<i>Type of influence/ effect</i> <b>Aspects explicitly targeting polycentric development</b>	Direct	The general development strategy which underlies the SF programmes concentrates on achieving a balanced territorial development.	2	-	0	-	0
	Indirect	Indirectly, through infrastructure improvements polycentric development was supported in SF programmes.	2	SF programmes influenced indirectly the development at meso level while improving north-south connections in Spain and in particular east-west connections between Madrid and Lisbon.	1	The Structural Funds did not have any influence at macro level.	0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for	Direct	-	0	-	0	-	0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	Ranking	Short description	Ranking	Short description	Ranking	
<i>Type of influence/ effect</i>							
the critical mass for polycentric development) Indirect	Through the improvement of living conditions in the rural areas, better transport links, and through new industrial zones, the SF programmes had and have indirect impacts on fixing the population in smaller towns and the rural areas.	2	The Structural Funds did not have any influence at meso level.	0	The Structural Funds did not have any influence at macro level.	0	
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labour between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	The SF programmes strengthen directly the specialisation (agriculture, food industry, nature) of and in the region, but seek also to improve other weaker areas (Information Society, tourism) in order to increase regional competitiveness and economic growth.	1	Little influence on specialization at meso level.	0	-	0
	Indirect	Also indirectly the SF projects underpin the specialisation and promote certain profiles.	1	-	0	-	0

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	Ranking	Short description	Ranking	Short description	Ranking
<i>Type of influence/ effect</i>							
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Improved highways, improved road system and rural paths, improved urban streets, etc. have been SF measures that had an impact on internal accessibility and development.	2	New and improved highways, better north-south links in Spain and in particular better east-west links between Madrid and Lisbon.	1	-	0
	Indirect	-	0	-	0	-	0
<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct	-	0	INTERREG projects directly supported cooperation between people, associations, businesses and research institutions in Extremadura and Portuguese neighbour regions.	2	Some influence of SF initiatives (INTERREG, EQUAL, R&D networks, etc.) on cooperation with other regions in other countries.	1

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	Ranking	Short description	Ranking	Short description	Ranking	
<i>Type of influence/ effect</i>							
Indirect	INTERREG projects indirectly supported cooperation not only with Portuguese partners, but also with new partners within the region.	2	INTERREG projects induced privately financed cooperation between people, associations, businesses and research institutions in Extremadura and Portuguese neighbour regions.	2	-	0	
<b>Diminishing regional divergence, increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)</b>	Direct	Regional divergence was and is relatively low, little impact of SF.	0	Lagging behind Spanish averages regarding GDP per capita or unemployment did not change. No change in national cohesion.	0	Differences to European averages have been cut down due to SF. Increased cohesion regarding GDP per capita.	2
	Indirect	-	0	-	0	-	0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	Short description	Ranking	Short description	Ranking	Short description	Ranking	
<i>Type of influence/ effect</i>							
<b>Overall assessment</b> and personal impressions (e.g. your “final verdict”)	Direct	Some direct influence of Structural Funds and Cohesion Fund on territorial development and balance, especially through support of infrastructure (transport, education, health, environment) development.	1	Little influence of Structural Funds and Cohesion Fund on territorial status and development in the Spanish and trans-national context, only through support of infrastructures (transport) and INTERREG cross-border cooperation with Portugal.	1	Positive influence of Structural Funds and Cohesion Fund on diminishing divergence in the European context.	1
	Indirect	Strong and positive influence of Structural Funds and Cohesion Fund on territorial development and balance, indirectly through training, business support, rural development, strengthening the potential as a tourist destination, protection of the natural resources, etc.	2	Very little SF influence on territorial status and development in the Spanish context.	0	No indirect influence of Structural Funds and Cohesion Fund on territorial status and development in the European context.	0

## Interviews:

- Ignacio Corrales Romero. Head of Service of External Action. GIT. [Extremaduran Bureau for Cross-Border Cooperation]
- Antonio Garrote. Programme Coordinator. Directorate General for Employment. Consejería de Trabajo. [Regional Ministry for Economy and Employment]
- Julia Gonzalez, Agent for Local Development in Alange, Province of Badajoz.
- Margarita Gala Sanchez, Manager, Red Extremeña de Desarrollo Rural. [Extremaduran Network for Rural Development]

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Website of GIT, the Extremaduran Bureau for Cross-border Cooperation →  
[www.gitextremadura.com](http://www.gitextremadura.com)

Website of the joint Regional support initiatives to Employment and Training →  
[www.empleaextremadura.com](http://www.empleaextremadura.com)

Website of the joint Regional support initiatives to industrial and entrepreneurial development → [www.promoredex.com](http://www.promoredex.com)

## **REGIONAL POLICY IN SPAIN IN RELATION TO EUROPEAN REGIONAL POLICY**

Conventional policymaker analysis divides the problem regions into four groups: first, regions affected by industrial reconversion (e.g. Asturias, Cantabria and parts of Galicia); second, regions with low population density and low economic growth (e.g. Galicia; Andalucia – away from the coastal area; and parts of Castilla-Leon); third, regions experiencing high levels of out-migration (Extremadura; Castilla-La Mancha; and parts of Castilla-Leon); and finally, regions in a special geographical situation (the Canaries and Ceuta and Melilla). These concerns are reflected in the aid area map.

### **Strategies**

There is a constitutional commitment to balanced regional development in Spain. The Spanish constitution specifies that the public authorities will “promote the conditions favourable to a more equitable distribution of income” and states that to guarantee the realisation of the principle of solidarity the State will “oversee the establishment of a fair and adequate level of economic equilibrium between the different parts of the country”.

### **Instruments**

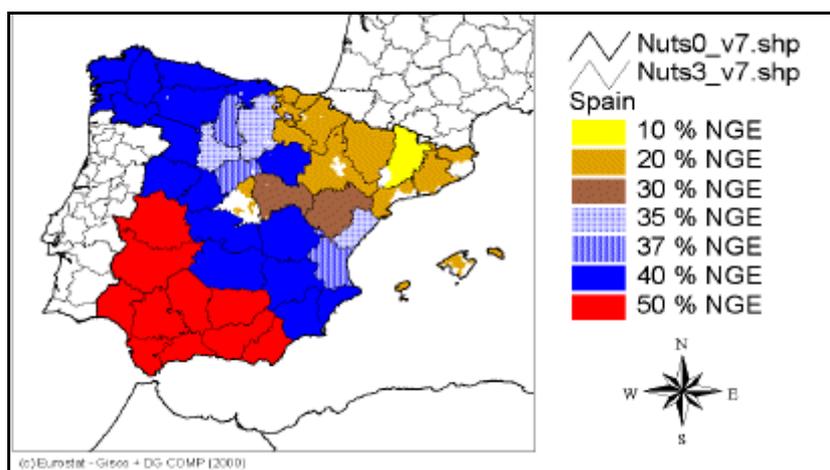
Reflecting the severity of the Spanish regional problem in the European context, two of the four principal elements of Spanish regional policy are measures of European cohesion policy (the Objective 1 CSF and the Cohesion Fund). Moreover, the Regional Investment Grant, the main regional incentive, is co-financed from the ERDF in Objective 1 areas. The two main national policy instruments are: regional aid policy and the inter-territorial compensation fund (*Fondo de compensación interterritorial*, FCI). The aim of the FCI is to finance investments by the Autonomous Communities (the Spanish regions) and to correct interregional economic disparities resulting from differing levels of income.

Regional aid policy comprises a single instrument, the Regional Investment Grant. The scheme takes the form of a capital grant available to manufacturing and some service sector projects that meet minimum investment targets. Maximum rates of award vary between 10 percent and 50 percent of eligible expenditure, depending on location.

### **Spatial targeting**

The Regional Investment Grant (RIG) is available in designated aid areas. These fall within areas approved by the European Commission which cover 79.2 percent of the national population – 58.3 percent under Article 87(3)(a) and 20.9 percent under Article 87(3)(c). However, the RIG is not available in all the areas the Commission has approved (as set out in the map). This reflects the view that more prosperous Autonomous Communities have the capacity to fund their own aid schemes and that national resources should focus on priority areas. The RIG areas cover 60.7 percent of the Spanish population. On the other hand, the scope of the map is important since it determines where, within their jurisdictions, the Autonomous Communities can offer financial aid and at what level.

**Figure 3-54: Spanish regional aid map**



Source: DG Competition website

### **Governance**

Until recently, regional policy at the national level was the responsibility of the Directorate General for Budget Planning and Analysis of the Ministry of Economy and Finance. This Directorate was divided into two sub directorates, one with responsibility for regional incentive policy and the other for the implementation of the Structural Funds. As already noted, the two policy areas are closely interrelated, with the Structural Funds co-funding the Regional Investment Grant in Objective 1 areas. With the recent division of the Ministry of Economy and Finance into separate ministries, the sub directorate for regional incentives now falls within the Ministry of Economy while the operation of the Structural Funds is the responsibility of the Ministry of Finance. This does not however reflect any substantive policy change.

In the Spanish constitutional context, the Autonomous Communities clearly have an important policy role, not least in terms of economic development. A key feature of the administration of regional incentive policy is the close collaboration between the national authorities and the Autonomous Communities. This reflects the need to find a balance between involving the Autonomous Communities and preventing competitive outbidding between regions for mobile investment. More generally, it is of note that levels of responsibility for economic development and other policy areas differ between the Autonomous Communities.

**Table 3-1: Territorial Units in Spain**

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<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
Groups	NUTS I	7
Comunidades Autonomas	NUTS II	19
Provincias	NUTS III	52

## **SPANISH REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

Although balanced regional development is in Spain one of the overarching objectives of the country's constitution, in reality only economic balance and equal distribution of income are presented as goals of national regional policy. This entails no spatial objectives and there is no evident intent to link transport policy, social policy, rural policy, environmental and economic development programmes etc. all in an over-encompassing spatial framework. For the achievement of balanced regional development, national regional policy is seen as compensating the existing territorial disparities and imbalances in terms of income. To an extent, however, the current regional policy strategy – that targets territorial balance – can be linked to the concept of territorial cohesion (only related to the economic sphere). The concept of a regional balanced development is mentioned in national regional strategies (meaning economic development) and has a national meaning.

Also polycentric development does not feature as an explicit policy objective of regional policy in Spain. However, when defining the eligible areas for national regional policy (and its main instrument, the Regional Investment Grant), three different types of areas were designated: areas for economic promotion, declining industrial areas, special areas with problems such as out-migration. Within the first type of areas, specific priority areas were identified (population cores). Only in this priority areas the maximum level of subventions can be granted. These priority areas are defined according to criteria such as population, accessibility, availability of premises for industry, social endowments, etc. in order to concentrate the financial support on development poles where real possibilities for development exist. This concept seems to be similar to the promotion of functional urban regions. Other than this, polycentrism is not apparent in Spanish regional policy. At national level, the concept is not an option in Spain, where concentration of the public sector (investment included) on Madrid is an unwritten rule. Regions (Catalonia, Andalusia, Valencia and the Basque Country) have to try on their own to develop their main cities as competitive poles.

Polycentric development is part of the regional policy of specific regions, eg. the Basque Country or Valencia. In the Basque Country, where the three provinces are very powerful and with many competencies, each province tries to develop first their province, which is respected and supported by the Regional Government, so there is clearly a concept of polycentric development in Basque Regional Policy. Also in Valencia, the support of the three provinces and its main cities, Valencia, Alicante and Castellon is very strong. The Valencian Regional Policy (in the framework of the regional OP and regional innovation policy) supports also other “clusters” and poles, according to the local strengths. (e.g., technology centres for shoes in Elche, for toys in Alicante, for ceramics, etc.).

# Sweden



# **THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS**

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Sweden

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## Methodology

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## Swedish data collection

The data collection for Structural Funds spending in Sweden for the period 1995-1999 was primarily based on contacts with respective management authorities for the different funds. In general there was no problem getting the information on NUTS 3 level as in many other European countries and in fact some parts of the data had actually been assigned to NUTS 5, or the municipalities that had received project funding. The following authorities provided the needed data:

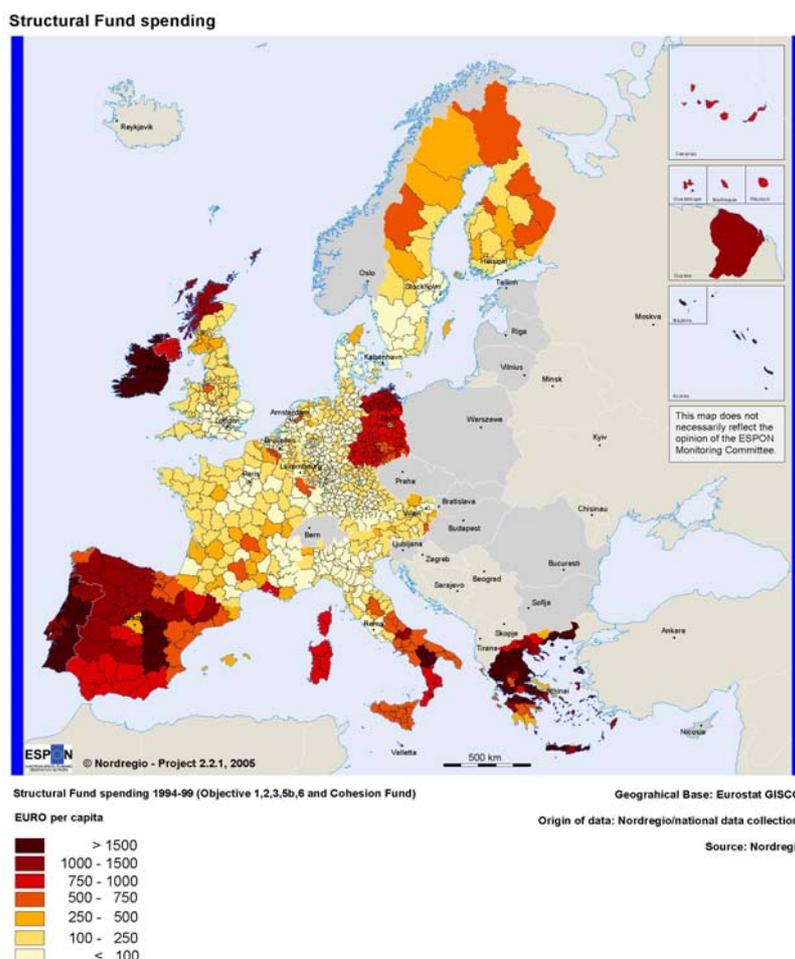
- *Swedish Agency for Business Development (NUTEK)*  
All data about support from the European Regional Development Fund (ERDF) and parts of the data from European Agricultural Guidance and Guarantee Fund (EAGGF)
- *Swedish National Labour Market Administration (AMV)*  
All data about the European Social Fund (ESF)
- *National Board of Fisheries, Department of Markets and Structures Policy:*  
All data about support from the Financial Instruments for Fisheries Guidance (FIFG)
- *Swedish Board of Agriculture*  
Parts of the data from the European Agricultural Guidance and Guarantee Fund (EAGGF)

Through these contacts it was possible to collect data from all the Structural Funds programmes implemented during the 1995-1999, except for some of the Interreg programmes. To verify the reliability of the collected data a progress report prepared

by NUTEK in 2002 with information about payments from all Structural Funds programmes in Sweden the same period was reviewed for comparison.

## THE STRUCTURAL FUNDS IN THE EU15

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).



### What kind of regions?

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro* / *meso* levels as regards spending *per capita*.

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. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

### STRUCTURAL FUNDS IN SWEDEN

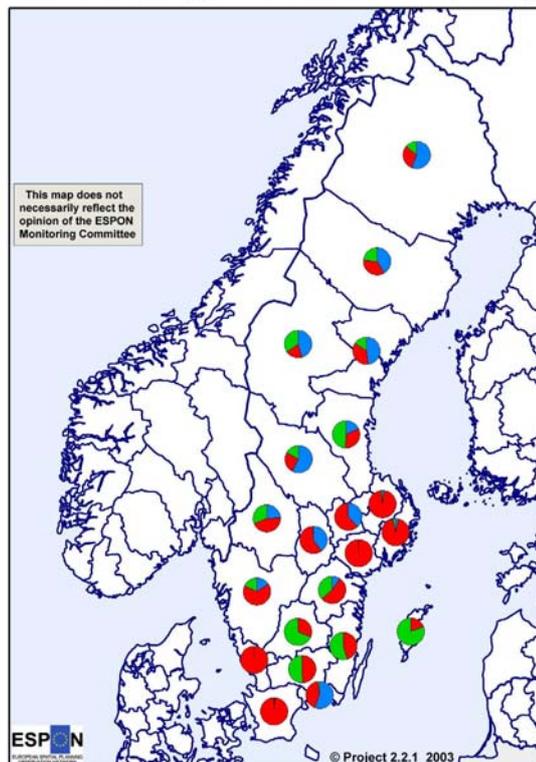
During 1994-1999 Swedish regions received approx 956 MEuro Structural Fund assistance through Objective 2, 3, 5b and 6 programmes. Other programmes are not taken into account in this study. Of those programmes, only the Objective 3 areas had non- geographical delimitation of eligible areas.

As regards the spatial delimitation of the other programmes, Objective 2 programmes (manufacturing regions) focused mainly on areas within the regions of Blekinge, Dalarnas, Gävleborgs, Norrbottens, Värmlands, Västerbottens, Västernorrlands, Västmanlands, Västra Götalands, Örebro and Östergötlands län.

Blekinge, Dalarnas, Gotlands, Gävleborgs, Jönköpings, Kalmar, Kronobergs, Norrbottens, Värmlands, Västerbottens, Västernorrlands, Västra Götalands, Örebro and Östergötlands counties (*län*) were the main regions receiving assistance through Objective 5b programmes, focusing on rural regions.

Objective 6 programmes addressing sparsely populated regions focused mainly in areas within 7 Swedish regions, i.e. Dalarnas, Gävleborgs, Jämtlands, Norrbottens, Värmlands, Västerbottens and Västernorrlands counties (*län*).

**Distribution per type of Structural Funds spending per capita**



Geographical Base: Eurostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

**Distribution per type of SF spending per capita**

- regional development, productive infrastructure
- agriculture, fisheries, rural development
- social integration, human resources

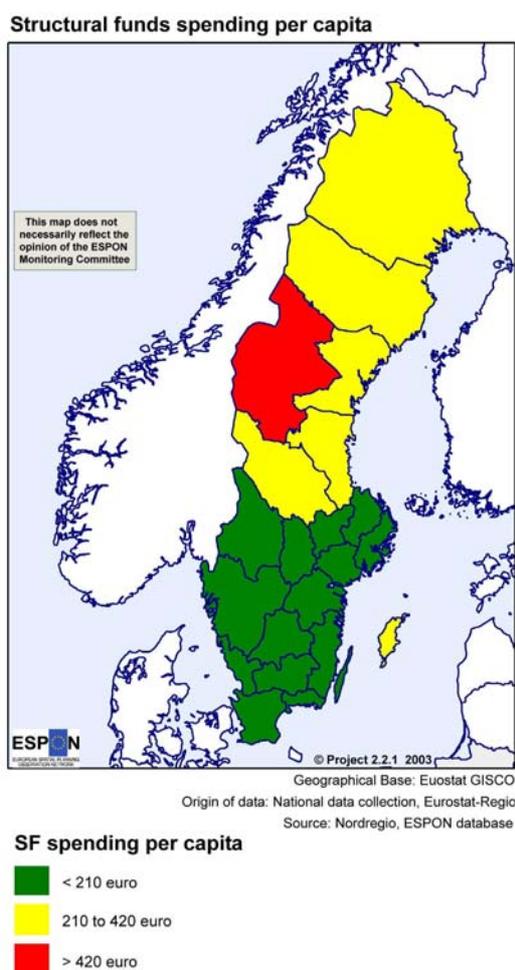
Looking at the assistance as regards the type of activity funded, the financing profile the European pattern in the types of spending in objectives areas, as shown in the map above. The types of Structural Fund spending offer a regionally distinguished picture. Almost 50% of the assistance went into the category social integration and human resources (red colour). This type of funding is in particular dominate in a corridor running between the major urban areas, i.e. from the Mälardal-region via Örebro (and Östragötaland) to the Västra Götalandsregiona and Halland to Skåne. The remaining regions in the Southern part of Sweden (Jönköping, Kalmar, Kronoberg and Gotland) have a funding pattern characterised by a dominance of agricultural, fishing and rural development issues (green colour). An exception to this pattern is Northern Gävleborg region where approximately half of the funding is related to agricultural and rural development funds. In general this type of funding represents approx 22% of the SF assistance in Sweden. Approx. 29% of the assistance went into programmes focusing on regional development and productive infrastructure (blue colour). For this type of funding the geographical focus is on the regions North of the Mälardal-region.

Blekinge is the only region in Southern Sweden where this is type of funding is predominant.

### Regional Structural Funds spending

Whereas on the European map Sweden only exhibits a south-north divide when it comes to the amount of funding each region received per capita, the national map allows a slightly more differentiated picture.

Jämtland received the highest per capita funding during 1995-99 with more than 420 Euro per capita. Reasons for this should be that Jämtland was the only case where the whole county was included in the Objective 6 area, and that Objective 6 had a high compensation level. The remaining regions in Northern and middle parts of Sweden (Dalarna, Gävleborg, Västernorrland, Västerbotten and Norrbotten), as well as Gotland received between 210 and 420 Euros per capita. The rest of the country received less than 210 Euro per capita.



## ESPON 2.2.1

### Case study of Norrland

#### 1 FOCUS OF INTEREST/HYPOTHESIS

The Swedish region in focus for this case study is Norra Norrland, the northernmost part of the country. There are several factors that make this region an interesting example to study, while it has received Structural Funds during both the previous and the current programming period. A more detailed description of the region will be provided below.

The title of the Ex-Post Evaluation for Objective 6 and 2<sup>95</sup> states: “**From supporting all towards more support for regional growth centres**”. This is also, in part, the working hypothesis for the case study of Norra Norrland. Sweden has a long history of regional policy, understood as support for regions with structural difficulties. Moreover, because of its location and widespread population Northern Sweden provided the main geographical focus area for regional policy implemented in Sweden. Together with the Swedish “principles of equality” emphasizing the equality of opportunity for every citizen wherever he or she might live, this led to a very even distribution of funding within national regional policy. The question now however is, whether this has changed into a more explicit concentration on regional growth centres, in the hope that indirect effects would also foster the development of the sparsely populated countryside, and to what degree this trend is connected to the Structural Funds. This kind of thinking would also be in line with the ideas associated with European polycentricity more generally.

Furthermore there are two other aspects that make Norra Norrland an interesting case for this study. Firstly, its particular geographical location combined with its extremely low population density. Can European instruments work in such peripheral places? How have these kinds of regions adapted to European policy making?

Secondly, Norra Norrland is active in cooperating with neighbouring countries. Moreover, it is obvious that, in the context of the enlargement of the EU, areas close to the external borders of the EU and Eastern Europe will gain in importance. This makes cooperation within the Barents region more important and more interesting

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<sup>95</sup> NUTEK, 2003



sub-arctic climate and the Polar Circle cuts through the county of Norrbotten. The settlement structure is highly diverse with the extremely sparsely populated inland (~2 inh./km<sup>2</sup>) with mostly small villages and extensive stretches with no settlement at all, and the relatively densely populated coastal zone with the larger towns. There are only two major cities, Umeå (100 000 inhabitants) and Luleå (72 000 inhabitants), both situated on the coast, with Kiruna being the only inland town, with about 24 000 inhabitants.

Communications links are relatively good considering the region's location in relation to the core of both Sweden and Europe, as there are a number of airports – although all are rather small, various rail links, and an extensive road network. Maps 2 and 3 show the counties and their communications infrastructure. Despite the relatively good communications network the region's sheer distance from the Swedish core is the reason for the peripherality. By air the distance between Kiruna and Umeå is about 450 km, while it is about 800 km from Luleå to Stockholm and about 1900 km from Luleå to Brussels, which already, without reference to any sophisticated accessibility indicators, amply shows the importance of distance.<sup>96</sup>

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<sup>96</sup> Spiekermann & Neubauer, 2002: European Accessibility and Peripherality: Concepts, Models and Indicators, <http://www.nordregio.se>



**Map 2: Norrbotten county. Source: Nordic Regions in Profile**



**Map 3: Västerbotten county. Source: Nordic Regions in Profile**

GDP was below the EU 15 average in 2000, at about 90%, while in general we can say that the region has not been able to match the speed of general economic development across Europe: Moreover, the county of Norrbotten experienced a decrease in its GDP-index of some 10,5 percentage points after 1996, while the county of Västerbotten has not performed much better.

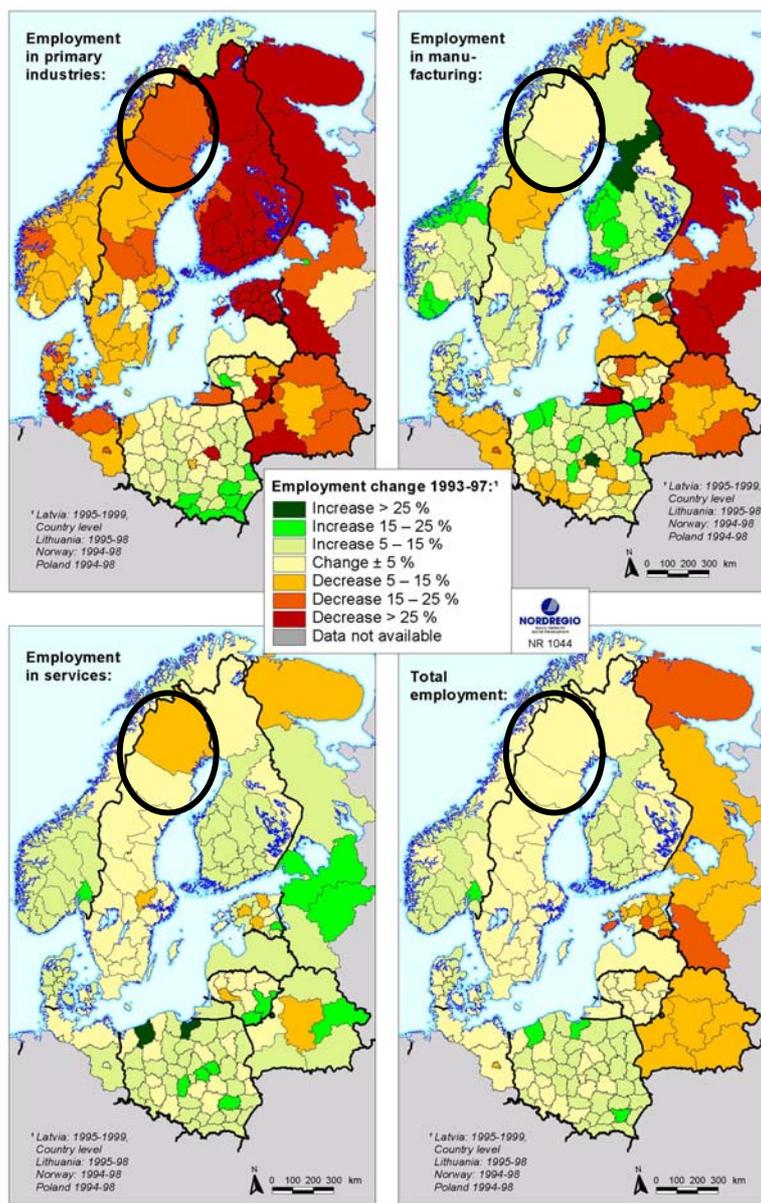
The central problems of the region are: decreasing population, economic changes and peripherality.<sup>97</sup> Population development on the NUTS II level has not been consistent over time, particularly in the last 20 years, though some contrary trends can now be seen. From the mid 1980s to the mid 1990s there was a general increase in population, but from 1995 to 2002 Norra Norrland lost about 18 000 inhabitants representing about 0,5% every year, moreover, this trend seems to be continuing. Additionally the population structure is undergoing considerable transformation as the figures show

<sup>97</sup> All the statistics in this section are based on Statistics Sweden (*Statistiska Centralbyrån*) figures from December 2003.

huge differences in development terms between the inland and the coastal municipalities. While the inland municipalities have on average have lost 10% of their population between 1995 and 2002, the coastal municipalities, not including Umeå and Luleå, have lost “only” 6%, while the municipalities of Umeå and Luleå have even gained population (+6% +1% respectively). In contrast to the trend for the region as a whole, the national population of Sweden is still growing slightly by about 1% annually.

The development of the age structure is no less problematic. If one classifies the population into four age groups 0-14, 15-39, 40-64 and 65+, the share of the two younger age groups lost 1,6 percentage points each (Sweden: 0,8), while the share of the 40-64 group grew by 2,0 percentage points (S: 1,8 percentage points) and the share of the 65+ group grew by 1,2 percentage points (S: 0,3 percentage points) during this period. The average age of the people of Norra Norrland has therefore increased from 39,1 to 40,9 years (S: 39,5 to 40,6). The population is thus not only decreasing but is also significantly ageing.

Structural conversion has been going on for several years, as the primary industries continue to undergo profound rationalization. Employment in the public sector has also been reduced considerably. The economic sectors of “mining” and “health and social services” have seen the highest loss of jobs, with 1 550 and 2 225 lost jobs respectively between 1995 and 2001, representing about 4% of the total number in each sector. Relatively speaking however the “energy, water and waste management” sector, with a drop of 21%, and the “agriculture, forestry and fisheries” sector with a drop of some 18%, have lost most jobs, while “banks, real estate and business services” has increased by 24% representing 4 191 actual jobs, and R&D by 10%, or 2 206 jobs. (The growth rates in these two sectors is nevertheless far behind that of the Swedish average, which displays a 39% growth in jobs in “banks, real estate and business services” and 20% in R&D.) The overall job loss for the region was 2 974 in this period. Moreover, overall development looks much worse if one compares the 2001 figures with those of 1990, which themselves were poor given the difficulties experienced by the Swedish economy during the first half of the 1990s.



**Map 4: Employment change in the Baltic Sea Region 1993-1997 (Norra Norrland marked with a black oval). Source: Nordregio**

Industry in the coastal area is export oriented and dominated by a few large firms in the fields of pulp, paper, iron and steel. Manufacturing industry in the inland area is mainly directed towards the (small) home market relying predominantly on primary resources.

Unemployment is 5,8% in Västerbotten and 9,4% in Norrbotten, again with the peaks in the inland areas. It is as high as 16,5% at the Finnish border (Övertorneå and Pajala). The employment ratio for the study region is lower than the national average,

at 43,7% (women: 42,1%, men: 45,2%) compared to 46,0% (women: 43,7%, men: 48,4%) while Norrbotten has an employment ratio 2 percentage points lower.<sup>98</sup>

The overall educational level of the region is comparable to that of the nation as a whole, but there are considerable intra-regional differences. Norrbotten has a lower educational level regarding tertiary education (27,6%) than Västerbotten (34,3%) while the national level figure is 31.9%. The region's universities are located in Umeå and Luleå respectively, which leads to an even higher percentage of tertiary education in these cities than in the inland areas where it is only slightly above 21%.

As in other parts of Sweden, increasing focus has been placed on the “third task” of higher education establishments. Umeå University has therefore established *Uminova*, a joint company owned by the university, the university of Agricultural Sciences, and the municipality, and designed to work with and promote contacts between the university sector and business. More generally with regard to university policy the “third task” and even the “fourth task” are seen as increasingly important, with the “fourth task” being the role of the university in regional development, in contrast to its societal role more generally.<sup>99</sup> In addition to higher education, the region does however offer good vocational training opportunities.

Indeed, there is a close connection here to the theme of specialisation, in particular with regard to the concentration on different aspects of highly specialised forms of education, and in some cases we can clearly see a division of labour emerging between the municipalities in this regard, within the region. Some examples of this are given in the project examples presented in other sections of the report.

## **2.2 STRUCTURAL FUNDS PROGRAMMES (1994-1999 AND 1999-2006)**

### **Aims**

As the region is sparsely populated and losing population the strategies aim to create an attractive environment focusing in particular on the supply of jobs, especially for women and young people. Underlying the general aims of the provision of economic growth and equal opportunities with regard to working and living, the Objective programmes for both programming periods favoured roughly the same focus areas: The overall objectives of the programmes were to create new jobs through new firms and the already existing network of SMEs, as well as to support training, R&D, IT knowledge and implementation, local development and infrastructure projects. The

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<sup>98</sup> f\_case\_study.xls: “Sysselsättning”, [www.regionfakta.com](http://www.regionfakta.com)

<sup>99</sup> Sondell (1999): *Det regionala uppdraget: En fjärde uppgift?*, CERUM WP 12:1999, and [www.uminova.se](http://www.uminova.se).

measures are detailed more fully in the financial overview later in the text. Furthermore these aims were supported by the horizontal themes of gender equality and nature and environmental concerns.

### General spending information

During the period 1995 to 1999 the case study region received approximately 200 million euros in support from the Structural Funds, or about 400 euros *per capita*.<sup>100</sup> Of the two counties, Norrbotten received a larger share of the assistance, both with regard to absolute value and in respect of euro *per capita* (430 and 330 euros *per capita* respectively). In a European context this is not a particularly high level of support, but in Sweden only one other region (Jämtland) received more support per capita.

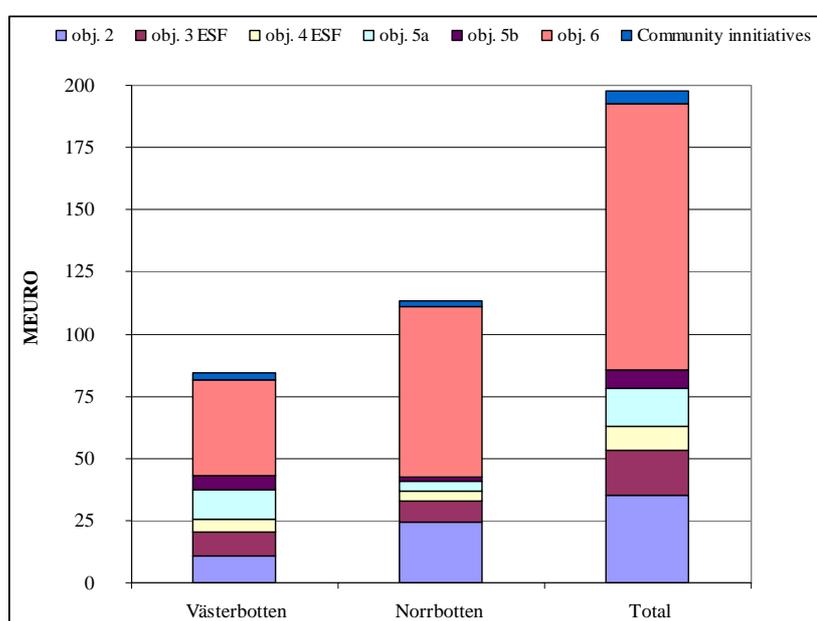


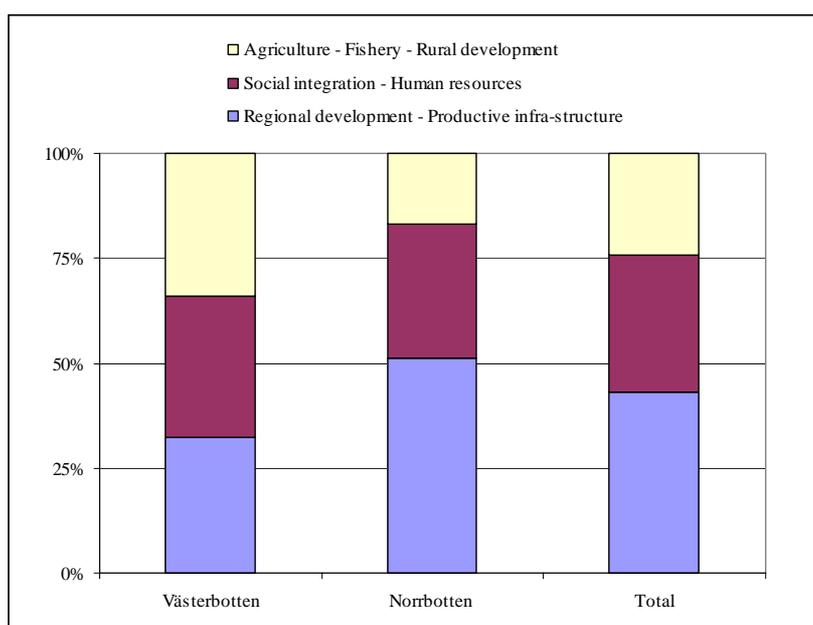
Figure 1: Structural funds spending in MEURO, per programme and county.

### Type of spending

Within ESPON 2.2.1, Structural Funds spending (and the Cohesions Funds) has been classified into a specific typology, allowing for a more detailed analysis of European spending. The classification is based on the predominant funds involved (ERDF, ESF, EAGGF, IAGF, Cohesion), and also on the predominant character of the SF programme (Objective 5b - rural development, Objective 3 - social integration and

<sup>100</sup> The total amount of SF support is likely to be somewhat higher than indicated here as some of the project funding (measure 6.1 Infrastructure investments) has, according to the financial database, been allocated to another region within the objective 6 area but is though likely to have been used in the case study region. The Interreg projects are also not included. Source: ESPON 2.2.1 database.

human resources). The resulting typology contained the following categories: (R) regional development, productive infrastructure, (A) agriculture, fishery, rural development, (S) social integration, human resources, (CE) basic infra-structure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport. The division between the categories for Norra Norrland can be seen in figure 2 below. According to this typology most of the Structural Funds spending is categorized as regional development – Productive infrastructure (mainly ERDF), followed by Social integration – Human resources (mainly ESF) and finally Agriculture - Fishery – Rural development (mainly EAGGF and FIFG).

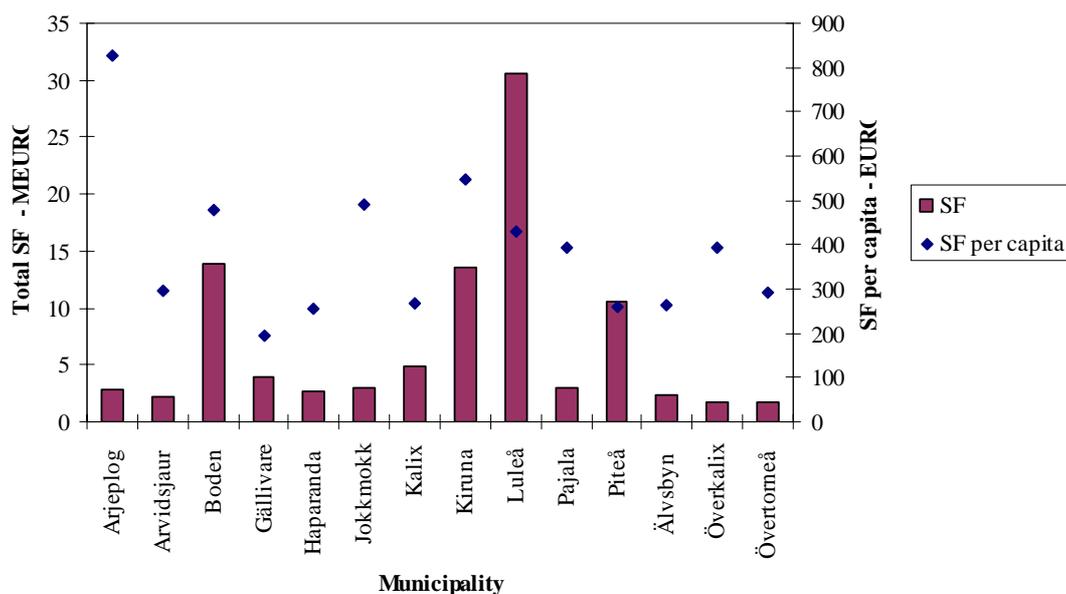


● **Figure 2: Type of Structural funds spending per county.**

The inter-regional differences were even more considerable when viewed in terms of differences between the municipalities within the region. The picture below is indicative of the inter-municipal spending differences during the programming period 1995-1999 (table 1<sup>101</sup>).

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<sup>101</sup> The table only covers about 90 percent of the total Structural Funds spending in Norrbotten, leaving out data from the community initiatives and Objective 5a.



## Objective programmes 1995-1999

### Objective 2 Norra Norrlandskusten

The Objective 2 Norra Norrlandskusten covers parts of the coastal zone (Luleå municipality and parts of Piteå, Boden and Skellefteå municipalities), altogether 8 959 km<sup>2</sup> and 210 000 inhabitants. Compared to Objective 6 this programme was designed for those parts of the region with a higher population density (23,5 inh./km<sup>2</sup>).

### Objective 2

Measures	Norrbotten		Västerbotten	
	euro	%	euro	%
<i>1 Company cooperation</i>	3 468 090	14	1 889 945	18
<i>2 External investments and new establishments</i>	5 112 752	21	1 794 624	17
<i>3 Entrepreneurship of women and young</i>	1 452 572	6	997 748	9
<i>4 Cooperation between SME and competence centres</i>	6 225 614	26	1 461 642	14
<i>5 Competence development in enterprises</i>	3 694 758	15	3 293 783	31
<i>6 Information technology</i>	2 837 017	12	134 572	1
<i>7 Tourism, culture and environment</i>	815 984	3	797 338	8
<i>8 Technical assistance</i>	676 381	3	228 562	2
<b>Total</b>	<b>24 283 167</b>	<b>100</b>	<b>10 598 214</b>	<b>100</b>

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### Objective 6 Sweden

The objective 6 programme, which was established in 1995 in Northern parts of Finland and Sweden, was aimed at the development and structural adjustment of regions with an extremely low population density. In Sweden, the whole programme area covered an area of 240 000 km<sup>2</sup> (50% of Sweden) and 434 000 inhabitants (5%). In the case study region only the more sparsely populated inland municipalities were

eligible for support from the programme (24 municipalities), while the more populated coastal area was covered by objective 2 and partly by objective 5b.

The table shows how EU funding, within objective 6, was distributed between the different measures of the programme.

## Objective 6

Measures	Norrbotten		Västerbotten	
	euro	%	euro	%
<b><i>1. Development of enterprises</i></b>		<b>37</b>		<b>29</b>
1.1 Development of SMEs	16 681 147	20	8 133 991	16
1.2 Increased competence in the SMEs	5 307 992	6	3 650 957	7
1.4 Development of tourism	3 365 530	4	3 018 226	6
<b><i>2. Increased competence</i></b>		<b>25</b>		<b>15</b>
2.1 Strengthening of R&D	9 000 000	11	2 234 105	4
2.2 Knowledge in R&D	4 075 545	5	2 530 416	5
2.3 IT- implementation	2 941 176	4	2 162 773	4
2.5 Infrastructure for education	1 220 837	1	940 680	2
<b><i>3. Agriculture, fisheries and natural resources</i></b>		<b>10</b>		<b>12</b>
3.1 Compensation for farming in remote areas	4 382 353	5	4 290 588	8
3.2 Start up support for new young farmers	1 558 824	2	1 523 529	3
3.6 Fisheries	97 487	0	96 487	0
3.9 Proficiency in ecology	440 548	1	206 878	0
<b><i>4. Rural and Community Development</i></b>		<b>23</b>		<b>15</b>
4.1 Measures within tourism and culture	3 210 083	4	2 193 824	4
4.2 Increased competence in local development issues	3 176 901	4	1 722 440	3
4.4 Measures to increase the occupancy	3 555 176	4	1 031 985	2
4.5 Development of rural areas	5 769 508	7	2 805 219	5
<b><i>5. Sami development</i></b>		<b>3</b>		<b>1</b>
5.1 Sami culture	1 750 790	2	514 149	1
<b><i>6.1 Investment in railway network</i></b>	<b>14 073 529</b>	<b>17</b>	<b>14 073 529</b>	<b>27</b>
<b><i>7. Technical Support</i></b>	<b>1 409 633</b>	<b>2</b>	<b>687 008</b>	<b>2</b>
<b>Total</b>	<b>67 943 530</b>	<b>100</b>	<b>37 743 255</b>	<b>100</b>

Note: For measure 6.1, "Investment in railway network", the available financial information is on the programme level. It is not possible to know the division of funding down to the counties. The numbers presented here are only estimates.

## Results in brief

The Objective 6 and 2 programmes in the region each had difficulty in reaching the quantitative goals set for the economical development. The final reports and *ex-post* evaluations<sup>102</sup> carried out for these programmes draw a heterogeneous picture of the

<sup>102</sup> NUTEK, 2002: Slutlig rapport för Mål 6 Sverige 1995-1999; NUTEK, 2002: Slutlig rapport för Mål 2 Norra Norrlandskusten i Sverige 1995-1999; NUTEK, 2003: Från regional fördelningspolitik till regional tillväxtpolitik - Slututvärdering av Mål 6 och Mål 2 Norra Norrlandskusten samt Mål 2

outcomes. Although they have largely fulfilled expectations, in respect of for example the number of new jobs and firms created, the *ex-post* evaluation for Objective 6 in Sweden states “However, there are no general positive economic effects in the region regarding structural transformation, changes in unemployment and population that can obviously be connected to the implementation of the programme.”<sup>103</sup> The gap between the reported figures in the national database and the results of the evaluation sample are in fact considerable. In the Objective 6 evaluation, based on 20 projects chosen randomly for interviews, the database data indicated that a total of 852 new jobs had been created, while the outcome of the interviews with the project leaders was that this figure dropped to only 65 newly created jobs. Therefore it was argued in the evaluation report that there were “good reasons to believe that the information gained through interviews is more in line with reality” and “the job creation effect for these randomly chosen projects was only 7.6% of what was reported in the database” (Wiberg, Jansson & Lundmark (2002): *Ex-Post* Evaluation of Objective 6 Programmes for the Period 1995–99”, p. 44). Looking at the sub-regional level, there are some areas that have been successful in terms of job creation and economic trends (coastal areas), but it was not possible to reveal a direct causality between these developments and the programmes.

The special focus on SMEs has shown visible effects and a twin analysis<sup>104</sup> points to the fact that the firms that took part in the Objective programme had a higher degree of cooperation with other firms in developing and selling new products, as well as a higher number of new jobs, though only a slight growth in turnover. It was hard to observe any quantitative effects regarding the business climate; nevertheless the interviews indicate positive developments in respect of the business climate, the new nature of cooperation, and living conditions. The quantity and quality of co-operation was seen to have improved, though it was also seen as problematic that it was in most cases external actors (universities, external consultants) that drove the projects. A closer connection to project planning and implementation at the level of the local and regional businesses was thus called for in many instances. This is naturally a more common problem with the project culture: those that have project management competences and the required resources are not always those that are expected to participate in the projects in order to achieve the desired results. While the participation of the business community is essential for goal achievement, business actors do not always feel that the projects planned by the project experts meet their needs. In general it can be concluded that at the time of the evaluation, it was not possible to examine any long-term effects concerning cooperation and networking. It is possible however to conclude here (both on the basis of evaluations and the interviews undertaken as part of the case study work) that the “soft” effects such as increased cooperation and networking are the most noticeable, and probably also the most important outcomes.

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Ångermanlandskusten; Wiberg et al., 2002: *Ex-Post* Evaluation of Objective 6 Programme for the Period 1995-99 – Country Report for Sweden

<sup>103</sup>NUTEK, 2003: Abstract

<sup>104</sup>cf. NUTEK, 2003

## Objective programmes 2000-2006

### Objective 1 Norra Norrland

In the current period the previous objectives have been merged into the new Objective 1 Norra Norrland, covering the whole of the area, both Norrbotten and Västerbotten.

The funding structure of Objective 1 is as follows<sup>105</sup>:

### Objective 1

Measures	Norra Norrland	
	euro	%
<b>1 Development of infrastructures</b>	<b>100 092 000</b>	<b>25,6%</b>
1.1 IT-infrastructure	25 632 000	6,5%
1.2 Transport infrastructure and solutions	25 580 000	6,5%
1.3 R&D	90 748 000	23,2%
<b>2 Commercial and industrial development</b>	<b>105 532 000</b>	<b>27,0%</b>
2.1 Support of SMEs	48 459 000	12,4%
2.2 General support for business	57 073 000	14,6%
<b>3 Development of skills and employment</b>	<b>84 859 000</b>	<b>21,7%</b>
3.1 Training for employees	18 663 000	4,8%
3.2 Increased employability and entrepreneurship	16 504 000	4,2%
3.3 Integration, diversity and gender equality	23 221 000	5,9%
3.4 Local development	1 200 000	0,3%
3.5 Competence and education	25 271 000	6,5%
<b>4 Rural development, fishing and aquaculture</b>	<b>51 447 000</b>	<b>13,1%</b>
4.1 Investments in agriculture, gardening and reindeer breeding	28 839 000	7,4%
4.2 Start-up support to young farmers and reindeer breeders	2 472 000	0,6%
4.3 Producing and marketing of agriculture products	5 025 000	1,3%
4.4 Training	10 049 000	2,6%
4.5 Countryside development	17 365 000	4,4%
4.6 Environmental measures in forestry	3 296 000	0,8%
4.7 Adjustments in fishery	156 000	0,0%
4.8 Development of fishery	7 138 000	1,8%
<b>5 Nature, culture and human environment</b>	<b>33 694 000</b>	<b>8,6%</b>
5.1 Environment and culture	30 447 000	7,8%
5.2 Living conditions, cultural activities and local development	30 447 000	7,8%
<b>6 Sami programme</b>	<b>7 976 000</b>	<b>2,0%</b>
6.1 Development of reindeer breeding and Sami countryside	6 136 000	1,6%
6.2 Sami village and cultural development	3 674 000	0,9%
6.3 Training - research and education	2 462 000	0,6%
<b>7 Technical Assistance</b>	<b>78 000</b>	<b>0,0%</b>
<i>out of:</i>		
ERDF	246 622 000	63,0%
ESF	88 217 000	22,5%
EAGGF	50 609 000	12,9%
FIFG	5 952 000	1,5%
<b>Total</b>	<b>391 400 000</b>	<b>100,0%</b>

<sup>105</sup> Source: [http://europa.eu.int/comm/regional\\_policy](http://europa.eu.int/comm/regional_policy)

## Community initiatives<sup>106</sup>

### *Interreg*<sup>107</sup>

As Norra Norrland is a border region it takes part in a variety of Interreg programmes primarily with the other Nordic Countries, but also in the context of the Baltic Sea and Barents cooperation.

1995-1999

- **Interreg IIA Kvarken-MittSkandia**
- **Interreg IIA North Calotte Region**
- **Interreg IIA Barents**
- **Interreg IIA Sapmi**
- **Interreg IIC Northern Periphery (former Art.10)**
- **Interreg IIC Baltic Sea Region**

2000-2006

- **Interreg IIIA Nord (with sub-programmes: Nordkalotten, Kolarctic and Sápmi)**
- **Interreg IIIA Kvarken-MittSkandia**
- **Interreg IIIB Baltic Sea Region**
- **Interreg IIIB Northern Periphery**
- **Interreg IIIC North Zone**

As was argued in the *ex post* evaluation of the Swedish Objective 6 programme, it was felt that there was a need to activate cross-municipal collaboration and planning strategies along the main transport corridors. One of the examples mentioned in this respect is the process of Swedish-Finnish co-operation within the so-called “Bothnian Arc”, i.e. along the coast from Piteå to Haparanda with the Finnish part extending to the Oulu region. As the main source of project funding here is the INTERREG

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<sup>106</sup> Another Working Package will deal with the Community Initiatives or Interreg and therefore the main focus here is with the Objective Programmes. Yet in some cases there are clear connections and synergies between the Objective programmes and Community Initiatives, and in such cases reference will also be made to these in this case study.

<sup>107</sup> Besides Interreg, during 1995-1999 the counties of Norrbotten and Västerbotten received funding through the following Community initiatives: Adapt, Employment, Leader II, SME, while during the current programming period, Norra Norrland is only eligible for EQUAL.

initiative (previously Interreg IIC, as well as Interreg IIA North Calotte 1995-1999, now implemented under the umbrella structure of Interreg IIIA North). This is a good example of activity where nationally delimited programmes (Objective 6 or Objective 1) and cross-border programmes can (and should) be co-ordinated in order to focus the activities in an effective fashion. (These activities have also been supported within the framework of Innovative Actions within the Regional Innovation (/Technology Transfer) Strategies (RITTS/RIS) umbrella during both the previous and current programming periods.)

The question of eligibility is here also closely connected to the need to draw the boundaries of eligible areas in a more functional fashion, also taking into account the need to include both central urban areas and the more peripheral areas. This is also in line with the view on polycentricity put forward in this project. As was argued in the Objective 6 evaluation, “the functional relationships between central places and hinterlands must be considered when setting the borders for regional policy programmes. Dividing a node from its hinterland creates weaknesses for programme implementation and interplay in general at the regional level” (Objective 6 evaluation, p.63). The need to work both nationally and within a cross-border context has thus also been acknowledged and here the “Bothnian Arc” initiative can be taken as an example of polycentricity potentially strengthening and empowering the northern peripheries.

### Example of co-operation under Interreg in the region: Bothnian Arc (IR II and III)

The Bothnian Arc includes seven Swedish municipalities and 27 Finnish municipalities. The members of the co-operation agreement include Skellefteå, Piteå, Älvsbyn, Luleå, Boden, Kalix and Haparanda in Sweden, and Ylivieska, Raahe, Oulu, the Oulu Arc and Kemi-Tornio in Finland. The total population of the area is 610,000, which accounts to more than half of the population of northern Sweden and northern Finland.



(Source: Bothnian Arc homepage.)

The Bothnian Arc focuses on regional development issues, realising its goals through three sub-projects: Vision, Strategy and Network, Communication Systems, and Tourism and Environment. The aim of these projects is to present decision-makers with proposals for concrete measures for planning and investment and other efforts that will contribute to positive development in the Bothnian Arc region. The initiative is also expected to create long-term networks for regional co-operation, encourage vital agreements for development and new project ideas.

The activities included deal with regional planning issues and the means and methods for development and co-operation within the region. There are activities aiming at the creation of a common GIS system for both countries, and networks for collaboration in research and education among the region's universities and colleges that seek to promote regional development.

The project's highest decision-making body is a committee of the region's top-level decision-makers and administrators. An executive management group for the umbrella project is comprised of civil servants and representatives from the various partner organisations.

### 3 IMPACTS ON SPATIAL DEVELOPMENT

#### 3.1 POLYCENTRIC DEVELOPMENT

Although the impacts of the Structural Funds as regards polycentricity are difficult to examine, as the polycentricity discourse has largely been developed after the programmes analysed were already drafted, there is some possibility of identifying and perhaps even analysing the importance of the idea in the SPDs, which can provide a tentative indication of the focus of the programme and its connection to polycentricity.

In the previous period there were no explicit references to polycentrism or urban-rural partnerships in the programmes. Furthermore the existence of two different programmes for the rural and the urban areas can be taken as an indication of urban-rural partnerships not having played a significant role in the programme design. This conclusion emerged both in the interviews and in the *Ex-Post* Evaluation for Objective 6, where this issue was heavily criticized as the area designation “cut off the functional relationships between regional centres with their important development potential from their hinterland”<sup>108</sup>. Thus polycentricity could even be seen as negatively affected by the delineation of programme areas. The questions of area designation and of the drawing of the borders for programmes are of central relevance to the effectiveness of programme implementation and future development. This was apparent in the case of the Swedish Objective 6 and Objective 1 regions, as well as in relation to the eligibility questions relating to the Leader Community Initiative. As was argued in the Objective 6 *ex post* evaluation (*Ex-Post* Evaluation of Objective 6 Programmes For the Period 1995–99, Swedish Country Report by Ulf Wiberg, Bruno Jansson & Linda Lundmark, 2002, p. 62):

The delineation of the [Objective 6] area must however be questioned. One must first look at the regional organisation of Northern Sweden. Due to historical reasons and natural conditions most of the existing spatial structures of economic activities and settlements are located either along the coast or along the river valleys. Important key actors responsibilities and initiatives across northern Sweden are located in the main nodes along the coast. Towns like Umeå, Luleå, Härnösand and Sundsvall are, while not centrally placed in the region, the central places in their counties. When the Objective 6 area was decided upon it seems to have been the foremost interest to bring as much of the funding as possible to the most sparsely and marginal areas. The somewhat, and in some cases much, stronger coastal communities were left to cope on their own. However this also meant that the Objective 6 Programme area in some ways cut off the functional

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<sup>108</sup> Wiberg et al. 2002, p.62

relationships between regional centres with their important development potential from their hinterlands. Out of the seven counties that were part of the Objective 6 area only Jämtland with its regional centre Östersund was completely included.

*And:*

The delineation of the present Objective 1 programme seems to have considered these spatial interdependencies by also including the areas with the main central places in the northernmost counties. Further, it may be stressed that this delineation facilitates the practical implementation of ESDP in Northern Sweden. In recent years efforts have been launched to activate cross-municipal collaboration and planning strategies along main transport corridors. For example the E12 alliance between municipalities Umeå-Vännäs-Vindeln-Lycksle-Storuman may be mentioned. This initiative is also supported by the INTERREG programme Kvarken-Mittskandia, which started in parallel with the launch of the Objective 6 Programme. Another example is the Bothnian Arc along the coast from Piteå to Haparanda with a Finnish part extended to Oulu. Also in this case an INTERREG programme is supporting cross-border efforts. Different programmes should be given possibilities to strengthen each other.

*Thus, it is the evaluators' opinion that the functional relationships between central places and hinterlands must be considered when setting the borders for regional policy programmes. Dividing a node from its hinterland creates weaknesses for programme implementation and interplay in general at the regional level.*

The missing link between the central areas and the hinterland can also be taken as an indication that the idea of polycentricity was not taken up in drafting of the programme. The distributive ideals of spatial justice as they have been maintained in traditional regional policy discourses still seem to represent the ideal or norm. Nevertheless, the strong commitment to the development of R&D was by definition an investment in regional growth centres, as the R&D institutions are usually located in the centres. The best example of the building of a regional science centre was the MRI in Kiruna, illustrated in the table below<sup>109</sup>.

Example of regional specialization in the R&D sector: space research in Kiruna

The Environmental and Space Institute (Miljö- och rymdforskningsinstitutet MRI) was established in 1996 with Objective 6 financing, following an initiative of the Swedish Research Council (Vetenskapsrådet). The MRI included three programmes: Atmospheric Physics Programme, SMC - Spatial Modelling Centre and CIRC - Climate Impact Research Centre. While the latter two are currently part of Umeå University's activities, the atmospheric research programme remains part of the Swedish Institute of Space Physics (IRF) and is thus also physically located in Kiruna. In addition to these research-related parts of the MRI there were also a number of more commercially-oriented parts, i.e. the environmental data centre (Miljö Data Centre) that is today part of Metria, (a consultancy company owned by Lantmäteriet, i.e. the national land surveying authority) and MRI Business

Development: Kryoteknik.

The idea behind the establishment of the MRI was an attempt to further promote R&D around Kiruna and to provide for a firmer basis between the existing areas of expertise. The centrality of Structural Funds financing was of key relevance here, as it was argued in the interviews that this type of expansion would not have been possible without Structural Funds financing. According to Objective 6 evaluation there were 60 new jobs created in MRI, in addition to the 200 jobs created in the Kiruna municipality through indirect effects. The County Administrative Board estimated originally that a total of 300-475 jobs would be created in a 10-year period. These expectations could not be fulfilled however and the secondary effects are estimated to be not more than 50 jobs. Yet the project was useful in specialization terms and it was estimated to have played a central role in the specialization drive of Kiruna municipality and the region more widely. There are also important aspects relating to learning that can be garnered from the experience of MRI, as the notion of 'learning' itself has been one of the main impacts of the Objective 6 and other programmes implemented during the 1995-1999 programming period in Sweden.

### Conclusions

Given its novelty a significant amount of enthusiasm was engendered at the beginning of the project, even within the general populace of Kiruna. In terms of scientific results, the creation of MRI was viewed as a positive development, bringing 'value added' to existing institutions. Some "soft effects" were also acknowledged in that it helped to move the image of Kiruna away from that of being solely a manufacturing town. Considerable problems however arose at the end of the programme period because of a significant uncertainty about ongoing support. Specializing in R&D intensive activities can be a way of connecting peripheral regions to the centre, nationally and internationally, but in this case a close relationship between the research community and the local community was not really established. Moreover, becoming a node in a wider polycentric Europe might even imply the loosening of connections with the local environment, in particular in such a highly specialized area of expertise. The issue of the lack of robust connections between research and business development has also been seen as problematic.

It is also problematic to use Structural Funds financing to establish permanent structures in R&D, as the funds are only intended to provide short-term solutions to identified problem areas. As was the case with MRI, the considerable size of the investment was also problematic in other ways, if you consider the short-term temporal perspective involved. Firstly, it can be argued that many other potential sources of financing overlook such areas where high profile Structural funds investments have been made. Thus R&D facilities that are seen to receive an important share of Structural Funds financing, such as MRI/IRF may risk losing out on other sources of funding at the same time. Secondly, we have the more general problems associated with the nature of SF financing: with "support" rather than "investments" giving a certain negative image to such activities that is difficult to erase. There is therefore the risk of dependency, if not real then perceived, which may reflect negatively on the activities in the longer run. Together with sources of R&D funding (Framework Programme, national sources) the Structural Funds can also however be used effectively in the R&D sector.

The picture with regard to polycentricity clearly changes when we view the current programming period however. Although the term polycentricity is not explicitly mentioned here either<sup>110</sup>, the SPD for Objective 1 for 1995-1999 definitely has a stronger spatial dimension than the previous SPDs. Looking at region the issues of

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<sup>110</sup> It must also be taken into account that the SPD was written before the ESDP document was published, and therefore the discourse around the ESDP themes was, at this time, only beginning to gain ground within the EU. Therefore it is hardly surprising that polycentricity and similar ESDP themes were not addressed in an explicit fashion, though in some EU countries and regions they may have already been on the policy agenda.

*distance* and *difference* within it underlie every part of the description, in the “Research and Education” and “Transport” sectors this is directly related to intra-regional interaction.

Interviews with programme administrators and civil servants on the regional level indicate that the concept polycentricity is more widespread and more accepted in the current programme period than that of the 1995-1999 period. It is equally apparent in the interviews that regional development is becoming increasingly targeted on growth centres, clusters and polycentric spatial patterns within the region. This awareness among planners and administrators is however counterbalanced by the political necessity of being seen to address the needs of the whole region and thus of *all* of its inhabitants. It is still not easily politically to move from addressing all regions equally within the politics of “spatial justice” to a more differentiated regional policy where growth centres would be seen as sources of growth.

The structure of the economy in Norra Norrland has shifted from that of a spatially even distribution based on primary industries to being based on knowledge-based, more uneven (or at least differentiated) policies with all of the problems that this entails for the areas with more limited resources. Moreover Norra Norrland is increasingly placed in an inter-regional, European context. “Transport” and “Research and Education” are once again the two sectors where the most explicit reference to these interrelations is made, as for example with the integration of the transport infrastructure into the TEN. In addition to this sector-based view there is also an overarching description and set of aims of both the role Europe plays in the development of Norra Norrland and the role Norra Norrland can play within Europe. The influence of the “outside” is seen to be growing considerably, while the aim of regional policy is thus to adapt to these new structures. Proceeding from the analytical chapter to the strategy chapter, the topic “Coast and Inland” is taken as the basis for the aims of the programme. The regional centres are identified as being very important for the development of the region as a whole, an explicit but quite restrained formulation. Keywords in this context are: R&D, infrastructure and communication, distance learning, IT, competence centres, service function of larger towns, spin-offs from larger companies in the centres to smaller businesses in the hinterland. It is moreover explicitly stated that the interaction between the different parts of the region is very important, pointing to rural-urban partnerships and polycentric spatial relationships.

A number of the interviewees point to the fact that Norra Norrland as a region is a rather new construction, consisting of two counties. This division, and the clear geographical “inland-coast” division, thus affects the interpretation of several aspects of polycentricity. The union of two counties in this context has been necessary in order for the region as a whole to become a large enough actor, both nationally and in Europe. The rural-urban, or inland-coast, division and how to counteract it, is a major concern in the region. Focusing on polycentric development, growth centres, specialisation and similar themes automatically results in a focus on the coastal parts.

The authors of the *Ex-Post* Evaluation for Objective 6 developed a variety of proposals for the future implementation of the Structural Funds. Of these interwoven proposals, two are of direct relevance for the issues analysed in this case study. They call for a stronger connection to be made with spatial planning in general, not only in terms of sectoral views but also in respect of developing a more integrated and cooperative feel for the problems of depopulation. Instead of preserving unsustainable settlement structures through temporary programmes, new strategies for changing and adapting the current structures should be developed. This change includes for example “more concentration based on the cluster-building concept of economic activities”<sup>111</sup>, connected to the regional growth centre idea. A concentration on either thematic or geographical areas has already been taken up as an aim in the SPD for Objective 1<sup>112</sup>. However, how far all of these proposals take us with regard to the implementation of the current programme is hard to judge. Although the ideas behind these proposals were probably known at the time of the conception of the SPD, the evaluation was written after the SPD and even more importantly these proposals remain highly problematic and sensitive in political terms. The issue of polycentricity is both a politically sensitive and theoretically problematic one in areas with such a sparse population and small urban centres. This reflects the fact that polycentricity in its original form at least has been better suited to the situations pertaining to the highly urbanized Central European countries.

### 3.1.1 SPECIALISATIONS AND ROLES IN THE WIDER SPATIAL SYSTEM

The questions addressed here relate to the role of the region in relation to polycentrism at the European, national or regional level in general and in relation to the 8 indicators<sup>113</sup> used by ESPON 1.1.1. In particular we were interested in **identifiable changes** in terms of this profile.

#### *Description of the situation today*

From an analytical point of view there is a general problem in trying to apply the polycentricity typology to the northern parts of the Nordic Countries. Such an approach is perhaps more suitable for the densely populated areas of central Europe, where the problem is the need to ease the pressure on certain parts of the urban tissue. In this case, the problem is almost the opposite of such concerns, with Europe’s lowest population density and structural conversion affecting the role of the region. Additionally, from a policy point of view, many of the policy tools that are expected to contribute to more polycentric development patterns (e.g. development of co-operation between border-regions and creating functionally consistent “Euregios”) are difficult to apply in this geographical context. However, specialisation and

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<sup>111</sup> Wiberger et al. 2002, p.64

<sup>112</sup> SPD Objective 1, p.56

<sup>113</sup> Tourism, Industry, Knowledge / Higher education institutions, Decision-making / Location of company HQs, Administrative status and Economic base.

“endogenous growth” are themes that have become prevalent in regional policy even in the Nordic EU member states.

The main policy tools for regional development in the national context today are Regional Growth Agreements and Regional Growth Programmes. These can be seen as having emerged as a direct consequence of the Structural Funds, as the model and working practices, as well as the partnership approach are modelled after their European counterparts (Structural Funds programmes). In 1998, the Swedish government introduced a new regional industrial policy with the overall objective that “...on the basis of the unique features of each region, sustainable economic growth should be stimulated which will contribute to more and expansive enterprises and to an increase in employment.” The Regional Growth Agreements (RGA), inspired by the EU Structural Funds Programmes, were thus introduced to facilitate the implementation of this new policy.

The Agreements were programme-orientated and built up in a hierarchy of priority areas-measures-projects or activities. Gender equality and ecological sustainability had to be an integral part of all sections of the programme, which were used as a driving-force for development and growth. The agreements were drawn up in broad partnership, i.e. by networks made up of various public and private actors, managed by the County Administrations and, where applicable, the regional councils. The Agreements were not legally binding – instead the term was used to define voluntary collaboration and financing contracts between the parties.

The Regional Growth Agreements were implemented in 2000-03. The work will continue within the Regional Growth Programmes (RGP) to be implemented 2004-07. (Source: Swedish Ministry of Industry 2004 <http://naring.regeringen.se/tillvaxt/avtal/index.htm>).

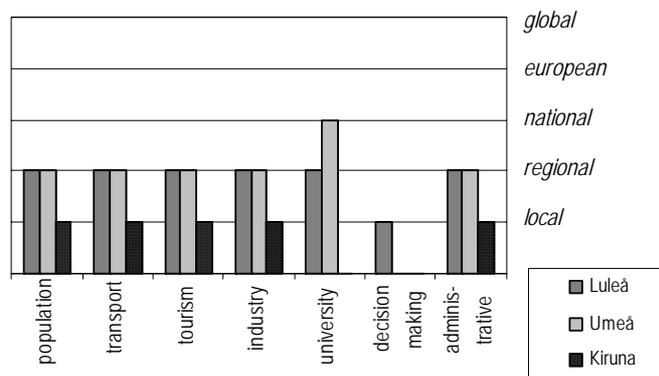
Some information on the Regional Growth Agreements and Programmes in the case study regions is given in the table below.

With regard to the polycentricity related themes, there are some connections worth mentioning in the regional programmes of Norrbotten and Västerbotten. As a general principle, relating to the regional impact, the programmes should be harmonised with Objective 1. In relation to connectivity the development of the airport capacity is referred to.

Regional specialization is relevant in relation to basic industries, car testing, space research, and the IT and tourism sector, all of which are included in the programmes. Cohesion and regional attractiveness are referred to in connection to investments in local development and culture, creating an “attractive living environment”, influencing attitudes, and strengthening the “regional identity”. Regional balance and connectivity are equally relevant in relation to investments in IT and related infrastructure in order to provide for “distance education” and new SMEs.

All in all, the themes and measures included in the RTPs are well in line with the goal-setting of the Structural Funds programmes, though naturally only their implementation will show how these synergies can best be created.

The polycentricity typology builds mostly on so called Functional Urban Areas (FUAs). Although the FUAs play an important role even in these regions - in line with the European Polycentricity model as they represent the majority of the population and of the economic activity - economic importance cannot be focussed solely on these small parts of the region, as in the vast area of over 160 000 km<sup>2</sup> there are only three Functional Urban Areas: Umeå, Luleå and Kiruna.



According to ESPON 1.1.1 these three FUAs have the following importance for different spatial levels:

The overall category considers Luleå and Umeå as transnational/national and Kiruna as regional/local. The only “peak” is the national significance of Umeå with a large university (~26 000 students).

In addition to this typology- oriented view one can see certain parts of Norrbotten being far more important on a European or even a global scale. The focus on research and development activities, contributed to by the Structural Funds, has resulted in a space research institute of international importance being situated in Kiruna, as well as increasing specialisation by Luleå and Umeå universities, in IT and biomedicine. The car testing industry is an oft-cited example of a “success story” for the region, and it has clear international importance. (See the box below.) The nature resource based industries, otherwise in decline, have also benefited from the new R&D activities. Furthermore Norra Norrland has potential for further developing the tourism industry. This is also stated in the SPD for Objective 1. The growth in this sector has however been rather low, and as one interviewee put it, tourism has been

highlighted as a “potential growth area” for the last 70 years, without any considerable expansion having taken place.

***Car testing as an example of territorial specialisation:***

***The example of the***

***Swedish Lapland Test Region:***

Strengthening and “branding” the existing car testing cluster, where car tests have been taking place since the 1970s. The area as a whole includes 8 municipalities (Kiruna, Gällivare, Jokkmokk, Arvidsjaur, Arjeplog, Malå, Sorsele and Älvsbyn), whilst the activities are clearly most important for Arvidsjaur and Arjeplog municipalities.

**Though this area was already identified during the 1995-1999 period as a potential area of specialisation, it was only during the current programming period that related projects were established, concentrating mainly on strengthening the cluster and establishing related training activities for the management level and for those working in the related businesses mainly tourism, (total financing of these 4 projects 7,2 mill. €).**

The position within regional development field and SF activities of car testing is somewhat ambivalent, as there is often reference to the need to develop activities on a “free market” basis and on competitive advantages, rather than stressing the more political aspects in the sector’s development. Nationally few activities have been undertaken to further develop the cluster, though the Ministry of Trade and Industry did publish a report in 2003 on “Testing activities in Norrland’s inland areas as a new basic industry” (Näringsdepartementet: ”Testverksamhet m.m. i övre Norrlands inland – en ny basindustri, slutrapport bil- och komponenttestnäringen i övre Norrlands inland” ([http://naring.regeringen.se/propositioner\\_mm/pdf/ds2003\\_18.pdf](http://naring.regeringen.se/propositioner_mm/pdf/ds2003_18.pdf) )

The seasonal nature of the activities is a potential problem in developing the related economic activities, in particular tourism, as most test activities naturally concentrate on the winter season. Much of the positive employment effect is applicable only part of the year and one of the key economic and education challenges is thus to develop activities that can be combined with this seasonal employment. There still seems to be important untapped economic and employment potential in this sector, with the economic impact of the sector in the 2002/2003 season reaching 500 mill. SEK (in GDP terms), as well as with 1500 jobs and 2000 visitors in the sector each year and with an important annual growth (estimated to be 20-25%).

***Measures and projects in the ESPON-relevant sectors***

**Tourism**

Interventions aimed at supporting the tourism industry have played an important role in the Structural Funds support implemented in the region. One only needs to take a look at two of the largest programmes, Objective 2 and Objective 6, where

approximately 17 percent of the total funding in Västerbotten, and about 11 percent in Norrbotten have been within measures directly aimed at supporting tourism (as identified in the titles of measures). These percentages do not however give an exact picture of the role of tourism in the programmes, as many of the other measures e.g. those directed at local development and SMEs, have several projects that are related to this sector. This is perhaps not surprising, as tourism is considered to be the sector that has the highest **growth potential** in the region, especially in terms of employment, while it remains also relatively under exploited<sup>114</sup>. There are a number of reasons why the tourist industry potential has not been fully realized. These relate to the nature of tourism as a seasonal activity and to the fact that it may not be easily profitable in economic terms, which is in itself related to the nature of the sector in the region seen as a fragmented field of small entrepreneurs rather than a genuine cluster. There are however activities that seek to utilize car testing for instance as a basis for expanding winter tourism (seeking to target those that travel to the region “on business” so that they would later return “in private” etc.) and to deal with the problems of seasonal employment.

## **Industry**

Mining, forestry and industries based on these primary products (e.g. paper production) have been very important for the economic growth of the region for a long time and remain a major source of employment. The importance of activities within these sectors is thus still, and probably will continue to be, of economic importance for the region. However, industrial restructuring and modernization/rationalization has resulted in a continuous reduction in jobs, diminishing the traditional base industries role as a major source of employment. This is a trend that is likely to continue into the foreseeable future.

In objective 6 1995-1999, measure 3 was aimed at the base industries in the region i.e. agriculture, fisheries and natural resources (mining), but these issues only received about four to five percent of the total SF spending. This is understandable as it is not likely that many new jobs will be created within this sector, bearing in mind that the creation of new jobs and the diversification of the economic base was, and still is, one of the main objectives of the Structural Funds programmes. Today however the main area targeted and successfully developed with Structural Funds financing is the development of expertise and the R&D sector, which also tries to combine top expertise and new IT applications in the traditional industries.

## **Knowledge / Higher education institutions**

Research and education pursued today at the larger educational institutions (e.g. Umeå and Luleå) is considered to be among the most important factors behind the rapid business restructuring going on in the region (etc. Norrbotten). Luleå University is for

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<sup>114</sup> cf. Wiberg et al. and see SPD Objective 1 p.12

example one of Norrbotten's largest workplaces<sup>115</sup>, with activities in four other smaller urban areas (Kiruna, Skellefteå, Piteå and Boden).

The educational level of the population within the objective 6 part of the case study region is relatively low, with out-migration draining the area of qualified persons. One of the problems with this low educational level is the fact that even if jobs are created in the region there may be a shortage of employable inhabitants. For this reason, an important part of the objective 6 programme was to increase the educational level of the inhabitants. Another focus of the Structural Funds was the connection between research and business in the area. Within the objective 6 programme approximately ¼ of the funding in Norrbotten and Västerbotten was spent in the field of R&D, IT and education. Building IT infrastructure was important, as was training in IT-knowledge. An illustrative example here being that during the programme period 685 schools were provided with the latest technology to connect to the Internet.

The example of Akademi Norr (below) is also indicative of the new dynamism of the region, also reflected in the Structural Funds activities, namely the development of education as an important instrument in profiling the region (and its municipalities). It also exemplifies the connections of the regional universities to the surrounding areas, with localized units and educational programmes in the smaller municipalities.

Project example: Networking in higher education in the inland municipalities:  
Akademi Norr

One of the most central projects in the development of the specialisation potential and competences of the inland communities within Objective 1 during the current programming period is that of *Akademi Norr*, which is part of the "Inland Partnership" for the development and intensification of co-operation in the area of higher education and training in the inland municipalities of the Norra Norrland region. The basic organisational idea is the consortium within the "inland partnership" of 13 municipalities from 4 different counties in Northern Sweden.

Storuman municipality hosts the co-ordination unit of the project, with local "learning centres" in each of the other 13 municipalities (Arjeplog, Arvidsjaur, Dorotea, Kramfors, Lycksele, Malå, Sollefteå, Sorsele, Storuman, Strömsund, Vilhelmina, Vindeln and Åsele). The project has a steering group with political leadership of the municipalities involved, as well as an operational group involving the leading civil servants from the local level. Operative responsibility lies with the local learning centres and their responsible personnel. The universities included in the operational networks of the learning centres stretch from Chalmers University of Technology in Gothenburg and the Royal Technical University in Stockholm to Växjö University and the regionally based universities in Umeå and Luleå. Training activities range from short courses (in computer skills etc.) to longer programmes for teachers,

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<sup>115</sup> www.regionfakta.com

engineers and nurses.

The advantage of the project is that it addresses the sensitive issues of how to develop competences in areas without universities and how to ensure that the development of the inland areas less endowed with knowledge infrastructure is not overlooked in the new knowledge economy of today. The project is perceived as being a key element of the Objective 1 activities in the participating municipalities and is therefore also part and parcel of building a commitment to and an acceptance of Structural Funds more generally, whether this is an explicitly stated goal or not.

In a recent evaluation of the largest projects within Norra Norrland Objective 1 it was argued that Akademi Norr has a whole succeeded in establishing itself as an arena for co-operation within higher education and strategic development for the inland municipalities. It has achieved the necessary political backing and also partially succeeded in creating the critical mass required for the applied forms of higher education it seeks to offer. (EuroFutures 2002, 63.)

### **Transport / Accessibility / IT infrastructure**

Measure 6 of Objective 6 on “Infrastructure” was only directed towards railway improvements. It is unfortunately not possible to say exactly how much of the EU funding of 28 million € for the whole Objective 6 area was actually invested in Norra Norrland. Nevertheless, it is possible to say that three regional railway connections were established with the help of this funding. In the Objective 2 programme no measures relating to transport infrastructure can be found. In the SPDs and the evaluations it was pointed out that the regional transport infrastructure was already of a relatively high standard, but that there were some capacity restraints in the rail network. Thus, it is not surprising that the focus was on the upgrading of existing railway lines. Nevertheless, it is quite surprising that there was absolutely nothing else, except perhaps for a few minor investments in other modes of transportation related to tourism.

In the current programming period the focus has clearly shifted away from rail to air, with this now encompassing around 10 million € from a total of 18 million € in already accepted projects (about 7 million € is still available). The rail network receives about 5.3 million € (incl. the multi-modal transport centre Gammelstad/Luleå). Virtually every airport in the region receives funding. In the rail sector almost no funding has been allocated to tracks but is rather focused on travel

centres and the preparatory study for the Norrbotten region.<sup>116</sup> Infrastructure projects were repeatedly referred to as being among the most important in the interviews undertaken within this case study region. The potential problem (though also perhaps a strength) here is the required long-term perspective: immediate and direct job creation impacts are likely to remain low, whilst in the long run improvements in accessibility will be decisive for regional competitiveness and employment.

Considering the intention to integrate Norra Norrland into the TEN-T structure, the actual projects do not seem to have had a special focus on this trans-European approach, though they do partly coincide with the TEN-T lines, especially in the previous programming period. In the current period almost no consideration seems to have been taken with regard to TEN-T at the project level in contrast to the rhetoric of the SPD. The direct relevance of TEN-T is in any case not high as there are no planned investments within the European TEN-project in Sweden north of Stockholm.

Regarding the question of integrating further into European transport networks beyond TEN-T it can be assumed that the general upgrading of the tracks does have positive effects. The new Botniabanan in the southern coastal part improves communications through a fast rail connection to Stockholm and the rest of Europe at the regional, national and European levels. It receives only very limited financing through the Structural Funds (a travel centre in Nordmaling). The projected Norrbottenregion would improve the region's connections to the East, in particular to Finland and to Russia, and would additionally represent an alternative connection to the whole of Europe not via Stockholm. Nevertheless, the future of this project remains uncertain. Notwithstanding this however the upgrading of the airports alone will certainly improve the accessibility of Norra Norrland on the European level.

An assessment of the projects related to IT infrastructure is even harder to compile, but in both periods IT can be seen to have played a significant role as it attracts at least 5% to 10% of the expenditure of the programmes in the directly IT-related measures. How far this is additionally supported by activities in the other measures it is not however possible to discern. Moreover, the effects on spatial development are currently impossible to assess.

### Specialisation aspects of polycentricity: summary table

	Status during 1995-1999	Current status	Possible Structural Funds influence	Rate from 0 to 2 (0=no influence, 1=some influence, 2=important influence)
Tourism	Potential growth area, small scale  Out of Objective 2 and Objective 6 funding approx. 17 % in Västerbotten and 11 % in Norrbotten have been within measures directly aimed at supporting tourism.	Potential growth area, small scale	In relation to the share of funding targeted at these activities, the growth in tourism-related jobs has been modest: 388 new jobs between 1995 and 2001. There is a serious need to realise the existing potential referred to in connection to infrastructure development (e.g. Obj. 6), Indirect effects of car testing and focus on R&D in related service sectors.	1
Industry	Mining, forestry and industries based on these primary products (e.g. paper production) main sources of employment (apart from healthcare/social service).	Declining area of employment	In objective 6 1995-1999, measure 3 was aimed at the base industries in the region i.e. agriculture, fisheries and natural resources (mining), but these issues only received about four to five percent of the total SF spending. Some development through R&D activities related to the industry sector.	1

Knowledge / Higher education institutions	Well developed infrastructure, GRP in R&D sector slightly over national average (8% re national average of 7,8% in Norrbotten),  Umeå university of particular regional relevance with ca 2,900 employees and ca 24,000 students. Luleå University of Technology has 1,400 employees and 12,000 students (2000).	Growing share of GRP (in 2001 10% as compared to national average of 8,5%).	The sector where project activity was particularly active and where specialisation both nationally and regionally can be perceived as having taken place (Kiruna – space and climatic research, Akademi Norr and other examples where universities have been connected to more local training and educational activities, Music and culture in Piteå, ETOUR – tourist research in the previous Objective 6 area in Östersund, though with a broader, i.e. national, mandate).	2
Decision-making / Location of company HQs	Not relevant	Not relevant	Not relevant	0
Administrative status	Local/regional	Local/regional	Local/regional	0
Economic base	Loss of employment in primary industries and public sector. In objective 6 1995-1999, measure 3 was aimed at the base industries in the region i.e. agriculture, fisheries and natural resources (mining), but these issues only received about four to five percent of the total SF spending. Development of competences and training aiming at structural change and industrial renewal and moving from primary products towards service economy, focus on SMEs		Those involved in Structural Funds programme implementation locally and regionally believe that the programmes have contributed to structural changes within the regional economy towards services and tourism, evaluations are more sceptical	1

### 3.1.2 POPULATION / MASS CRITERION – URBAN SYSTEMS AND THE RURAL-URBAN SETTING

Needless to say, based on the idea of population as a mass quantity influencing the importance of a region and population density (urban areas as the motors of the economy) as a prerequisite for good economic performance, the prospects for Norra Norrland do not initially look promising. The lowest population density in Europe and only 530 000 inhabitants can simply not lead to economic prosperity through the agglomeration of people, irrespective of the fact that there may be other sources of economic growth not building on mass ideas. Thus, the mass criterion is not appropriate in assessing the importance of this region. The ongoing migration into the cities is however a matter of fact, Umeå and Luleå being the only municipalities experiencing population growth.

The programming documents of the previous period were clearly missing an explicit spatial dimension. Though taking into account the special situation of the regions as a whole, the measures were mostly directed to sectoral projects rather than taking up particular spatial issues and tasks. The aim was to create a liveable environment for all, regardless of where one lived, which of course indirectly involves a spatial dimension as it is in effect a commitment to safeguard marginal regions. The only part that had a specific spatial focus was that concerning “local development”, which was, in the opinion of the evaluators, not a search for sustainable settlement structures but rather an attempt to preserve the existing structure through public subsidies<sup>117</sup>. No ideas were developed on the relationship between urban and rural areas. Nevertheless there are some projects that can have an impact on rural-urban settings.

In the current programming period certain fields are highlighted as being important for the urban-rural relationship, or perhaps even better: urban-rural relationships are particularly important with regard to solving existing problems. The named fields are the better range of education, larger companies, services “etc.” in the towns on the coast that must be made use of for the development of the inland.<sup>118</sup> The measures that are important for this are measure 1 “Infrastructure” and 2 “business development”.

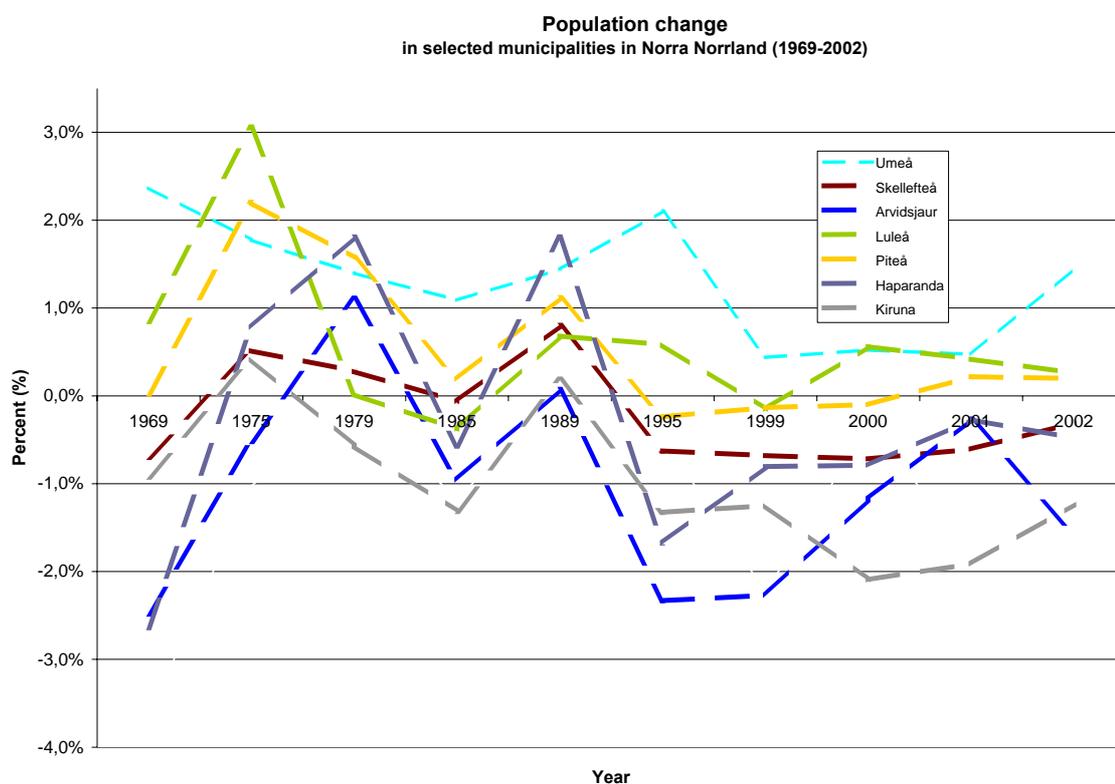
The fact that there emerged a clear gap within the social economy and rural development fields when the case study region lost its status as a Leader+ region has undoubtedly had an influence on the need to continue these types of more locally based and small scale activities, despite the fact that within the Structural Funds activities the development and discourse has been inexorably moving towards more large scale and focused projects. Even during the current Objective 1 programming period a significant share of the expenditure has been devoted to rural development, about 51,5 million €, some 13%.

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<sup>117</sup> Wiberg et al. p 64

<sup>118</sup> SPD Objective 1 p.47

Infrastructure as well as Research and Education seem to be the parts of the Structural Fund programmes that can best contribute to rural-urban relationships. The impacts of the transport infrastructure in this regard are questionable especially in the previous period. Supporting the railway with a strong emphasis on the carriage of goods is most probably of little use as regards the interaction between rural and urban areas. Even the support for some roads in the inland areas (motivated by car testing etc) will have almost no effect on this issue. It remains unlikely that the airports will need to be upgraded to cater for the wide-bodied jets used in intra- regional traffic. Thus, only a part of the airport investments can actually contribute to reducing distances within



the region. The IT infrastructure aims at both internationalising the economy and connecting towns and rural areas.

The diagram above shows population changes in some of the municipalities in the region from 1970 to the present. The population trends tend to have been similar for the region as a whole though as regards the gender and age structure issues, though the population of the region has been generally decreasing, with women and young people in particular moving away. This out migration trend is most extreme in smaller rural sparsely populated municipalities with the larger urban areas doing somewhat better, although the trend there has not been particularly positive either. However, in relative terms, the larger urban areas have gained a larger share of the total population at the cost of the less populated rural municipalities.

### 3.1.3 THE RELATION FUNCTION

Looking at the SPDs, the importance of the European context has changed significantly between the last and the current programme period. In both periods the SPDs identify the problem of peripheral location and the resulting difficulty in reaching the economic market in Europe. The ability to overcome such barriers is seen as a necessary step towards enabling economic growth, as the local or regional market is too small to itself constitute a basis for growth. Therefore there is a clearly stated demand for a stronger internationalisation of the economy (i.e. improving, building and taking advantage of European networks) and a call for increasing competence in EU-questions, as well as a need to foster cooperation between businesses to enable them to compete internationally.

The “step further” from 1995-99 to 2000-06 has taken place with regard to the awareness of neighbours and the advantages of the region’s location. Cooperation within Europe, and especially in the Barents Region and the Baltic Sea Region seems to have been given much more importance in the current period. The surrounding countries and regions are now considered to be very important for the development of Norra Norrland and in this context Norra Norrland sees itself in the role of a gateway to the Northeast of Europe and especially to Northwest Russia. In addition, it could be interesting to note that Norra Norrland has since 1997 had its own regional office in Brussels, which is another sign of the perception of Europe becoming ever more important.

Indeed throughout the interviews, an interesting dualism emerged. While there is increasing agreement among the technocratic and political elite that internationalisation is important and that the Structural Funds have been positive in their effects, there is a clearly pronounced euro-scepticism in the region (as there is in Sweden outside the largest urban centres of Malmö and Stockholm). This was also reflected in the recent referendum on the introduction of the euro, where Haparanda municipality and some of the municipalities in Skåne closest to Öresund were the only municipalities outside the two metropolitan regions referred to above where people were in favour of the introduction of the euro. This has generally been interpreted as a clear sign that a “European identity” has not emerged as an additional level of identity across much of Sweden. The case of Haparanda and the Öresund on the other hand are indicative of the cross-border communities tied with strong functional links, also reflected in their identities.

### Relation function - aspects of polycentricity: summary table

	Status during 1995-1999	Current status	Possible Structural Funds influence	Rate from 0 to 2 (0=no influence, 1=some influence, 2=important influence)
Accessibility and changes in accessibility	Relatively good infrastructure, five airports with scheduled flights: Luleå, Kiruna, Gällivare, Arvidsjaur and Pajala	Relatively good infrastructure, five airports with scheduled flights: Luleå, Kiruna, Gällivare, Arvidsjaur and Pajala.  Broadband connections and networks extended.  Botniabanan an important railway connection regionally and nationally.	IT Norrbotten established in 1996, project aiming to establish IT networks and broadband connections (between both the main municipalities and the sparsely populated communities municipalities) co-ordinated a number of IT projects within different sectors such as e-commerce, distance education, IT in tourism etc.	2
Key strategic or functional networks (promoting specialization)	Haparanda-Torneå co-operation; Objective 1 seeks to "open up the region" <sup>119</sup>	North Sweden European Office (joint regional office for the counties of Norrbotten and Västerbotten)  Barents co-operation (Interreg IIIA)  "Welcome to Västerbotten" investment-promotion	Bothnian Arc (Interreg IIIB, e.g. Bothnian Arc Arctic Coastal Tourism Region)	1

<sup>119</sup> Objective 1 (1995-1999): Vision: Norra Norrland is an attractive region to live in. The living environment is marked by the good provision of public services, dynamic businesses and equal opportunities. The region's dynamic development is built upon these unique resources, upon both women's and men's competences and upon a willingness to contribute to the creation of the "good life". Citizens are open to the outside environment and co-operate both within the region and across borders. This together leads to sustainable growth and employment in Norra Norrland region.

		programme		
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## 4 POLICY IMPACTS

### 4.1 THE IMPACT UPON GOVERNANCE ASPECTS

In many respects, the partnership model was a *new* way of working in Sweden when the Structural Funds were introduced in the mid 1990s. This was particularly so in the case study region, which had hitherto been reliant on state activities, for example as a major employer, for a considerable period of time. This does of not course mean that co-operation did not already exist in any form previous to the emergence of the Structural Funds, only that regional development interventions were predominantly seen as a state issue. At first, the introduction of this new working method caused some adjustment problems, but after an initial learning period competences and capacities were incrementally established for successful management of projects in accordance with the stated requirements (see for instance Evaluations for Objective 2 and 6). The issues of partnership impact and new working methods were repeatedly raised by the interviewees as *the* main positive effects of the previous programming period.

There are now new partnership forms and constellations that seek to promote the visibility of the region nationally and internationally, while at the time developing a strategic awareness of regional needs and challenges. Examples of such constellations include the establishment of the North Sweden Office in Brussels, as well as *Europaforum*, a political platform functioning since 2001 between all counties in Norrland as a public authority partnership. *Europaforum* aims to highlight the importance of Norrland in the EU through developing and commissioning regional analysis.

In line with the Structural Funds guidelines, co-operation and networking as a method of working to achieve economic growth was emphasized during both the preparation stage and the implementation period. It primarily concerned co-operation and networking between SMEs, between SMEs and public institutions, industry associations, schools and universities. This was in many ways a *new* working format and according to the *ex post* evaluation it improved co-operation levels between many actors in the region, while also playing an important role in implementing the programmes. It was also considered by many of the participants to have contributed a significant 'value added'.

The introduction of the partnership model has enlarged the relevant field of actors and organisations involved in regional development, and brought many new actors at both

the local and regional levels into the implementation area of regional development interventions. As previously mentioned, regional development has traditionally been seen as a state issue (with the main actors being the counties, i.e. state regional administrations) and traditionally there has been much more limited co-operation within this field between the public and private sectors.

## Governance aspects of polycentricity: summary table

	Possible Structural Funds influence	Rating (0-3)
Consistency of national and European policy goals outlined in programme documents	Closer co-ordination between national and EU programmes (e.g. RTP and Objective 1). Still room for improvement here though, also when considering the national investments in regionally strategic areas of activity (car testing, the military activities in the area) (Also some of the respondents felt that there is still not a sharp enough focus and distributions of responsibility in Objective 1 – something for everyone rather than genuine focus, lack of “steering” still, a “smallest common denominator” approach in many cases)	3
Examples of promoting learning	University co-operation referred to by many (the “forcing to co-operate”), also closer co-operation between Västerbotten and Norrbotten more generally, gradually moving from “provincial” thinking towards a more comprehensive thinking for Northern Sweden as a whole;  Inter-municipal co-operation has been improving and for instance Arjeplog and Arvidsjaur are seen as “one destination” rather than competing with each other  Increasing interest in benchmarking and bench-learning between different regions in Europe	3
Governance innovations	Partnership approach (though still with the county councils as the main co-ordinators)  Organisational innovations such as North Sweden office and Europaforum	2
Trans-national links linked to governance practices	Partnerships within Interreg	2
Inclusion of new actors and organisation in partnerships	From county councils to a variety of actors, also from the private and voluntary sector	1
Links to traditional democratic decision-making	Municipalities included in the partnerships has ensured the continued relevance of more traditional social justice concerns	2
Financial practices enabling enlargement of partnerships	Co-financing makes it difficult to enlarge the group of involved actors	1
Ways of avoiding the technocratic elite pluralism	Open forums and citizens participation at times, though in the end still very much a field for civil servants and regional planners	1



## 4.2 INCLUSION OF THE ‘LISBON THEMES’

Most of the ‘Lisbon themes’ are addressed within the case study region and its SF programmes. IT infrastructure and R&D in particular have been central themes within SF across the whole of Sweden. On a general level, the strategies and visions are based on developing more competitive regions and on the level of priorities, measures and projects. R&D, the Information Society and SMEs are the most central and most often recurring themes.

Within Information Society and ICT there have also been trans-national initiatives of some relevance, such as LOCREGIS for example, which was a project within the information society sector in the local and regional spheres developed in co-operation between Austria, Sweden and Finland (and in particular their Objective 1 and Objective 6 regions). The aim of LOCREGIS was to prepare an inventory and analysis of information society projects that could strengthen the competitiveness of less favoured European regions through innovative use of information technology. Among its products, LOCREGIS set up networking platforms, a database of information society projects in the partner countries, and developed a system of ‘best practice’ criteria for evaluating information society projects from the point of view of regional development. The initiative was instrumental in gathering systematic knowledge about the kinds of projects and actions in existence, as well as for encouraging dialogue and networking between actors, as well as between active parties and the bodies responsible for public policy. It also sought to convey a better understanding of the qualities that the public financial support given to the project promoters should encourage, i.e., defining ‘best practice’ criteria from the point of view of regional development. The stated aims of the initiative also included moving towards bigger and more ambitious actions within the field of information society that could contribute to accelerating structural change in ways that reconcile local and regional diversity with national ambitions and priorities.

According to European evaluations, the share of IT-related projects within Objective 1 in Sweden is high. In most cases this is targeted towards creating actual connections i.e. basic infrastructure. According to financial plans for the current programming period, Sweden for instance planned to commit 72% of its ICT Structural Funds investments to infrastructure-related development (“cheaper, faster Internet”). Other countries with high levels in this area include Austria with 51%, Belgium 46%, Germany 27% and Spain 40%. (Technopolis Ltd / Professor Lena Tsipouri (2002): Final Report for the Thematic Evaluation of the Information Society.)<sup>120</sup>

An overview and some concrete examples of projects and initiatives is given in the table below.

### **Lisbon themes as aspects of polycentricity: summary table**

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<sup>120</sup> On national and regional profiles and comparisons on ICT related projects see e.g. [www.locregis.net](http://www.locregis.net).

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	<p>Central theme, over 70% of Information Society related funding was targeted at creating Internet connections to all</p>	<p>Development of infrastructure a key priority, 80 % of the population in Västerbotten and Norrbotten have access to broadband.</p>	<p>IT networks and broadband connections have been built locally and regionally with SF financing, e-commerce, telemedicine etc. areas through project activities of IT Norrbotten</p>	2
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>		<p>SF resources have been used for R&amp;D at the universities and in companies.</p>	<p>R&amp;D one of the main sector both in 1995-1999 and 1999-2006. RISI initiative in Västerbotten to develop the profile and innovation environment of Västerbotten</p>	2
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	<p>Within the priority on development of enterprises the development of SME received by far the biggest share of funding.</p>	<p>SMEs addressed in all programmes, interfaced between SMEs and research at the core of the strategies.</p>	<p>Connections between R&amp;D and businesses have improved, though there is still room for improvement here. Technological markets and private financing underdeveloped area.</p>	2
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>			<p>Of key importance, e.g. training and educational projects within the local learning centres, Projects to develop distance learning in Piteå and Arvidsjaur for instance, Akademi Norr project</p>	2

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>• Improving employability and reducing skills gaps;</li> <li>• Encouraging lifelong learning;</li> <li>• Reducing deficits in the service economy;</li> <li>• Extending equal opportunities</li> </ul>	<p>“Local strategies for increased employment rates” measure within the rural development priority,</p> <p>Local initiatives such as Piteå Business Centre (Företagcentrum) that have developed targeted training for the unemployed and have thus encouraged them to start own small businesses in new branches through co-ordination efforts by a Contact centre (80% “survival rate” of the businesses)</p>		<p>Improved employability a key focus area, though difficult to get lasting impacts, international economic trends limited the positive results</p>	1
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and opportunity.</li> </ul>	<p>Social inclusion not one of the main themes, though within rural and community development the threat of social exclusion addressed in peripheral areas with high unemployment and related social problems, social economy projects, Leader relevant also for small scale projects within rural areas</p>	<p>Stated aim to move towards larger projects perhaps not always best suited for the promotion of social inclusion and community involvement,</p> <p>Social inclusion not a central concern, more general and economic goals in order to ensure employment.</p>		1

## 5 CONCLUSIONS

The main impacts of the Structural Funds are perceived to include learning and governance aspects, as the whole methodology of working in partnerships was new. Co-operation and networking were thus repeatedly referred to as the main aspects of policy impact, while the territorial impact was often difficult to identify.

Of the direct and indirect forms of territorial impact, the R&D sector, education and infrastructure (e.g. IT) were most often referred to. Further examples are given in the table below.

**Have the Structural Funds directly or indirectly influenced polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies.**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, transnational level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<i>Type of influence/ effect</i>							
<b>CTS ETING LOPMENT</b>	<b>EXPLICITLY POLYCENTRIC</b>	Direct	-	0			
		Indirect	Politically difficult to accept polycentricity as it is often seen in conflict with spatial justice. In practice however possible to see development towards specialization and growth oriented policies.	0		0	0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)		Direct		0		0	0
		Indirect		0		0	0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region	<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context	<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context
<i>Type of influence/ effect</i>			
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labour between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct	0	0
	Indirect	2	2

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
<i>Type of influence/ effect</i>							
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	<p>The planning of a new railway from Boden to Haparanda aimed at enhancing the ability to provide an efficient transport structure between Sweden and Finland.</p> <p>Also other infrastructure investments (on roads, railway connections and IT networks).</p> <p>Europaforum, a political platform functioning since 2001 as a political platform for all counties in Norrland as a partnership between public authorities. Europaforum aims at showing the importance of Norrland in the EU through developing and commissioning regional analysis.</p>	2	<p>The planning of a new railway from Boden to Haparanda aimed at enhancing possibilities to provide an efficient transport structure between Sweden and Finland.</p> <p>Despite repeated efforts very little development however within the trans-national regions in the North Calotte to establish better cross-regional rail and flight connections (in most cases to travel between the regional centres in neighbouring countries within North Calotte for instance one has to travel via national capitals)</p>	2	<p>More flight connections (to Germany, due to car testing)</p>	1
	Indirect		0		0		0

<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	<i>Type of influence/ effect</i>	Short description	ranking*	Short description	ranking*	Short description	ranking*
<b>STRENGTHENING OF NATIONAL CO-OPERATION (E.G. CO-OPERATIONS BETWEEN PUBLIC OR AGENTS, PRIVATE LESS CO-OPERATIONS)</b>	Direct	-	0	Strengthening of existing Nordic co-operation through Interreg programmes	2	Establishment of the North Sweden Brussels office and working towards a higher awareness of EU in the region and higher visibility of the region in the EU <sup>121</sup>	2
	Indirect	On the strategic level the co-operation resources are repeatedly referred to on all levels (e.g. in Objective 1: “The citizens are open towards the outside both regionally and across the borders, which contributes to building a more competitive region”.)	2		0		0
	<b>Diminishing regional</b> Direct		0		0		0

<sup>121</sup> Though according to our information sources, no direct SF funding was used to establish the North of Sweden Office, we would however claim that its establishment and the more pro-active lobbying that this reflected is indirectly connected to the governance changes that related to the Europeanisation of Swedish regional policy.

divergence, increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Indirect	The division between inland and coastal areas central addressed in area designation	1		0		0
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<i>Geographical level of influence/effect</i>	<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context		
	<i>Type of influence/ effect</i>	Short description	ranking*	Short description	ranking*	Short description	ranking*
<b>RALL ASSESSMENT PERSONAL REGIONS (YOUR AL VERDICT’)</b>	Direct		0		0		0
	Indirect	The title of one of the evaluation reports identified a shift from regional “distributional policy”, but this shift is both gradual and slow. There is embryonic evidence of this shift and of specialisation, distribution of labour and sharper focus gradually taking over from “something for everyone”, which was criticised as too fragmented an approach during 1995-1999.	2	International networks within Interreg of particular importance, Growing awareness of the need to identify new sources of international funding and investments after 2006	2	Very few areas where global perspective relevant (car testing, space research in particular)	2

## **Interviews:**

A total of 17 interviews were conducted in the pilot study, and it is estimated that a minimum of 5-6 should be conducted in the other case studies in order to attain a comprehensive picture. In the pilot study the division of different types of actors was as follows:

- Regional authorities/admin: 8
- Universities and research field: 5
- Municipalities/local/project level: 4

These three types of actors seemed to represent the relevant organisational breadth, while in some case studies more representatives from the social or voluntary sector for instance might prove useful.

## **Interviewed persons:**

- Lorentz Andersson, County governor for Västerbotten county
- Ann-Mari Svensson, Previously County architect for Norrbotten County (currently Boverket)
- Ivar Lindström, Director for Regional Development in the county administration of Norrbotten (also EU questions)
- Torbjörn Berglund, Head of Unit (EU programmes), County administration of Norrbotten
- Barbro Medin-Levén, Regional policy expert at the County administration of Norrbotten (responsible for co-ordination between national and EU regional policy)
- Svenerik Sahlin, Director for Regional Development in the county administration of Västerbotten
- Thomas Westerberg, Regional strategist at the county administration of Västerbotten (Regional Growth Programme)
- Gunilla Hedman, Programme manager, Objective 1, county administration of Västerbotten
- Håkan Ylinenpää, Luleå University of Technology (expert in regional development and SMEs)
- Stefan Oscarsen, Business Development Company Argentis Ltd, Arjeplog municipality
- Stefan Högberg, Business development director for Arvidsjaur municipality
- Stefan Lundmark, Business Development Centre, Piteå Municipality
- Leopold Sjöström, Rural Development co-ordinator, Sorsele Municipality
- Lars Eliasson, Space Research Institute, Kiruna

- Lars Westin, CERUM (Centre for Regional Research), Umeå University
- Bo Svensson, Director of ETOUR Tourism Institute
- Ulf Wiberg and Bruno Jansson, University of Umeå (evaluators of the Objective 6 Programme)

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In addition the programme documents, final report and evaluations for the programmes listed in the report.

## **REGIONAL POLICY IN SWEDEN IN RELATION TO EUROPEAN REGIONAL POLICY**

Sweden is characterised by a small population spread over a large area, resulting in a scattered settlement pattern. The main regional problems result from a combination of climate, peripherality, migration and unemployment. Distance from markets discourages companies from setting up in the peripheral areas and the out-migration of population reinforces the socio-economic difficulties of these areas. While the main regional policy focus has, historically, been on the peripheral north, in recent years there has been a weakening of political support for aid to peripheral regions. This reflects the fact that industrial regions in central and southern Sweden are now also experiencing economic problems – in part reflecting more general pressures to maintain international competitiveness.

### **Strategies**

A new Regional Policy Bill was introduced in 2001 (2001/02:4) which merged traditional “regional policy” (essentially aid targeted at designated aid areas in the periphery) with programme-based “regional industrial policy” (a new policy development in the late 1990s involving all regions) to create “regional development policy”. The overall objective of the Bill is “well functioning and sustainable local labour market regions with an acceptable level of service in all parts of the country”. This entails enhancing the potential and capabilities of every region, making them as attractive as possible to individuals and companies; developing sound economic, social and ecological conditions for the long term; and ensuring that there is access to adequate commercial and public services throughout the country. While there has been a shift in focus towards the development of endogenous potential in all parts of the country, traditional aid schemes targeted at designated aid areas remain a significant component of policy.

### **Instruments**

Before discussing specific regional development policy measures, it should be noted that there is a major financial redistribution system in Sweden at the municipal level, which is coordinated by the Ministry of Finance. This is by far the most important mechanism for promoting equity between the regions and is worth some SEK 70 billion per year.

Traditional regional policy offers a wide variety of assistance for projects and activities in designated aid areas. These range from grants and loans to advisory business support. The main aids are the Regional Development Grant (providing support to both hard investment and softer activities including product development, patents, licences, information campaigns and education), the Employment Grant (to support the recruitment of new staff) and a Transport Grant (to facilitate the long-distance transport of goods to and from the far north). A Social Security Concession for the north of the country was withdrawn in December 2000 in response to EC competition policy pressures but is being replaced by specific measures for Aid Area A in the far north (including an amended Social Security Concession under the *de minimis* regulations and support for the use of IT).

Regional Growth Programmes (RGPs) replaced the Regional Growth Agreements at the start of 2004. These are medium-term programmes developed (in partnership) at the regional level which aim to enhance ongoing strategic thinking in the regions, set in the context of clear objectives and indicators. Key general themes include attempting to match regional labour supply and demand, encouraging entrepreneurship as the key component of business development and supporting innovation systems. The RGPs are seen as key coordination instruments at county level.

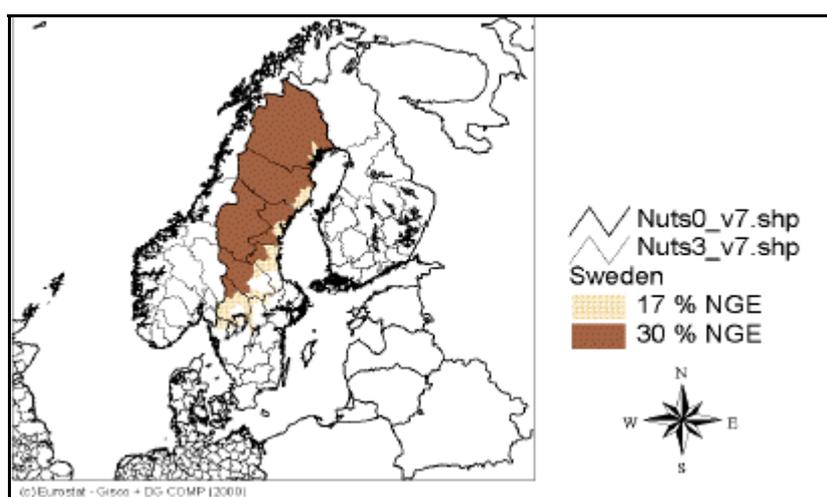
Finally, the 2001 Bill placed considerable stress on policy coordination. Regional development is a horizontal policy goal which needs to be taken on board across government. Eight policy areas were specifically highlighted as having clear regional responsibilities: regional development policy; trade and industry policy; labour market policy; education policy; transport policy; innovation policy; rural development policy; and cultural policy.

### Spatial targeting

The population coverage of the aid area map was reduced from 18.5 to 15.9 percent of the national population in 2000. The view in Sweden was that this allocation failed adequately to reflect the specific nature of regional development problems in Sweden (e.g. geographical disadvantages, sparse and ageing population, out-migration). As a result, designation had to be centred on peripheral areas in the north.

The aid area map for 2000-06 is divided into two main components: Aid Area A covers the majority of inland northern Sweden and is the priority area where firms receive higher rates of award; Aid Area B covers the coastline of northern Sweden and more southerly contiguous areas. The new map fulfils the needs of current regional policy for the most part. However, the lack of coherence with the larger Structural Fund map has caused some difficulties in that the Regional Development Grant, an important co-financing mechanism in many of the Structural Fund programmes, cannot be used outside the national aid areas.

**Figure 3-55: Swedish regional aid map**



Source: DG Competition website

## Governance

The general philosophy in Sweden has been that regional policy should be determined and (partly) operated at the national level to allow for necessary regional prioritisation and scope for coordination with the economic planning framework. However, ongoing decentralisation has meant that, on a day-to-day basis, regional level authorities now act as administrators of national directives. The main Swedish institutions involved in the administration of regional policy are the Ministry of Industry, Employment and Communications, the Swedish Business Development Agency (NUTEK) and the 21 County Administration Boards (CABs), the representatives of central government at the county level. Designated CABs also act as the managing authorities for the Structural Fund programmes.

The Ministry of Industry, Employment and Communications has a regional development policy division that specifies the areas eligible for assistance, oversees regional policy implementation in Sweden and liaises with the European Commission. NUTEK is the central agency responsible for questions relating to business growth and renewal and the development of regions. Its role includes developing the competence of regional and local agents in matters relating to regional development, facilitating the exchange of experience and evaluating regional project activities. NUTEK is also the central authority for regional aid and periodically evaluates regional support. The CABs have the main responsibility for implementing and co-ordinating State regional development measures at the regional level. They receive an annual budgetary allocation for regional development measures which can, amongst other things, be applied to regional aid schemes, rural support in areas defined by the CABs and regional projects.

**Table 3-1: Territorial Units in Sweden**

Unit Type	Designation	Number of Units
	NUTS I	1
	NUTS II	8
Län	NUTS III	21

## **SWEDISH REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM**

Regional policy in Sweden is traditionally a spatial policy. Policy objectives were traditionally defined in terms of 'regional balance'. The divergence between regions was addressed by regional policy. However, the present regional policy bill clearly can be seen as an attempt to make national regional policy less spatial and more focused on economic growth. In the preparation work for the bill (SOU 2001/2002:4) the focus was on eliminating 'a balanced population' from the list of objectives for NRP.

Territorial cohesion is not a concept used in domestic regional policy. Instead concepts such as regionally balanced development, growth and economic development in all parts of the country were used to describe the spatial objectives. A number of spatially explicit formulations were removed in the last policy reform and replaced by more general formulations of well functioning labour markets in all parts of the country.

This has left the government without any objective for guiding the redistributive functions of the policy. There are no explicit objectives for development in different parts of the country. Polycentrism is not explicitly addressed. At national level there are no pin pointing of regional growth centres or any specific targets about the development of various centres. At the county-level there may be references made, e.g. in the regional growth programmes or in various structural fund programmes as to the strategic development of various centres. These are primarily within the level of counties. A preliminary judgement reveals that the tendency at this level rather is to concentrate efforts of stimulating development to one centre rather than many.

However, it could be argued that the concept of well functioning labour market regions (or travel to work areas) reflects some elements of polycentric thinking, the idea being that centres are to be built on the basis of their attractivity, in terms of their function as labour markets. Behind this objective is the thought that labour market regions, in order to be strong and well functioning, need to be bigger, and hence fewer, ie. that the degree of polycentrism at the aggregate level is too high. With bigger regions, and fewer centres the regions could also be stronger.

# United Kingdom



# THE TERRITORIAL EFFECTS OF THE STRUCTURAL AND COHESION FUNDS

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United Kingdom

Prepared by



**NORDREGIO**  
Nordic Centre for Spatial Development

under the framework of ESPON 2.2.1

ESPON 221 – Annex report A

## THE SPATIAL DIMENSION OF THE STRUCTURAL FUNDS

### ESPON - EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

The *European Spatial Planning Observation Network* (ESPON Programme) was launched after the preparation of the *European Spatial Development Perspective* (ESDP), calling for a better balance to and the polycentric development of the European territory.

The programme was implemented in the framework of the Community Initiative INTERREG III. With the ESPON 2006 Programme, “Research on the Spatial Development of an Enlarging European Union”, and by addressing an enlarged EU territory and larger territorial entities, the Commission and the Member States expect to have at their disposal:

- A diagnosis of the principal territorial trends at the EU scale, as well as the difficulties and potentialities within the European territory as a whole;
- A cartographic picture of the major territorial disparities and of their respective intensity;
- A number of territorial indicators and typologies that will assist in the setting of European priorities for a balanced and polycentric (enlarged) European territory;
- Some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) for improving the spatial co-ordination of sector policies.

Currently, 17 projects are currently being undertaken under the framework of ESPON. This report is a part of the ESPON 2.2.1 project analysing the *Territorial Effects of the Structural Funds*. For further information see [www.espon.lu](http://www.espon.lu).

### ESPON 2.2.1 – THE TERRITORIAL EFFECTS OF THE STRUCTURAL FUNDS

The aim of ESPON 2.2.1 is to study the contribution made by the Structural Funds to the aims of spatial development policies. The focus here is on territorial cohesion and polycentric development.

*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?*

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. This was done by contacting relevant authorities in the EU15 countries and by going through various programming documents. Through this exercise it has therefore been possible to locate Structural Funds assistance for the Objective 1, 2, 3, 5b and 6 areas, as well as to locate those areas where Cohesion Fund assistance was available. For further information, please visit our website <http://www.nordregio.se/espon2.2.1.htm>.

## Methodology

As far as possible we have tried to locate final Structural Funds assistance and to obtain the data for the Nuts III level. This has not however been possible for all funding programmes, and there have also been variations between the receiving countries. If financial data was not available for the Nuts III level, data from the Nuts II, and in some cases even from the Nuts I level was instead assigned to Nuts III regions by analysing annual reports and evaluations and by contacting programme managers or others who may have had information about the geographical distribution of these funds. In some cases information that was only available at higher levels was assigned to Nuts III regions by using population numbers as a divider.

The last step before mapping the data obtained was the classification of the Structural and Cohesion Funds spending in a specific typology, allowing for a more detailed analysis of the European-wide spending. This classification is based on the predominant funds involved (i.e. ERDF, ESF, EAGGF, IAGF, Cohesion Fund), and also the predominant character of the SF programme (i.e. Obj. 5b - rural development, Obj. 3 - social integration and human resources). The resulting typology contained the following categories: (R) regional development, productive, (A) infrastructure agriculture, fisheries, rural development, (S) social integration, human resources, (CE) basic infrastructure, European cohesion, environment, (CT) basic infrastructure, European cohesion, transport.

## UK data collection

Collection of the UK data proved quite difficult for a number of reasons. Programme closure data was difficult to obtain (there being no central source of information, and a number of organisational and staff changes within the relevant UK ministries over the period). In some cases, final programme closure reports were still awaiting EC approval and so not in the public domain. Objective 3 (ESF) data for England and Wales proved impossible to obtain, and in the case of Scotland, was available only on a Scotland-wide level.

Once expenditure information was obtained, a number of obstacles remained:

- Expenditure information was generally available by programme area. These are not necessarily synonymous with either NUTS III or NUTS II level boundaries (even, in some cases, crossing these boundaries). For example, a NUTS II region might contain several NUTS III areas which were partly eligible for Objective 2 funding, several partly eligible for Objective 5b funding and several eligible for no regional funding at all. Some NUTS III levels were partly eligible under separate Objective 2 and 5b programmes. Breaking down the data further would have been an enormous task, complicated by the fact that the description of eligible areas differs between regions (encompassing coalfield areas, Travel-To-Work-Area, wards, districts, boroughs, city areas). These are not described consistently or in detail in SPD documentation.
- During the period, the UK assisted areas map changed considerably due to local government reorganization. Between 1996 and 1998, new unitary and two-tier authorities were introduced, resulting in changes to the administrative

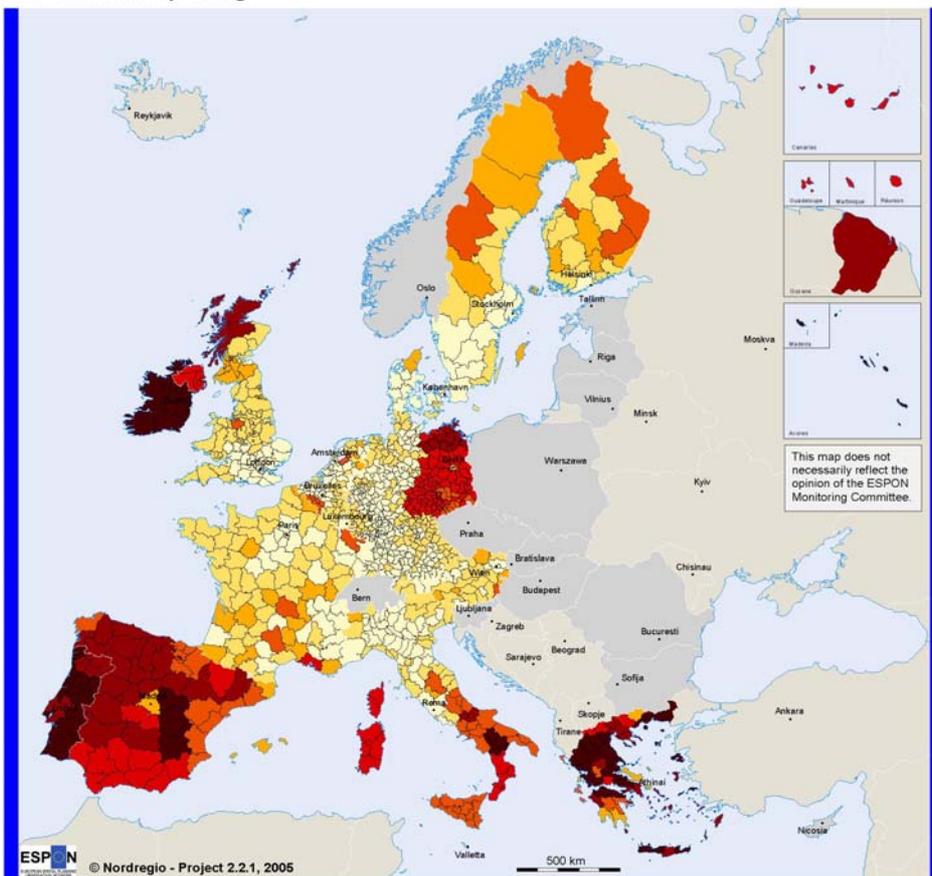
maps, and meaning that programme boundaries drawn up under previous maps could be difficult to reconcile with current maps and lists of NUTS III areas.

For these reasons, a ‘best-fit’ approach to the data had to be taken in the UK report. Where programme areas are spread across more than one NUTS II level, the allocation of expenditure has been made pro quota on the basis of the total population of each NUTS II area. Similarly, the NUTS III allocation of expenditure has been made on the basis of the total population. This allocation of expenditure to the NUTS III level pro-quota on the basis of resident population is particularly problematic due to the high fragmentation of eligible areas for Objectives 2 and 5b, and lack of coincidence with the NUTS III level, and it ignores the fact that often large swathes of a NUTS III are not eligible for funding at all.

### **THE STRUCTURAL FUNDS IN THE EU15**

The European map clearly reflects the dominance of Structural Fund Objective 1 and Cohesion Fund 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).

**Structural Fund spending**

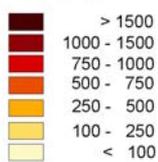


Structural Fund spending 1994-99 (Objective 1,2,3,5b,6 and Cohesion Fund)

Geographical Base: Eurostat GISCO

EURO per capita

Origin of data: Nordregio/national data collection



Source: Nordregio

### **What kind of regions?**

A first assessment of where Structural and Cohesion Fund assistance has been used during the 1994-99 period shows that more than 50% has been used in what are categorised as functional urban areas of local or regional importance (*micro*), less than 20% went to functional urban areas of national importance (*meso*), approx 10% went to areas of transnational-European importance (*macro*), while approximately 15% went to areas not defined 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, with the *macro* and *meso* levels receiving approximately 220 Euros *per capita*, whereas the *micro* level had about 50 % more (approximately 320 Euros *per capita*). Regions without any functional urban areas are placed in between the *micro* and *macro / meso* levels as regards spending *per capita*.

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. As such, sparsely populated rural areas receive on average about three times as much assistance, *per inhabitant*, than do densely populated urban areas.
- Looking at total spending, more than 75% of the assistance goes to densely populated urban areas and to medium and sparsely populated rural areas. Areas in-between these extreme cases receive only a small share of the total available assistance. Predominately urban densely populated areas received most assistance (approximately 35% of the total assistance), followed by predominately rural medium and sparsely populated areas (each approximately 20% of the total assistance). Intermediate level populated urban regions and densely populated rural regions each receive approximately 10% of the total assistance.

### **STRUCTURAL FUNDS IN THE UK**

For the 1994-99 programming period, over 40 percent of the UK's population were located in areas eligible under Objectives 1, 2 or 5b. The UK was covered by:

- three Objective 1 programmes (Highlands and Islands, Merseyside and Northern Ireland)
- 13 Objective 2 programmes; and
- 11 Objective 5b programmes.

	Objective 1	Objective 2	Objective 5b
England	Merseyside	N E England West Cumbria and Furness North West England (Greater Manchester, Lancashire and Cheshire) Yorkshire and Humberside East Midlands West Midlands Greater London (East London and the Lee Valley) Thanet Plymouth Gibraltar	East Anglia English Midlands English Northern Uplands Lincolnshire South West England The Marches
Scotland	Highlands and Islands	Eastern Scotland West of Scotland	North West Grampian Rural Stirling and Upland Tayside Borders Dumfries and Galloway
Wales		Industrial South Wales	Rural Wales
Northern Ireland	Entire NUTS II region		

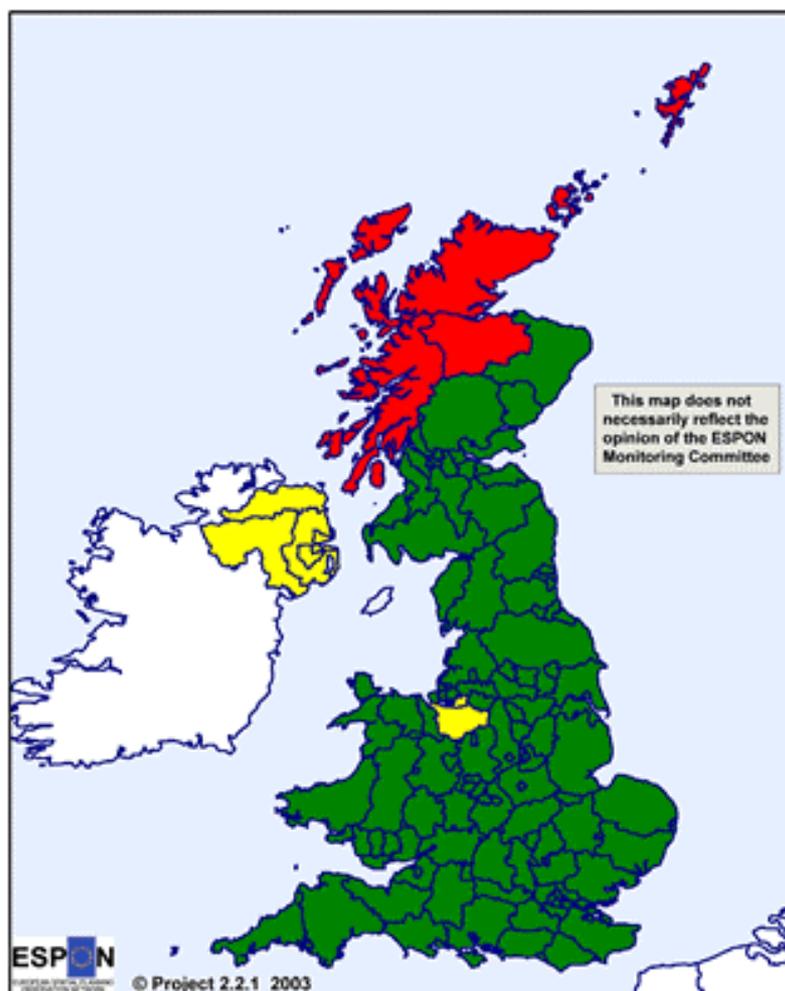
Each programme was administered through its own SPD. In addition, Structural Fund support was available nationally through Objectives 3, 4 (from 1997) and 5a, as well as numerous Community Initiatives.

### **Regional Structural Funds spending**

The map below provides an overview on the different levels of per capita Structural Fund spending across the UK. On its own, this map does not tell us very much. Unsurprisingly, the map reveals that Structural Fund expenditure per capita is highest in the region of the UK which benefited from Objective 1 and is sparsely populated – the Highlands and Islands.

The Highlands and Islands region is categorised as in receipt of the highest levels of Structural Fund spending per capita (> €800 per capita). Northern Ireland (another Objective 1 region) falls within the ‘intermediate’ category of spending, in receipt €400-800 per capita). The remainder of the UK (including the whole of Wales) falls into the lowest spending category, receiving levels of below €400 per capita. This masks the true picture somewhat, as the spending levels chosen result in regions receiving *no* funding being indistinguishable from those receiving low levels.

## Structural funds spending per capita



Geographical Base: Euostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, ESPON database

### SF spending per capita

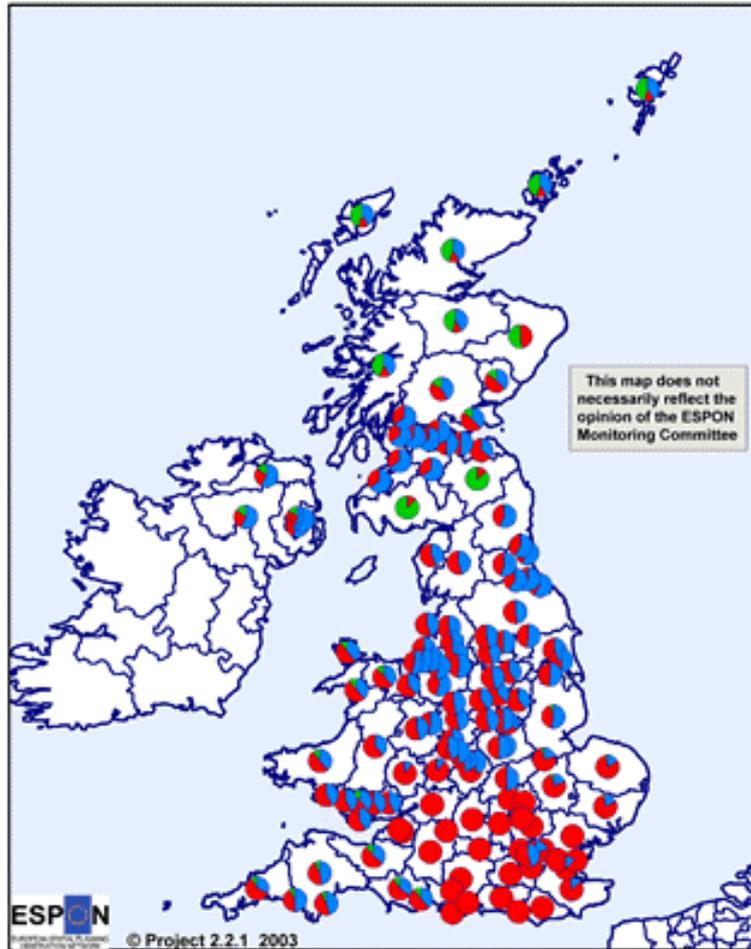


When the UK's position is examined on the Europe-wide map of Structural Fund spending per capita, a slightly more differentiated picture can be seen. Several regions emerge as being in receipt of slightly higher levels of funding: Western Scotland, Lincolnshire and North East England (all in receipt of Objective 2 funding) are categorised as being in receipt of €200-400 per capita. The remaining 'low spend' parts of the UK all fall within the category of €50-200 per capita.

The next map (below) shows the different types of Structural Fund expenditure that have been spent across the UK. As the map clearly indicates, regional development and productive infrastructure expenditure are strong across the heavily industrial regions. This emerging picture of the dominance of 'Objective 2'-type expenditure

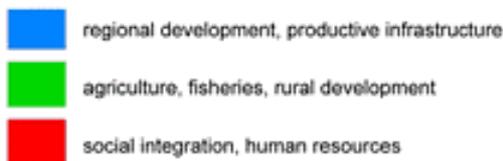
correlates with planned expenditure - approximately 40 percent of the total Structural Fund expenditure in the UK during the period was made under Objective 2.

**Distribution per type of Structural Funds spending per capita**



Geographical Base: Euostat GISCO  
 Origin of data: National data collection, Eurostat-Regio  
 Source: Nordregio, ESPON database

**Distribution per type of SF spending per capita**



Similarly, rural development spending (including agriculture and fisheries) is most obvious in the rural areas (Objective 5b and Highlands and Islands and Northern Ireland Objective 1). However, the Highlands and Islands (Objective 1) and several of the Scottish Objective 5b regions (Borders and Dumfries and Galloway, and, to a lesser extent North West Grampian) show a much higher proportion of rural development spending per capita than the Welsh or English Objective 5b regions. This may in part reflect the methodology used to attribute Structural Fund expenditure to the NUTS II and NUTS III levels and the limitations of the available data. In the case of the English Objective 5b programmes, for example, all except one overlap NUTS II areas. In most cases, these NUTS II areas also contain pockets of Objective 2 funding.

The final point that can be observed from the map is the dominance of social-related expenditure in the south east of England, where no other Structural Funding was available (approximately 30 percent of the total Structural Fund expenditure in the UK during the period was made up of Objectives 3 and 4 together).

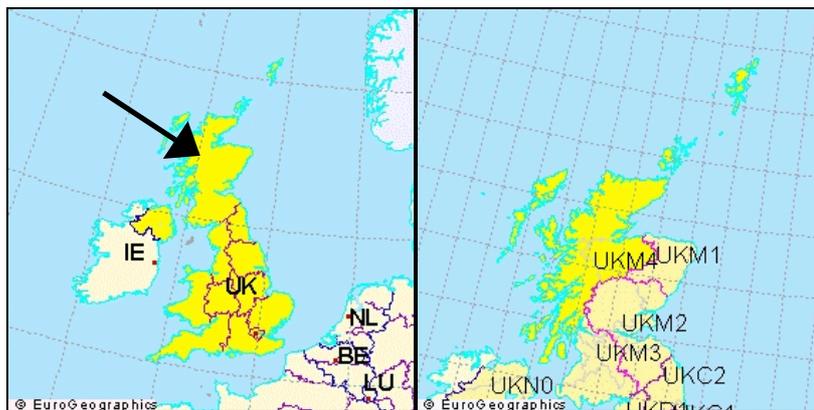
## ESPON 2.2.1

### Case study of Highlands and Islands

Martin Ferry

#### 1 Focus of interest/Hypothesis

Figure 1: Case study region



The Highlands and Islands region provides a relevant case study for an assessment of the territorial effects of Structural Funds for several reasons. First, the region's peripherality, from both UK and EU perspectives, and its extremely low population density and dispersed settlement pattern present obvious challenges to the development of polycentricity, territorial cohesion and spatially balanced development. The area comprises a set of sub-regional economies: it has a relatively buoyant core area, but a peripheral areas that are characterised by narrower and more fragile economic and social bases. Interaction between these sub-regional areas is limited.<sup>122</sup>

<sup>122</sup> Scottish Executive (2003) *Mid-term Evaluation of the Highlands and Islands Special Transitional Programme* [MTE] p13.

Second, studying this region highlights the impact SF programmes can make beyond a basic raising of regional GDP. The Highlands and Islands region has benefited from a number of programmes funded through European structural assistance. The region received Objective 1 funds in the 1994-1999 programming period and EU assistance, amounting to over €320 million and a Special Transitional Programme is currently in operation in the region. The Highlands and Islands Partnership Programme, which administers the Transitional Programme, has noted that regional GDP in the short-term has actually fallen back from 76 to 72 per cent of the EU average in recent years. The region argues that the situation would have been a lot worse without Objective 1 funding and that Structural Funds have provided the opportunity to support initiatives that look beyond short-term basic economic indicators. It is arguable that SF programmes in this region focus on long-term, strategic themes: developing immaterial infrastructures, creating a more polycentric structure and cohesive economy within the region and addressing the difficulties associated with peripherality. As the level of SF expenditure is dropping across Member States, including the UK, examining how these related priorities have been operationalised could provide timely insights into the long-term impacts of Structural Funds.

Third, strong sub-regional variation in the Highlands and islands is reflected in the important role played by local authorities and interests in delivering economic development policies. For instance, Local Enterprise Companies (LECs) were established at the beginning of the 1990s as a delivery mechanism for the main regional development agency, Highlands and Islands Enterprise (HIE). The 10 LECs are each responsible for a discrete geographic area with a locally appointed board made up of business and community interests. The Framework for Economic Development in Scotland, introduced in 2000, consolidates this commitment to encouraging local involvement. It is important to ask whether this decentralised model, and emphasis on local-level input, boosts intra-regional partnership and informs and facilitates the development of polycentrism and territorial cohesion or, against a background of dispersed settlement patterns, whether it contributes to fragmentation, rivalry and unbalanced regional development.

## **2. Description**

### **2.1 Case study region**

The Highlands and Islands NUTS 2 region is situated in the most northerly part of the United Kingdom, with a population of 372,000 and a land mass that covers half of Scotland. For this study, the most relevant themes to emerge from socio-economic analyses of the region are: peripherality, population and demographic trends, GDP, economic activity /sectoral trends and the spatial character of the regional economy.

Geographically, the region is peripheral in Scottish, UK and European contexts. A selection of peripherality indicators developed over the past few decades suggests that the most peripheral parts of the Highlands and Islands (the Northern Isles) experience a similar degree of disadvantage to Northern Scandinavia or the Aegean islands.<sup>123</sup> For instance, the average time it takes to reach all other EU NUTS regions from Glasgow is approximately 41 hours and 25 minutes. The equivalent figure for Caithness, Sutherland, Ross and Cromarty is 59 hours, for Orkney almost 71 hours, the Western Isles 62 hours, and for Shetland 85 hours. By way of comparison, the figure for Brussels is 22 hours, and London 28 hours 35 minutes.

The population density is 9.5 persons per square kilometre, one of the lowest of any NUTS 2 areas in Europe.<sup>124</sup> Extremely low population density leads to additional costs in the provision of goods and services. There is a lack of economies of scale and in combination with peripherality this makes for structural economic weaknesses. A further factor in the Highlands and Islands is the extent of the island-based population. Almost one third of the population live on around 90 inhabited islands. Over two thirds of the islands have populations of less than 500 people and their economies tend to be highly reliant on the primary sector, and public services.

One of the major constraints to the development of businesses in the Highlands and Islands remains inadequate, outdated or limited infrastructure that, given the physical geography and very low population density of the region, produces high transportation costs. The high cost of transportation by sea to the islands places a particular constraint on their economies. The length of the road network within the Highlands and Islands is long per head of population in comparison with the rest of Scotland. Circuitous routes give long journey times over short point-to-point distances. Rail services on the main strategic routes through the Highlands connect the main centres of population and important communication nodes to central and eastern Scotland. However, the rail network is single track, and as with the road network, it involves circuitous routes. The region has 23 airports but the network is generally thin. The development of an effective transport network is essential in mitigating the effects of the region's geography, helping assuage economic deficiencies, difficult local circumstances, export of products, import of supplies and the development of

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<sup>123</sup> Copus, A.K. and Loughry, Y. (2002) *Baseline Data and Programme Impact Indicators Relating to Peripherality*. Report commissioned by The Highlands and Islands Special Transitional Programme.

<sup>124</sup> European Commission (2002) *Structural Funds in the Highlands and Islands of Scotland*, Brussels p2

tourism. Similarly new economic activities will increase the pressure on existing infrastructure.

There are three key differences between the Highland's and islands and the rest of the Scottish economy. First, the economy is dominated by SMEs, and self-employment rates are higher here than elsewhere in the country. Across the Highlands and Islands 47% of employees work in firms with 24 or less employees, compared to the Scotland figure of 33%. In Orkney, over 16% of the economically active population is self-employed, compared to the Scottish figure of 7%. Second, average earnings for the self-employed in this region tend to be lower than average earnings for employees. This is due to the reliance on agriculture and other primary industries, and the tendency for people to have a number of part-time occupations in areas where economic opportunities are scarce. Third, around 10% of the region's workforce is employed in manufacturing, while the figure for Scotland is over 15%.

Regional GDP is declining relative to the rest of Europe: over the first three years of the Objective 1 programme Highlands and Islands registered an average of 76.4% of EU GDP compared with a figure of 79% in the early 1990s. This suggests that the Highlands and Islands relative position within the European Union has deteriorated slightly over the recent past. Partly this reflects the overall performance of the UK and Scottish economies in relation to faster growth in the rest of the European Union. The Scottish economy is still experiencing significant restructuring. New jobs have been emerging rapidly in the service sector and are beginning to outstrip the losses in the primary and manufacturing sectors. However, it can also be explained by the region's concentration in low value-added sectors. The main motor for growth in Scotland is electronics, with the Scottish forecast, excluding electronics, showing the same trend as the Highlands and Islands. The Highlands and Islands has very little employment in this sector. A high proportion of activity is low value-added and low-wage: the primary sectors of agriculture and fisheries remain significant employers in the region. Tourism remains a very significant employer, however, the overseas tourism market is in long-term decline while the domestic market is more volatile, but has also suffered a decline in recent years. The Highlands and Islands economy is, thus, structurally weak. More than 40% of employment is in declining sectors compared with just over a quarter at the Scottish level. Only 16% of employment is in sectors where employment grew by more than 10% in the past 3 years, compared with 21% of employment at the Scottish level. (see Table 2)

**TABLE 1: EMPLOYMENT BY INDUSTRY**

Sectors	Highlands & Islands % of total	Scotland % of total
Agriculture, fishing and forestry	4.9	1.7
Energy and water	1.6	2.1
Manufacturing	10.2	15.7
Construction	6.9	5.8
Distribution, hotels and restaurants	27.4	22.3
Transport and communications	5.8	5.3
Banking, finance and insurance etc.	11.1	14.4
Public admin., education and health	27.8	27.8
Other services	4.2	4.9

Source: *Special Transitional Programme 2000-2006 SPD* p43.

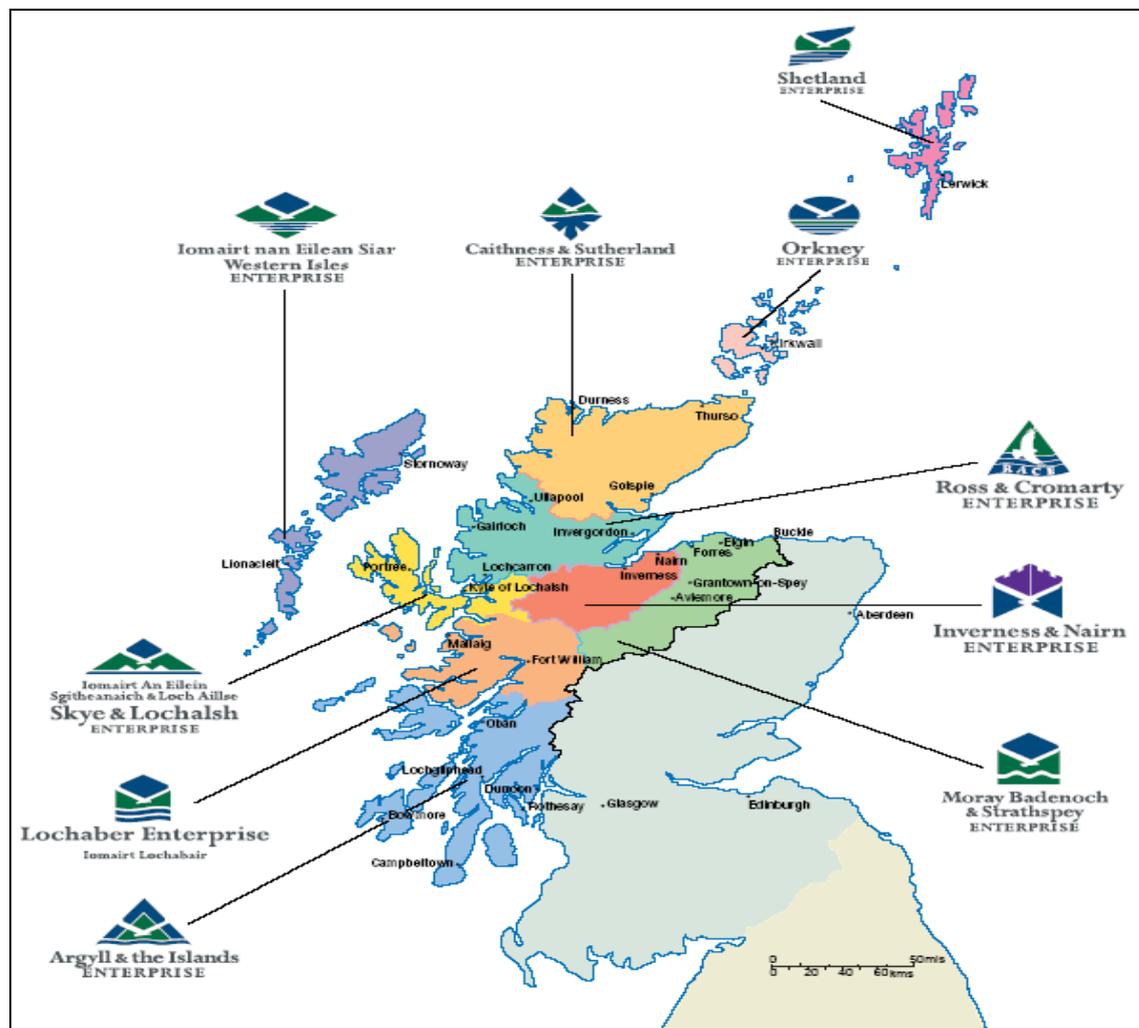
It is important to stress that, within these broad regional trends, the spatial character of the Highlands and Islands economy means that the area comprises a set of sub-regional economies with different characteristics and needs. In terms of peripherality, although the main centre of Inverness is itself extremely peripheral in a Scottish, United Kingdom and EU context, due to the large land area, difficult terrain, and large number of offshore islands, many parts of the area are extremely peripheral from Inverness. Population density ranges from 4 persons per square kilometre in outlying islands and coastal areas such as Skye and Lochalsh to 23 in the core areas of Inverness and Nairn. More remote and peripheral areas are experiencing population decline while population centres, especially around the Inner Moray Firth, are experiencing population growth.

In terms of infrastructure, much of the east coast and Northern Isles population is served by a relatively good road network. However, parts of the west Highlands and Islands have a large proportion of roads which are of inadequate standard, notably the Western Isles, where two thirds of all roads are sub-standard. Remote island areas also have a larger percentage of employees in the agriculture, forestry & fishing sector compared to the region as a whole. While this sector is a major driver of subregional economy, there has been considerable decline recently in employment associated with these activities. Analyses of Gross Value Added (GVA) per full-time employee shows that productivity is lower in peripheral island areas, relative to other areas in the

Highlands & Islands and Scotland. This is influenced by the nature of the manufacturing activities in the islands, where companies tend to be smaller and less likely to benefit from economies of scale.

Generally speaking, the region has a relatively buoyant core area in Inverness and Central Highland and a periphery that is characterised by a narrower and more fragile economic and social base. In spatial terms, the Highlands and Islands comprises a set of sub-regional areas, corresponding approximately with the Local Enterprise Company (LEC) network outlined in Figure 2 below. Although there are numerous similarities, different areas are confronted with different needs, opportunities and obstacles to development.

**Figure 2: Local Enterprise Company Network in H&I**



## **2.2 Structural Funds Programmes (1994-1999 and 2000-2006)**

### **Aims**

The programmes for both programming periods share a similar basic aim: to reduce the various economic and social disadvantages largely resulting from the region's remote location and sparse population and increase regional competitiveness by improving infrastructure links, including ICT and business support services. Creation of businesses and jobs in sectors that are experiencing growth at national level and further exploiting the region's strengths in tourism and the environment are also key elements. Furthermore, both Programmes aim to address the fragile nature of many communities resulting from increasing internal migration of the region's population away from remote islands towards the larger towns of the region (see Table 4).

**Table 2: Structure of Highlands and Islands SPDs 1994-99 and 2000-2006**

	<i>Objective 1 1994-99</i>	<b>Special Transitional Programme 2000-2006</b>
<b>Aim</b>	“To promote the internal and external cohesion of the Highlands and Islands region over the period 1994-1999, primarily by increasing and sustaining GDP growth rates and reducing unemployment”	“To increase the prosperity of the Highlands and Islands through sustainable economic development and to reduce social and economic disparities within the region so that long-term progress can be sustained beyond 2006”
<b>Strategic Objectives</b>	<ul style="list-style-type: none"> <li>- Strengthen the region’s economy</li> <li>- Ameliorate problems of peripherality and insularity</li> <li>- Strengthen the economic and social stability of communities</li> <li>- Preserve existing environmental quality and ensure environmental sensitivity of future economic development</li> </ul>	<ul style="list-style-type: none"> <li>- To increase incomes and prosperity relative to the EU average</li> <li>- To reduce social and economic disparities within the region</li> <li>- To create and safeguard employment</li> <li>- To ensure that individuals and communities can make a full contribution to the development of the region</li> <li>-To reduce the problems cause by peripherality and insularity</li> <li>- To enhance the quality of the environment</li> </ul>
<b>Key Features of Strategy</b>	<p>Focus on maximising area’s competitive and comparative advantages and unique attributes, minimising costs of peripheral location and preserving environmental quality. Stress on ‘demand side’ priorities for generating activity, avoiding overemphasis on addressing supply side constraints via infrastructure provision</p>	<p>Investment in strategic projects and schemes which offer substantive and generative improvements to the region. Creation of economically sustainable forms of assistance, including revolving use of resource</p> <p>s. Growing leverage of private sector funds. Reducing dependence of individual initiatives on EU funding.</p>

<b>Structure</b>	<p>Seven priorities:</p> <ul style="list-style-type: none"> <li>• Business development;</li> <li>• Tourism, heritage and cultural development;</li> <li>• Preservation and enhancement of the environment;</li> <li>• Development of the primary sectors and related food industries;</li> <li>• Community development;</li> <li>• Improvement of communications and service networks to enhance business and community development;</li> <li>• Technical assistance.</li> </ul> <p>40 measures and sub-measures</p>	<p>Five priorities:</p> <ul style="list-style-type: none"> <li>• Increasing business competitiveness, creating employment and increasing incomes;</li> <li>• Creating the conditions for regional competitiveness;</li> <li>• Human resource development;</li> <li>• Assisting rural communities;</li> <li>• Technical assistance.</li> </ul> <p>29 measures and sub-measures.</p>
<b>High Level Targets</b>	<ul style="list-style-type: none"> <li>• Raise GDP per capita by up to 4%</li> <li>• Provide additional 2,500 permanent full time jobs</li> </ul>	<ul style="list-style-type: none"> <li>• GDP created/safeguarded £255m</li> <li>• Number of net jobs created 384</li> <li>• Number of net jobs safeguarded 7560</li> </ul>

Sources: *H&I Obj. 1 Programme 1994-99 SPD, Special Transitional Programme 2000-2006*

## GENERAL SPENDING INFORMATION

Objective 1 funds in the 1994-1999 programming period amounted to over € 320 million (£244 million) at €1063 per capita. The programme's financial focus appropriately reflected the region's need to exploit its existing strengths (see Table 3).<sup>125</sup> A fifth of the programme funding was allocated to supporting the agriculture and fisheries sectors, with a view to increasing the add-value of these sectors through increased processing of produce. Furthermore the programme sought to address the region's inadequate provision of business support services, again with over a fifth of the programme's resources. Such support included much needed encouragement of business collaboration, through networking and R&D to allow the region's significant SME community to better exploit economies of scale and spread the inherently high costs of innovation. The programme addressed the region's need for improved internal communications networks, both with regards to transportation infrastructure,

<sup>125</sup> ECOTEC (2003) *Ex-Post Evaluation of Objective 1 1994 – 1999 National report – UK*, Draft Final Report p34.

particularly targeted to meeting the needs of the business community within and outside the region. Encouragement of improved access to and use of ICT also aimed to reduce some of the costs of the region's peripherality, opening otherwise limited opportunities for education, training and employment.

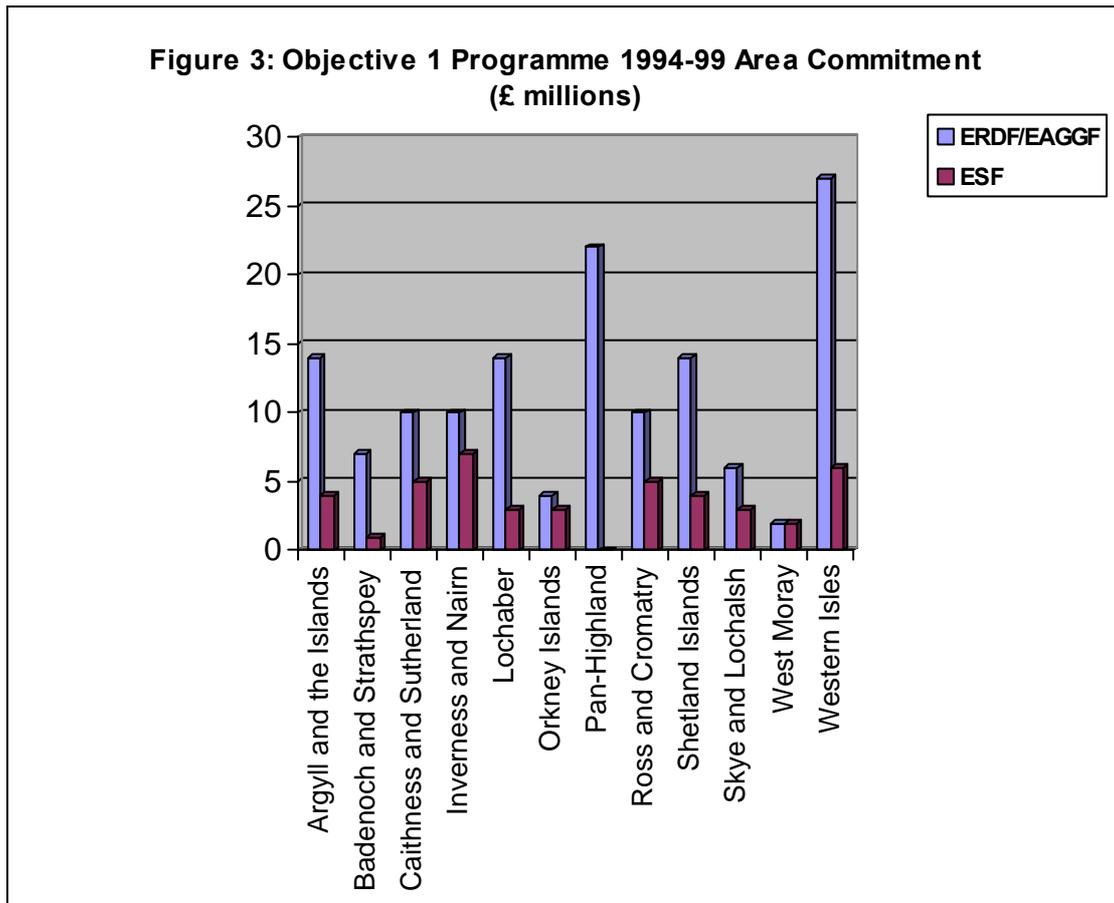
**Table 3: Highlands and Islands Obj. 1 1994-99 Priorities**

<b>Priority</b>	<b>Description</b>	<b>Total funding (ecu million) (% of Total Programme)</b>
<b>1</b>	Business Development	72.1 (23.2%)
<b>2</b>	Tourism, heritage and cultural development	24.2 (7.8%)
<b>3</b>	Preservation and enhancement of the environment	16.3 (5.2%)
<b>4</b>	Development of the primary sectors and related food industries	68.7 (22.1%)
<b>5</b>	Community Development	46.9 (15.1%)
<b>6</b>	Improvement of communications and service networks to enhance business and community development	79.7 (25.6%)
<b>7</b>	Technical Assistance	3.1 (1%)
<b>Total</b>		311.00 (100%)

Source: *ECOTEC (2003) p31*.

### **Type of spending**

Sub-regional divergence in terms of socio-economic profiles is an important aspect of the Highlands and Islands case. Chart 6 highlights the commitment of ESF, ERDF and EAGGF by sub-regional area for the 1994-99 Objective 1 programme and is indicative of the different conditions in local economies.



Source: 2000-2006 SPD p31.

As can be seen, the division of Structural Funds spending through ERDF/EAGGF (associated with infrastructure, agriculture, fishery and rural development) and ESF (human resources) varies at sub-regional level. In the core area around Inverness and the Central Highlands, there is a relative balance between types of funding, while ERDF/EAGGF-funded projects dominate in peripheral areas.

The Special Transitional Objective 1 programme is worth € 300 million (£210 million) from 2000-2006 and its allocation according to priorities is presented in Table 4 .

**Table 4: Special Transitional Programme - Distribution of financing by priority**

Priority	Description	Total funding (ecu million) (% of total programme)
1.	Increasing Business Competitiveness	€187.68 (21.5%)
2.	Creating the Conditions for Regional Competitiveness	€15.81 (34.4%)
3.	Developing the Region's Human Resources	€120.15 (18.8%)
4.	Assisting Rural Development & Related Communities	€20.13 (23.8%)
5.	Technical Assistance	€9.35 (1.5%)

Source: *Special Transitional Programme SPD p214.*

### Results in brief

A number of evaluation studies<sup>126</sup> assessed the results of the Objective 1 programme. In terms of basic economic impact, according to analyses, the Objective 1 Programme is currently around two-thirds of the way towards meeting the overall employment creation target set by the SPD. The target will be exceeded by 63% should the projects in the pipeline deliver the forecast job creation. The forecast and claimed to date figures, however, are gross employment impact figures. Allowing for additionality and displacement effects the net employment impact of the Programme based on the forecasts is c12,000 jobs created/safeguarded. These figures provide a broad indication of the impact of the Programme on the Highlands and Islands economy. The figure represents 9% of the estimated 130,000 full-time equivalent jobs (including the self-employed) in the Highlands and Islands. A further indication of the impact of the Programme can be drawn from an analysis of the unemployment situation, recognising that there will have been other macro-economic factors at work and also changes in participation rates, notably among women. Since January 1996 claimant count unemployment in the Highlands and Islands has fallen from 17,608 to 11,292, a fall of over 6000 people (36%). This compares to a fall of 29% for Scotland.

In terms of the overall principles of the Programme, there has been significant progress.

Mechanisms for partnership and cooperation have developed considerably over the

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<sup>126</sup> Ernst and Young (1999) Evaluation of Structural Funds Impacts on SMEs Highlands and Islands Case Study, SQW (1997) 1994-99 Interim Assessment of the Highlands and Islands Objective 1 Programme,

lifetime of the Programme. Packages and Programmes of support for areas, rather than a series of individual projects, have encouraged a more local strategic approach to the delivery of investments. One of the key themes to emerge from the Objective 1 Programme was that, given the economic diversity and policy autonomy of sub-regional areas in the Highlands and Islands, projects require careful planning and research so that they integrate consistently with local strategies and priorities. Closer inter-agency co-operation (e.g. between enterprise companies, local authorities etc) was seen as essential to ensuring a more integrated and consistent approach, with the associated benefits of better targeting of resources, and selection of viable and sustainable projects. For instance, major transportation and telecommunication projects have had an impact on the economic development of parts of the region, and were shown to have greater impact when integrated with other proposals developed with or without Structural Funds assistance. Examples include the digital telecommunications extension, the Western Isles spinal route and harbour improvements.

### **Community Initiatives**

Although the focus of this paper is on Objective Programmes, the Highlands and Islands is involved in other Community Initiatives which are linked to the Programmes and have spatial development aspects. The Interreg IIIB Northern Periphery Programme includes the Highlands and Islands. It aims to promote a higher degree of territorial integration across large groupings of European regions, with a view to achieving sustainable, harmonious and balanced development. It includes a spatial planning measure designed to encourage the regeneration of networks of small towns through 'bottom-up' planning. In the Highlands and Islands, local connections are being made with the creation of the Small Town Networks Forum. Initial meetings have now been held to discuss how the STN Project can impact on the ongoing regional planning process. Another Interreg measure involves the development of a Northern Maritime Corridor connecting both the coastal regions bordering the North Sea and manufacturing industry in the North Sea basin. A key priority is improving the efficiency of intermodal systems connecting sea – road, sea – rail and sea – inland waterways at all levels, thereby improving the competitiveness of the coastal industries around the North Sea.

European funding through the LEADER and PESCA Programmes has also encouraged small rural communities in the region to foster bottom-up development approaches and community action. LEADER, aimed at fostering innovative approaches to rural development, has created initiatives which can have an impact on spatial development. These include the development of integrated territorial rural development strategies and support for co-operation between rural territories. Leader projects can be used as pilots for larger projects funded through the Objective Programmes. Leader is implemented through Local Action Groups. The implementation of Leader through Local Action Groups (containing representatives of the private, public and voluntary sectors in a given geographical area) was facilitated

by the existing framework provided by the Highlands & Islands Enterprise Network of Local Enterprise Companies which operate in delimited local areas.

### **3. Impacts on spatial development**

#### **3.1 Polycentric development**

The impacts of the Structural Funds in terms of polycentricity are difficult to examine in the case of the Highlands and Islands: there is no direct reference to the term in either programming periods. Nevertheless, spatial development themes can be detected in both programmes. For instance, Priority 6 of the 1994-99 Programme prioritises the development of regional communications and service networks to support business and community development. Upgrading the region's transport infrastructure was a priority, and this included the identification of corridors or zones of economic activity which would benefit from transport infrastructure investments. However, SF investment in ICT infrastructure was also influential. For instance, from 1995 to 2001 the Western Isles ICT Advisory Service has been funded in two phases through ERDF. The Service aims to stimulate investment by SMEs in information technologies. A wide range of ICT services are provided but tailored specifically to local SME needs. This includes identification and

demonstration of new products, investigation and creation of inward investment opportunities with local supply chain benefits. According to evaluations, the scheme has had a substantial impact, having established extensive links with European and US organizations.<sup>127</sup> Overall, the programme takes a more distributive approach to spatial development. A key aspect considered in preparing the programme was geographic targeting of projects in an economically variegated territory. The targeting method was designed to encourage positive economic and social development across all of the area, while at the same time, ensuring the concentration of resources in areas of greatest need in order to overcome internal regional disparities. Up to this point, it is arguable that more was made of the need to understand the different characteristics and profiles of local economies than on how their interaction could be facilitated to address the themes of regional territorial cohesion and polycentric development.

The emphasis shifts somewhat in the 2000-2006 period and the challenge of fostering co-operation among and between urban and rural areas in the region is more explicitly addressed. Despite progress made in previous period, the 2000-2006 programme notes the continued challenge to internal cohesion.<sup>128</sup> The feeling persists that the region is made up of several local areas with differential patterns of population, employment growth and GDP levels, which are poorly connected to each other. Thus, Priority 2 of

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<sup>127</sup> Ernst & Young. July 1999. *Thematic Evaluation of Structural Fund Impacts on SMEs*. European Commission (DGXVI) p100.

<sup>128</sup> Special Transitional Programme SPD p97.

the current programme, 'Creating the conditions for regional competitiveness', includes a measure on strategic investment in communications infrastructure that acknowledges that the integration of transportation systems is complex in the Highlands and Islands. Aims include connecting sub-regional economies and filling remaining infrastructure gaps in order to provide better local access to exploit resources. Two cases, representing different types of intervention with potential spatial development impacts, are presented:

<b>Supporting cluster development and regional specialisation - Healthcare Cluster</b>	<b>Inverness</b>
<p>There is implicit stress on growth centres, clusters and polycentric spatial patterns within the region. For instance, in the early 1990s, policy makers identified the concentration of medical skills and expertise in and around Inverness as a potential base for the creation of a healthcare/biomedical 'cluster'. Structural Funds are supporting efforts by HIE to create an Inverness Medi-centre as part of a strategy to develop this cluster, building on experience from Scandinavia where specialist facilities encourage cross fertilisation between academic institutions and the commercial sector. The aim is to stimulate the development of new knowledge-based activity in the health sector.<sup>129</sup> Once completed, the Medi-centre will include a 200 seat lecture theatre, a learning resource centre and a café. In addition there will be office space and incubator units for growing research-based companies. It was recently announced that the Inverness Medicentre project has been awarded £2.7 million ERDF in the latest ERDF funding round.<sup>130</sup></p>	

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<b>Improving territorial cohesion - University of the Highlands and Islands</b>
<p>The new University of the Highlands and Islands provides an example of a recent, innovative initiative with potentially significant spatial development and territorial cohesion impacts that, according to Programme partners, would have been impossible without Structural Funds. Innovation was not limited to the type of activity supported, but was also about the scale of activity that was possible under the Structural Funds, which opened up new opportunities for the region. The University has a federal, collegiate structure, dispersed across the Highlands and Islands, involving 13 main colleges and research institutions and a network of outreach learning resource centres. Taking advantage of the possibilities offered by information and communication technologies (ICTs), each location has access to shared information sources through a broadband electronic communications network. Video conferencing is used as a method of learning. A key element of the UHI project is to increase the region's knowledge-based skills, by improving the capacity for R&amp;D and technology transfer, especially in indigenous economic sectors. In this way, the UHI helps promote the sustained expansion of local firms. Fisheries development, for example, is the focus of research at the Machrihanich Marine Environmental Research Laboratory, in Argyll. The Catalyst Centre, part of Lews Castle College in the Western Isles, targets tweed-making, food and drinks and rural development issues. It also supports local firms in developing niche markets in "Gaelic related" sectors.</p> <p>Although the UHI was not officially sanctioned by the government until after the SPD was originally agreed, the project is included as a final beneficiary in Priority 2, Measure 2: 'Improving regional</p>

<sup>129</sup> Inverness and Nairn Enterprise (2003) *Cleared for take off - Annual Report 2003* p52.

<sup>130</sup> Scottish Executive (2004) 'Euro funding for Highlands and Islands', *SE news report* 29/03/2004.

competitiveness through developing the information society'. According to the mid-term evaluation, the project has accounted for much of the subsequent R&D spend. ERDF has enabled the project to develop enhanced core facilities at each of the area's main college sites. Inverness College, a central UHI institution, operates from several campuses, both within and outside Inverness. The majority of programmes are delivered in the Longman campus, which also houses the main administration function. The college has been and is an important beneficiary of Structural Funds and more than €3.1 million (£1.9 m) have been invested developing a large number of courses for pre-vocational and vocational training qualifications.<sup>131</sup> The UHI project is regarded as a strategic response to shared regional challenges, arising directly from the stimulus of Programme funding.<sup>132</sup>

The impression persists, however, that that the Programmes provide less a common strategy than a framework accommodating separate sub-regional and organisational strategic priorities, reflecting the diversity of the region and relatively strong local identities and local governments. This lack of a coherent strategy is partly attributable to the absence of a domestic, region-level equivalent of the SPD and lack of alignment with existing domestic strategies.

The Scottish Executive, the executive arm of the Scottish Parliament, charged the enterprise network with the creation of a new economic development strategy. The new strategy, *A Smart, Successful Scotland* produced by Scottish Enterprise National in January 2001 identified three priorities for the enterprise network: growing businesses, global connections, and skills and learning. Highlands and Islands Enterprise produced *A Smart, Successful Scotland – the Highlands and Islands Dimension* in April 2002. This added a priority for strengthening communities. Although the document's four main policy thrusts (strengthening communities, developing skills, growing businesses and global connections) are compatible with the Priorities and Measures of the SPD, it anticipates only a limited overlap with the Transitional Programme strategy. Only two references are made in the document to European Structural Funds: once in relation to building global connections where Structural Funds are identified as a source of funding for building transport and communication links, and once in relation to HIE's partnership activities, where membership of the Highlands and Islands European Partnership is cited as evidence of HIE's contribution to local partnerships. As an economic development programme covering the same area as the Highlands and Islands network, the Special Transitional Programme would have a greater impact if it was more closely aligned with the network's own strategy.<sup>133</sup> In the absence of an over-arching regional strategy or common regional framework, organisations tend to respond tactically rather than strategically to the opportunities offered by Structural Fund support. There is, therefore, a danger that local fragmentation might inhibit the development of a coherent regional spatial strategy.

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<sup>131</sup> European Commission (2002) *Success Stories in The Highlands and Islands*

<sup>132</sup> MTE p61.

<sup>133</sup> MTE p38

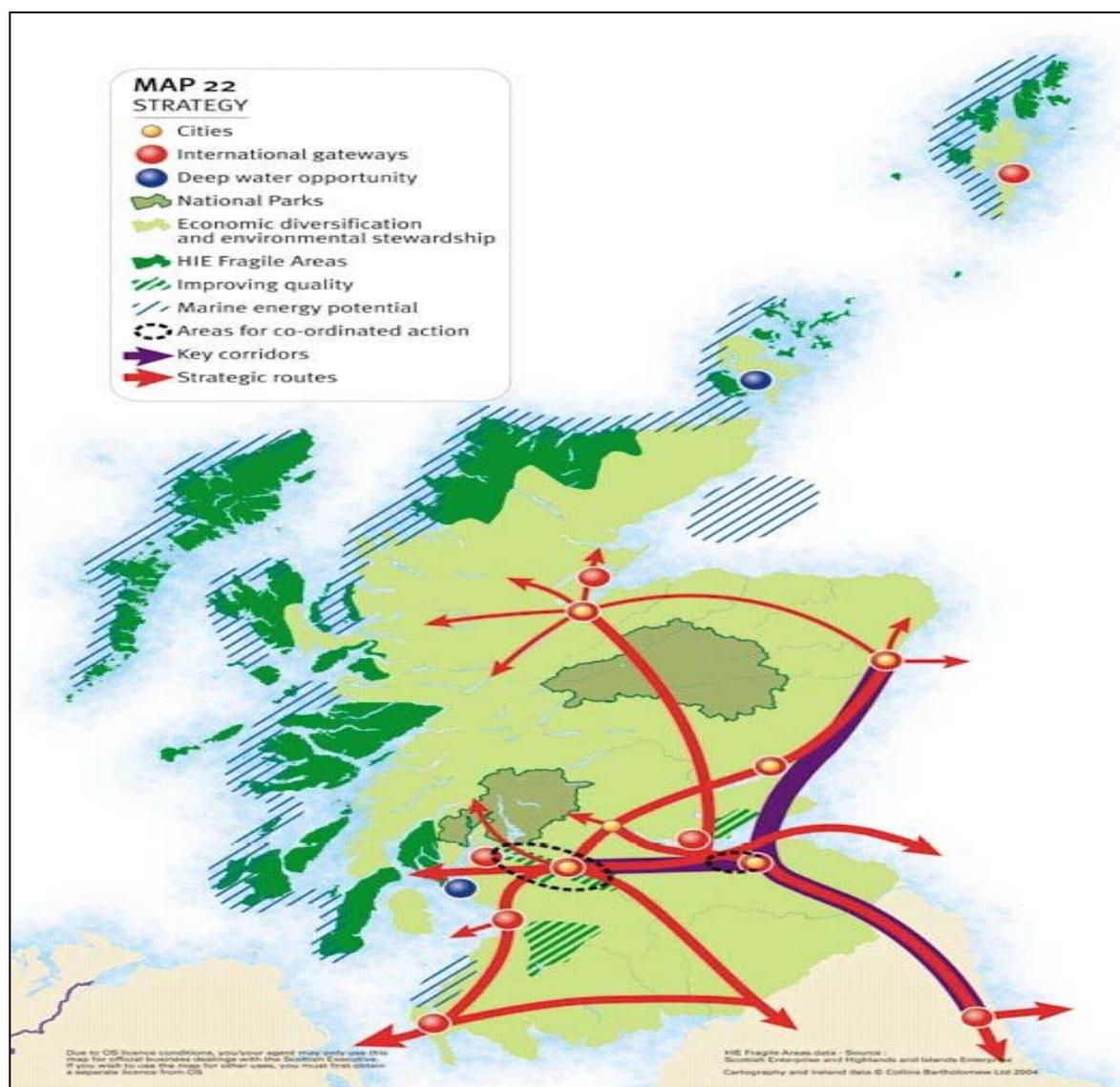
It should be noted that there have been significant recent developments in the spatial planning field that attempt to strengthen regional-level spatial planning. These have been spurred, at least in part, by ESDP principles in the Structural Funds. A potentially important initiative was the recent publication of the *National Planning Framework for Scotland*. The Framework looks at how Scotland is likely to change over the next 15 to 20 years, in a bid to provide a context for development plans and the Scottish Executives spending decisions that extends beyond mere land use considerations. The primary drivers of change are seen as falling and ageing population, the need to create attractive places to compete in the global economy and the need to regenerate communities, especially through housing improvements and affordable housing provision. There is also an acknowledgement of the need to provide new infrastructure and renewable energy, as well as to ensure that development is sustainable. The key aims of the strategy are to promote growth, and regenerate communities by improving the environment and access to jobs. The Framework was informed by principles that guided the construction of the ESDP<sup>134</sup> and makes direct reference to its influence in the mobilization of non-governmental and governmental actors around the issue of strategic planning reform.<sup>135</sup> The strategy includes a map identifying Scotland's international gateways, deep water opportunities, communications corridors and strategic transport routes which will be of importance in supporting the Highlands and Islands spatial development to 2025 (see Figure 4).

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<sup>134</sup> Roberts, P. and Beresford, A. (2003) 'European Union Spatial Planning and Development Policy: Implications for Strategic Planning in the UK' *Journal of Planning and Environment Law Occasional Papers* No. 31

<sup>135</sup> Scottish Executive (2004) *National Planning Framework for Scotland* p2

**Figure 4: National Spatial Strategy for Scotland**



Source: *National Planning Framework for Scotland*

These improvements are expected to be effected through a range of coordinated government interventions, some of them focused on particular areas, others on particular industries. There are also proposals to produce a series of sub-regional “spatial perspectives” with a ‘Rural Scotland’ section that encompasses the Highlands and Islands. The Rural Scotland perspective notes the need for diversification into new economic activities and the growing importance of modern communications technologies, the importance on inter and intra-regional transport networks etc. However the national spatial strategy is in its infancy. In time, the Framework may provide a regional spatial overview for the Highlands and Islands and become a useful resource in informing economic development programmes and highlighting spatial

development issues, but it is not itself an economic development strategy. Detail on how its aims will be achieved, including how region-specific ‘spatial perspectives’ will be put into action, is scarce”.<sup>136</sup>

### **3.1.1 Specialisations and roles in the wider spatial system**

#### **Description of the situation today**

According to the ESPON 1.1.1 polycentricity typology, the region has only one Functional Urban Area: the regional capital, Inverness, which has a population of around 40,000 inhabitants. The main economic activity is associated with Inverness’s role as the administrative and service centre for large parts of the Highland mainland. There are pockets of high unemployment and social exclusion within the town. Overall, however, the economy is diverse and strong in comparison to many other parts of the region.

#### **Measures and projects in the ESPON-relevant sectors**

##### **Tourism<sup>137</sup>**

Tourism remains an important component of the Highlands and Islands economy, representing a key opportunity to generate income from outside sources and to realise value from the distinctive assets of the region. The Hotel and Catering Industry employs over 12,000 people and accounts for 16% of all employment. This is over twice found nationally, depicting the dependence of the local economy on the sector. In GDP terms tourism represents approximately 8% of regional GDP. Approximately one-fifth of spending is generated by overseas visitors to the area, making the tourism industry the third-top exports earner for the region. Overall tourism trends over past 10 years suggest limited opportunity for overall sustained growth, although opportunities may be better in niches where Highlands and Islands is / can potentially be competitive.

Table 10 provides a partial picture of the distribution of tourism benefits within the Highlands and Islands area, illustrating that tourism, both domestic and overseas, can make an important contribution in some of the region’s sub-areas:

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<sup>136</sup> ‘Scottish planning marches onwards’ *Regeneration and Renewal* 30/04/04 p14.

<sup>137</sup> See Special Transitional Programme SPD p43 for sectoral overview.

**Table 5: Tourism expenditure by area tourist board, 2001**

Area	UK consumers		Overseas consumers	
	Trips (m)	Expenditure (£m)	Trips (m)	Expenditure (£m)
Argyll, the Isles, Loch Lomond, Stirling and the Trossachs	2.24	374	0.19	35
Ayrshire and Arran	1.21	181	0.08	51
Highlands of Scotland	2.53	480	0.36	73

Source: *Visitscotland, Tourism in Scotland 2001*

The importance of the sector is reflected in the level of investment provided by EU funding. In the 1994-99 Programme, Priority 2 - Tourism, heritage and cultural development – was allocated €4.2 million (7.8% of Programme funding). In the current period support for tourism has been spread across several measures but the following figures illustrate the continuing significance attached to this sector:

- £10.6 million of SFs has been provided for tourism and tourism related projects since 2000.
- 31 projects across the region have benefited from this funding.
- 954 jobs have been created by European funding.

The projects receiving funding are varied, including a £2.4 million grant to improve accommodation services across the whole region; £300,000 for Harris Sports and Leisure centre; £735,000 for An Lanntair Arts Centre in Stornoway and £700,000 for The Ice Factory, an outdoor centre in Kinlochleven.<sup>138</sup>

## Industry

In general, the Highlands and Islands has experienced the general shift towards service sector employment discernible in Scotland as a whole, but not to the same extent. In 5 out of 17 service sectors that saw significant increases in the numbers of jobs at the Scottish level, the Highlands and Islands actually experienced a decline in employment, notably:

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<sup>138</sup> Figures from speech presented by Shadow Tourism Minister Kenny MacAskill MSP *Tourism Investment: Highlands and Islands Facing Funding Gap*, March 2004.

- hotels and restaurants.
- supporting / auxiliary transport.
- insurance and pension funding.
- education.
- sewage / refuse disposal / sanitation.

Some other service sectors in the Highlands and Islands experienced employment growth that outstripped the Scottish level, notably:

- computing.
- research and development.
- other business activities.

However, this represented some catching up on the rest of Scotland and each of these sectors was still significantly under-represented when compared with the proportion of employment that they account for in Scotland as a whole.

The region as a whole has a much greater concentration of employment in the primary sectors of agriculture and fisheries than Scotland as a whole or Great Britain. These sectors are still pillars of the regional economy and are particularly important in certain locales. Nevertheless, they are vulnerable to changes in government regulation and subsidy, and the traditional activities in these sectors are in long-term decline.

The balance between these types of industrial activity, in terms of their importance to the regional economy, is reflected in the SF programmes. In the Objective 1 programme, there is a relatively even balance between funds allocated for the development of new business activities (Priority 1, 23% of funding) and for the development of the primary sectors and related food industries (Priority 4, 22%). In the Special Transitional Programme, although the focus shifts more to supporting new businesses and encouraging competitiveness, innovation and entrepreneurship, the importance of the rural and fishing economy is recognised in Priority 4, which deals with the restructuring and diversification of these industries and supports community sustainability.

## **Transport**

In the 1994-99 programme, Priority 6 - Improvement of communications and service networks to enhance business and community development – was allocated €79.7 million (25.6% of Programme funds). The focus of transport measures in the current programming period is improvements to infrastructure – including road, sea, port and air services and facilities – especially for remote and island communities. Remaining gaps in the road infrastructure are being targeted by Structural Funds. In the latest funding round, Highland Council has also received 25% funding from Europe for the construction of a new 2 kilometre access road from the A 96 Inverness – Nairn road to Inverness Airport.<sup>139</sup> There has been increasing focus on securing regional airlinks, an area where the Highlands and Islands has been singled out for lagging behind the rest of Europe. For instance, Argyll and Bute Council has recently approved an investment package of £4.8m which secures European funding of £ 2.2m to drive forward the Argyll Air Services project. The project would develop air services between a hub airport at Oban and some of the most remote and isolated communities. It would also link with other West coast islands and the central belt of Scotland.

### Universities/IT infrastructure

In terms of IT infrastructure, Structural Funds projects have provided significant investment over the last decade in both programming periods (Priority 6, Measure 3 in the 1994-99 period and Priority 2 Measure 2 in the 2000-2006 period were each allocated around 4% of programme resources). Initiatives include the extension of broadband telecommunications services (the current programme reflects has provided £1.5 million to extend broadband connections in the region to remoter areas), ventures in biotechnology (see Healthcare cluster case study above), industrial application software development, marketing and design, web authoring and many other forms of business have been introduced and have been able to noticeably expand their horizons through this investment. Since the initial investments were made, for instance, a call and contact centre industry has emerged which now employs circa 4,000 people throughout the Highlands and Islands. This infrastructure was also an important factor in the development of the University of the Highlands and Islands University project (see above).

### Specialisation aspects of polycentricity: summary table

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important)

<sup>139</sup> Scottish Executive (2004) 'Euro funding for Highlands and Islands', *SE news report* 29/03/2004

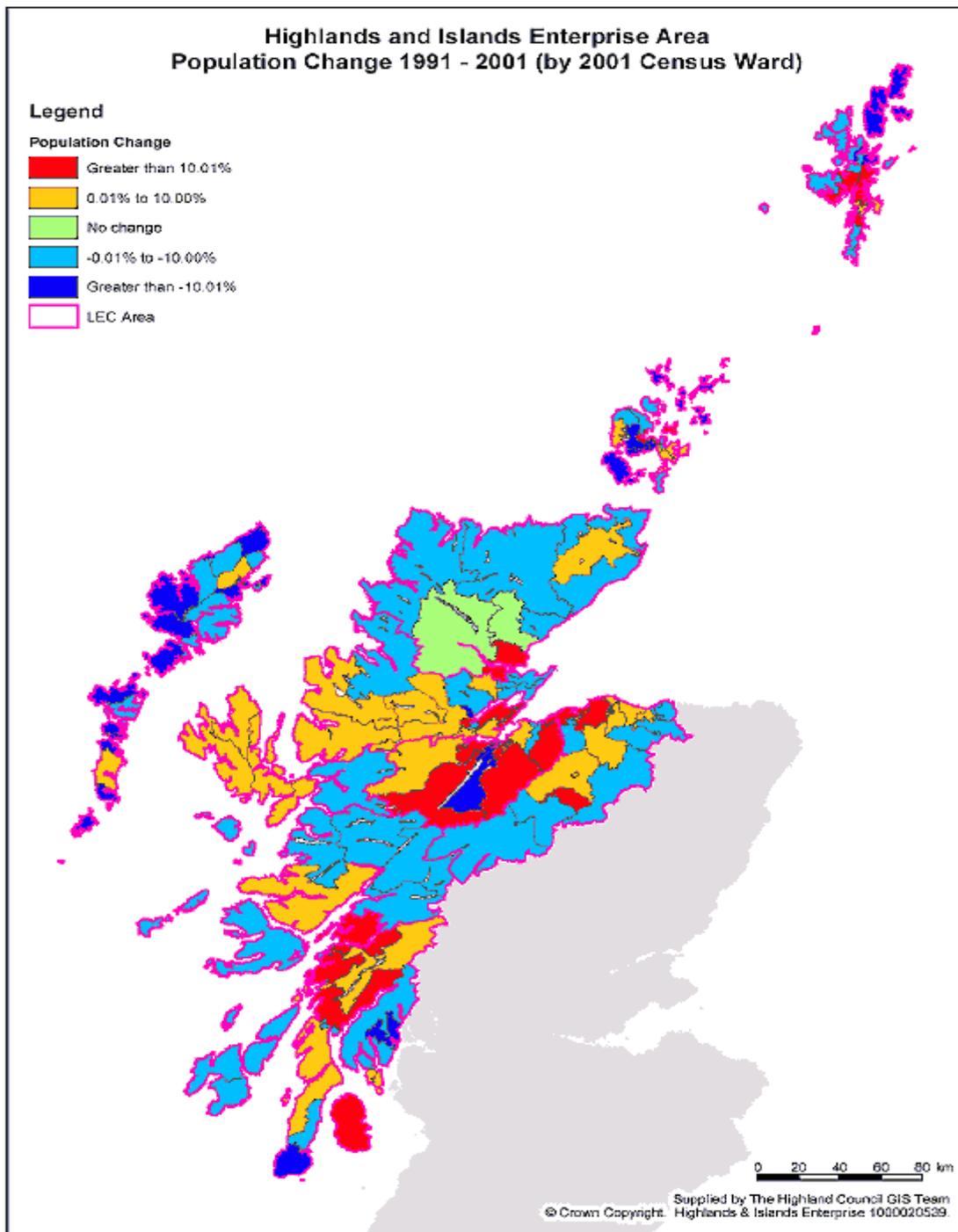
				influence)
Tourism	Potential growth area.	Limited opportunity for overall sustained growth.	SFs integrated approach to regional development creates opportunities to target certain niches where region can potentially be competitive, e.g. whisky cluster strengthened as a tourist attraction by improving transport infrastructure and accommodation services.	1
Industry	Primary sectors of agriculture and fisheries pillars of the regional economy but in long-term decline.	Service sectors (computing R&D) in the region experiencing employment growth.	Balance between traditional and new types of industrial activity, is reflected in the programmes with service sector given increasing strategic significance	1
Knowledge / Higher education institutions	Need for improved higher education network to integrate remote communities	University of Highlands and Islands project designed to improve higher education system, integrate peripheral areas and support R&D initiatives..	UHI is beneficiary of SFs. According to those involved in SF programme, the strategic perspective of the funds was a vital factor in the project.	2
Decision-making / Location of company HQs				
Administrative status				
Economic base	Declining employment in service industries, structural change towards service economy. Focus on SMEs, R&D etc.		Balance between traditional and new types of industrial activity, is reflected in the programmes with service sector given increasing strategic significance	1

### 3.1.2 Population/mass criterion – urban systems and the rural-urban setting

ESPON 221 – Annex report A

As a sparsely populated region, with only one urban area of regional significance in terms of population size, the potential for the Highlands and Islands to foster economic development through the agglomeration of people and urban-rural linkages is limited. It is clear that growth in the Highlands and Islands is dominated by the Inner Moray Firth. The Inverness and Nairn area is home to 37 per cent of the Highland Council area population, but 45 per cent of all employees in the region work there. However, in a European, UK or even Scottish context, Inverness is a very small city. Although Inverness, Moray and the Western Highlands are experiencing growth in population (the latter mostly in the 40 years or over age bands), several peripheral areas are experiencing a significant decline in population and there is increasing pressure on the sustainability of communities and public services (see Figure 5).

**Figure 5: H&I population change (1991-2001)**



Source: Scottish Executive (2004) *Scottish Economic Report: March 2004*

Although not mentioned explicitly in the programming documents, relationships between the central core area and more peripheral locales are addressed in measures to improve infrastructure, support business competitiveness etc. The University of the Highlands and Islands Project, supported by Structural Funds, has played an influential role in this respect. By linking a diverse range of partners from small, remote communities to relatively large centres in Inverness, it has had an impact on rural-urban relationships in the region.

### 3.1.3 The Relation Function

Initially, efforts to internationalise the regional economy and access European networks focused on countering the effects of physical remoteness - exacerbated by water crossings - through investment in transport infrastructure. While this remains vital to the area's development, electronic communications and building on the gains brought by digital telecoms in the last decade has become a priority. The current programme reflects this shifting emphasis. For instance, the programme provided £1.5 million of European funding to extend broadband connections in the region to remoter areas. A major aim of the project is to lift restraints on existing businesses and access markets abroad.<sup>140</sup> More generally, there is evidence that, without the Structural Funds, the focus of some projects' marketing activity would have been limited to domestic markets rather than including international markets.<sup>141</sup> It is important to note, however, that the European Commission's fishing quotas, and the impact they could have on the region's fishing industry, has also focused attention on the influence of the European Union over the regional economy in an often contentious way.

**Relation function – aspects of polycentricity summary table**

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
Accessibility	Transport network requiring improvement, particularly outside core urban area. Island	Improving infrastructure and sea and air connections. Increasing emphasis on IT networks and extending electronic	SFs support initiatives such as regional airports connecting island communities to mainland and the extension of broadband to improve e-	2

<sup>140</sup> Scottish Executive (2002) 'Connecting up the northern isles', *SE news report* 22/03/2002

<sup>141</sup> MTE p281

	communities put emphasis on sea and air crossings.	'connectivity'.	commerce and distance education.	
Changes in accessibility				
Key strategic and functional networks (promoting specialization)	-	-	-	-

## 4. Policy impacts

### 4.1 The impact upon governance aspects

Traditionally, there has been a strong element of autonomy in Scottish economic development policy, reflected in the increasing downward transfer of policy responsibility from the centre. As a result of devolution, the Scottish Executive has the freedom to operate its own distinctive regional development policies and these have incorporated a meaningful role for local governments, enterprise agencies and other local bodies. Each local authority area operates a Community Planning framework and Social Inclusion Partnerships which bring together a wide range of local partners from the Council, the health boards, the police, enterprise, etc. to provide overarching, long-term planning for the area. The Scottish Executive and its principal economic development agencies, Scottish Enterprise and Highlands and Islands Enterprise, co-ordinate centrally with networks of Local Enterprise Companies (LECs) responsible for adapting policy design and delivery to local conditions. The establishment of LECs involved a significant reorganization of the structure of state intervention in the Highlands and Islands through the creation of a localized scale of governance. One effect of the subsequent increase in local accessibility was to enhance the capacity to manage the process of local economic development in ways that recognize local conditions and specificities. As a result, a distinctive 'Scottish model' of programme administration based on broadly based local partnerships has evolved.

One example of this approach is provided by the 'Initiative at the Edge' programme, established in 1998, as a partnership programme involving the most fragile communities on the geographic periphery of the region. The remote community groups work, with the assistance of a designated Local Development Officer, alongside a number of different agencies: the Scottish Executive, Highlands & Islands Enterprise, the Crofters' Commission, Scottish Natural Heritage, Communities Scotland, and relevant local authorities. The initiative aims to overcome the difficulties which some remote communities have in accessing support from the main public sector agencies and others. It offers designated communities a public agency Partnership commitment and a framework in which they can bring together their own ideas for the long term regeneration of their areas. Rather than introducing a new

partnership model, implementation of the Structural Funds has, thus, consolidated the partnership approach.

One potential benefit resulting from the experience of Structural Funds implementation is in overcoming the tension between regional coordination and local fragmentation. Although the establishment of LECs enhances the capacity to manage space by providing a vertical channel which allows local actors to convey local conditions and priorities to regional 'state managers', it also brings the threat of fragmentation.<sup>142</sup> An integrated and coordinated approach to strategy formulation and implementation is vital in avoiding interlocal competition over, for example, road and ferry routes. The SF Programmes provide one of the few opportunities for organisations in the region to consider strategic development challenges affecting the Highlands & Islands as a whole.

Peripherality, population decline, community development and development of the region's environmental heritage are cited by Programme partners as shared issues bringing together relevant development bodies across the region.<sup>143</sup> The main public and voluntary bodies operating within the Highlands and Islands Programme area make up the Highlands and Islands Partnership Programme. Over 140 partners are involved including local authorities, Highlands and Islands Enterprise, Local Enterprise Companies, Scottish Natural Heritage, Scottish Council for Voluntary Organisations, further and higher education establishments and many other bodies active in economic, social and educational development within the area. Partners are represented on the various Committees and Advisory Groups. Moreover, the Highlands and Islands European Partnership organisation links Highlands and Islands Enterprise with local authorities in the Highlands and Islands to ensure that the HIE area secures maximum benefit from European policies and funding opportunities. It has an office in Scotland House, Brussels. Sub-national partnerships in the Highlands and Islands have become active in structural funds policy-making, and are now experienced in lobbying for, and assisting in the implementation of funds.<sup>144</sup>

However, the absence of an overarching, domestic strategy, equivalent to the SPD, and lack of alignment between Programme activities and domestic initiatives, noted above, inhibits the role of the SF Programmes as a provider of a regional, spatial perspective. Given the relative strength of local-level organizations and the distinctiveness of sub-regional economies, there is a risk that SF programmes are treated opportunistically by local networks as a framework accommodating their diverse and potentially competing sub-regional and organisational strategic priorities rather than as a means of developing a common, regional spatial strategy. For instance, the review of Scotland's economic development network, which led to the *Smart, Successful Scotland* initiative, recommended the creation of local forums to streamline and enhance economic activity at local level. Ten have been created in the Highlands and Islands. The main task of the forums is to reduce overlap in the

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<sup>142</sup> MacKinnon, D. (2001) 'Regulating regional spaces: state agencies and the production of governance in the Scottish Highlands' *Environment and Planning A* Vol. 31 p835.

<sup>143</sup> MTE p276.

<sup>144</sup> Sutcliffe, J.B. 'Subnational Influence on the Structural Funds: the Highlands and Islands of Scotland' *Regional and Federal Studies* Vol.12, No.3 p123.

provision of small business support. They may also contribute to the economic dimension of community planning. The forums have a potentially important role in shaping business support activities funded through the Transitional Programme. The core membership of the forums is drawn from local government, the enterprise network, the voluntary sector and local learning institutions. While the membership of forums *may* overlap with that of the Programme Partnership, but where such links do not exist the Partnership may need to work to align Programme activities with local needs as identified by the forums. This may make it more difficult to develop a coherent, regional spatial strategy.

	Possible Structural Funds influence	Rating (0-3)
Consistency of national and European policy goals outlined in programme documents	Generally, EU regional policy objectives complement the UK Government's regional policy goals. However, the overall strategic frameworks for EU and UK national regional policy are not fully integrated and they do not correspond precisely.	1
Examples of promoting learning	Some value added in strengthening regional rather than local, strategic perspective. Programmes bring together relevant bodies from across the region to think about 'shared' issues.	2
Governance innovations	Partnership approach encouraged, though it built on existing, Scottish partnership model. Organisational innovations such as the Highlands and Islands European Partnership.	1
Trans-national links linked to governance practices	Partnerships within Interreg.	1
Inclusion of new actors and organisation in partnerships	Local economic forums, with public/private/voluntary membership have potentially important role to play.	2
Links to traditional democratic decision-making	Local council included in the partnership.	2
Financial practices enabling enlargement of partnerships	Co-financing makes it difficult to enlarge group of involved actors, particularly from the private sector.	1
Ways of avoiding the technocratic elite pluralism	Local forums have been created to participate but still seen as a field for civil servants and the planning community.	1

## 4.2 Inclusion of the Lisbon themes

As noted above, IT infrastructure and R&D have become increasingly important issues in Structural Funds Programmes in the region. The ISDN network received substantial improvement funded by the 1994-99 Objective One Programme. The current Programme has put further emphasis on these themes. Measure 2.2: Improving

Regional Competitiveness Through the Information Society, concentrates on physical investments in IT and telecommunications infrastructure, particularly through projects put forward by local and regional partnerships. Funding has been provided for the development of the University of the Highlands and Islands and the extension of modern broadband technologies to all parts of the region. Such investment is designed to support business (e.g. through e-commerce) and educational opportunities highlighted in the Lisbon agenda.

	Status during 1995-1999	Current status	Examples of SF influence (priorities, measures, projects etc.)	Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)
<p>An information society for all:</p> <ul style="list-style-type: none"> <li>Improving access to communications infrastructure, especially among excluded groups;</li> <li>Using information technologies to renew urban and regional development and promote sustainable development</li> </ul>	Funding for establishment of communications infrastructure.	Increasing emphasis on R&D and creating internet connections for all, including remoter areas.	SFs have contributed to the extension of broadband access to remoter parts of the region.	1
<p>Establishing a European area of research and innovation:</p> <ul style="list-style-type: none"> <li>Improving the efficiency and innovation and of research activities;</li> <li>Improving the environment for research;</li> </ul>		SF resources contributed to boost R&D in universities and in regional businesses.	Significant SF contribution to University of the Highlands and Islands included support for R&D activities.	2
<p>Creating a business friendly environment for SMEs:</p> <ul style="list-style-type: none"> <li>Encouraging interfaces between companies and financial markets, R&amp;D and training institutions, advisory services and technological markets</li> </ul>	Priority 1, 'Business development', focused predominantly on SMEs.	Programme prioritises supporting development of SME – academic links and enhancing advisory and support services.	Inverness Medi-centre project as example of SF support for new enterprise-university linkages.	2
<p>Education and training for living and working in the knowledge society:</p> <ul style="list-style-type: none"> <li>Development of local learning centres,</li> <li>Promotion of new basic skills</li> </ul>	Improvement of local training systems an important aspect of 'Community Development' priority.	Human resource development priority includes lifelong learning and flexible learning provision.	SF-supported UHI project has facilitated local learning and distance learning in remote communities.	2

<p>More and better jobs:</p> <ul style="list-style-type: none"> <li>• Improving employability and reducing skills gaps;</li> <li>• Encouraging lifelong learning;</li> <li>• Reducing deficits in the service economy;</li> <li>• Extending equal opportunities</li> </ul>	<p>‘Improving access to jobs and training for unemployed and those facing exclusion’ linked to Community Development priority.</p>	<p>‘Active labour market policies to fight unemployment’ is a measure in the current SPD.</p>	<p>According to the Mid-term evaluation, the Programme targets for the number of people receiving training to nationally recognised standards and number of new training courses established have been exceeded</p>	<p>2</p>
<p>Promoting social inclusion:</p> <ul style="list-style-type: none"> <li>• Improvement of skills;</li> <li>• Promotion of wide access to knowledge and opportunity.</li> </ul>	<p>Increased emphasis on social inclusion and community development during the lifetime of the programme, reflecting developments in domestic policy priorities and the desire to open up the programme to the community-based sector.</p>	<p>Measure 3.2 ‘Promoting social inclusion’ encourages progression to further training/employment opportunities; extend participation (and therefore tackling exclusion) in a wide range of vocational training activities; enable fragile communities to recognise their communities’ strengths and to grasp economic opportunities.</p>	<p>Good progress reported in achieving physical outputs with a high number of people receiving training to nationally recognised standards.</p>	<p>1</p>

## Conclusions

The impacts of the Structural Funds in terms of polycentricity, territorial cohesion and rural-urban linkages are difficult to examine in the case of the Highlands and Islands. The challenge of applying a polycentricity typology to a region with one core urban area that is itself small in national and European terms is clear. Nevertheless, spatial development themes are evident in Structural Funds programmes, albeit in an oblique way. These issues are particularly apparent in the Programmes’ commitment to upgrading the regional transport network and, increasingly, improvements in the region’s telecommunications infrastructure. The basic aim is to link remote communities with the region’s central core and with other parts of the UK and Europe. Growing influence of the Lisbon agenda in deciding how Structural Funds are allocated has contributed to the furthering of spatial themes such as connectivity and accessibility. The Programmes’ support for R&D initiatives has contributed to the development of a traditionally weak part of the regional economy and increased the potential for regional specialization in growth sectors that depend on improving regional, national and European connectivity.

At a strategic level, value has also been added in bringing local partners together in supporting initiatives with a regional perspective (e.g. UHI). Partnership working was already a recognized feature of governance in the Highlands and Islands, particularly at the local level, and the challenge for SF programmes was and is to integrate sometimes competing local agendas into a common regional framework. This process would be facilitated by integration of programme activities with an equivalent, domestic regional spatial plan. EU spatial directives have helped spur the development of regional spatial strategies in the UK, but such initiatives are at an early stage.

Overall, the impact of the SF programmes in terms of spatial development and territorial cohesion is hard to quantify in concrete terms. As noted above, the level of regional GDP has actually dropped over the Programming periods and local economies in the region remain poorly integrated. However, the value of Structural Funds in supporting projects with a long-term, regional, spatial perspective – which otherwise would not have been taken forward - is recognised.<sup>145</sup>

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<sup>145</sup> 'Regions welcome transition cash' *Regeneration and Renewal* 25/2/04.  
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**Have Structural Funds directly or indirectly influence on polycentric development and territorial cohesion? Final assessment sheet for ESPON 2.2.1 case studies. Rating of SF influence (Rate from 0 to 2, with 0=no influence, 1=some influence, 2=important influence)**

<i>Geographical level of influence/effect</i>		<b>MICRO:</b> regional level – i.e. effects within the case study region		<b>MESO:</b> national, trans-national level – i.e. effects regarding the status of the region in a wider context		<b>MACRO:</b> European, international – i.e. effects regarding the status of the region in a wider context	
		Short description	ranking*	Short description	ranking*	Short description	ranking*
<i>Type of influence/ effect</i>							
<b>Aspects explicitly targeting polycentric development</b>	Direct	-	0				
	Indirect	Polycentricity less applicable in region with only one significant urban area but policies oriented to balanced growth and specialization increasingly apparent.	1		0		0
<b>Distribution of population</b> (e.g. increase, concentration, spreading of population as important element for the critical mass for polycentric development)	Direct		0				
	Indirect		0		0		0
<b>Functional/economic specialisation</b> (e.g. strengthening of existing profile or division of labor between localities/regions, development of new profile/niche) potentially leading to increased competitiveness	Direct			Trans-national initiatives under Interreg IIB Northern Periphery Programme	1		0
	Indirect	Increasing emphasis on R&D, for instance, efforts to develop a biotech cluster and centre of excellence in Inverness.	1		0		0
<b>Connectivity/accessibility/transport</b> (e.g. improvement of links, removal of bottlenecks, development of hub-functions)	Direct	Extensive support for transport improvement, particularly related to air and sea. Emphasis on IT networks and extension of broadband to remote communities.	2	Region still lags in terms of air links, but SFs currently supporting plans to provide more air connections with the rest of the UK Planning of new	1		0
	Indirect		0		0		0

<b>Strengthening of international co-operation</b> (e.g. co-operations between public sector agents, private business co-operations)	Direct		0	Links with other northern, peripheral regions strengthened through Interreg programme.	1	Establishment of H&I European Partnership, including office in Brussels, aims to raise region's EU profile.	
	Indirect		0		0		0
<b>Diminishing regional divergence,</b> increasing regional/territorial balance (e.g. increased cohesion regarding GDP per capita)	Direct		0		0		
	Indirect	Programmes aware of subregional economic variation, reflected in distribution of funding types	1		0		0
<b>Overall assessment</b> and personal impressions (e.g. your "final verdict")	Direct		0		0		0
	Indirect	Unsurprising that themes of polycentrism/territorial cohesion/specialisation not explicit in this particular regional context. However, they are apparent in an oblique way, particularly in the fields of R&D and IT networks. Given strong domestic tradition of local partnership, challenge for SF programmes is to integrate regional spatial strategy into existing sub-regional perspectives.	1	International networks established within Interreg programme. Increasing awareness of need to access international funding sources, linked to current focus on IT development and expansion of broadband.	1	Very few areas where global perspective relevant.	

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## **REGIONAL POLICY IN UNITED KINGDOM IN RELATION TO EUROPEAN REGIONAL POLICY**

The question of defining the regional problem in the UK has become more complex over time with an increasingly intricate map of socio-economic change. Whereas in the 1980s regional disparities were dominated by a north-south divide, in recent years the differences in industrial structure, the urban-rural shift and local decentralisation have made the picture increasingly complex. Although there are broad north-south differences in social conditions and economic prosperity, disparities in unemployment and earnings are often greater between localities within regions than between regions.

### **Strategies**

The 2001 White Paper on Enterprise, Skills and Innovation can be read as a statement of the philosophical underpinnings and strategic objectives of UK regional policy. The Government acknowledged the need for a strong regional policy, one that not only assisted strong regions to maximise their potential but also addressed the problems of weaker regions. As the White Paper states, “a strong national economy cannot function to its full capacity and individuals cannot realise their full potential if regions and localities are under performing”. According to the White Paper, “the new approach will be based on putting greater emphasis on growth within all regions and strengthening the building blocks for economic success by boosting regional capacity for innovation, enterprise and skills development”.

This philosophy was refined in the 2003 consultation document, “A Modern Regional Policy for the United Kingdom”. This increased the emphasis placed on productivity as the fundamental driver of economic development. “[A] modern regional policy must focus on improving the economic performance of every nation and region, by tackling the diverse market and social failures that are hindering their performance, and promoting opportunities for all”. Accordingly, the Government’s regional development strategy is defined as having three key strands: macroeconomic stability; microeconomic reform; and a regional policy framework of devolution and decentralisation (empowering regions with the resources and policy flexibility to deliver locally-led policies within a clear framework of accountability).

This strategy is reflected in a new Public Service Agreement (PSA) shared between the Treasury, the DTI and the ODPM. This sets the following target:

*“To make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions...”*

It is not only enhanced regional economic performance that is the goal but also a reduction in differential growth rates. Although policy involves an all-region approach, the underlying goal of reducing disparities remains important.

### **Instruments**

Traditionally, distinct regional policies have operated in Great Britain and Northern Ireland. In Great Britain, the main component of the regional aid package is Regional Selective Assistance (RSA). RSA normally takes the form of a discretionary capital grant which can take the maximum value of British regional support up to the aid ceilings set by the European Commission. However, the amount of RSA actually offered represents the *minimum necessary* for the aided project to go ahead. In

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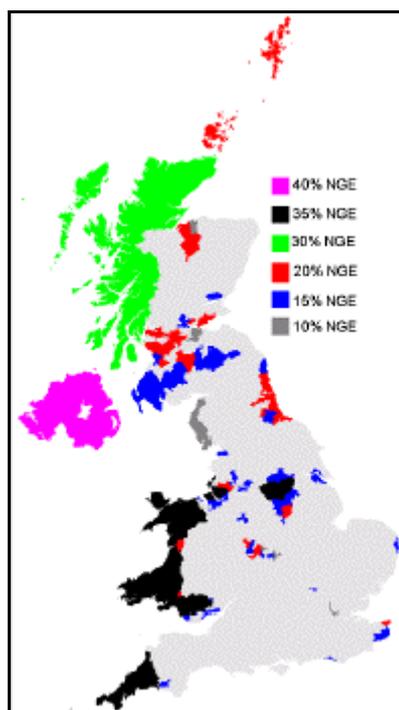
contrast, regional aid in Northern Ireland consists of a discretionary package of Selective Financial Assistance including industrial development grants, employment grants, interest relief grants or soft loans, marketing grants and research and development grants. Again, the aid maximum is that determined by the EC.

With devolution, regional policy differences between the nations and regions of the UK are increasing. In England, there is growing stress on Regional Development Agencies (RDAs), not only to develop regional strategies but also to implement policy, allocating expenditure from a so-called “single pot” (derived from the devolved budgets of a number of central government departments) according to locally-determined priorities. In Scotland, Wales and Northern Ireland, distinct economic development strategies have been developed and policy aligned with those strategies. Across the board, there is more emphasis on indigenous, technology-focused companies and higher quality jobs and less stress than in the past on investment-related aid schemes targeted at job creation.

### **Spatial targeting**

The responsibility for area designation lies with central government; it has not been devolved. The 2000-06 map covers 28.7 percent of the Great Britain population plus Northern Ireland. In Tier 1, the four regions with Objective 1 status were included: Cornwall, Merseyside, South Yorkshire and West Wales and the Valleys. These areas hold 8.6 percent of the national population (ceiling, 35 percent net). In Tier 2 (19.2 percent of the national population), aid ceilings of 10, 15 or 20 percent net apply. Aid intensity is higher (30 percent net) in a few Tier 2 areas (in the Highlands) because of special problems arising from low population densities. The special status of Northern Ireland was reconfirmed (aid ceiling 40 percent net). Finally, but not shown in the map, Tier 3 applies to a new scheme in England, the Enterprise Grant. This aid is designed specifically for SMEs and falls outside the regional aid guidelines.

**Figure 3-56: British regional aid map**



Source: DG Competition website

### **Governance**

Following the election of a Labour Government in May 1997, devolution legislation introduced a noteworthy regionalisation of policymaking authority. The establishment of the Scottish Parliament and Welsh Assembly in July 1999 significantly increased the scope for sub-national regional policy variation. In Scotland, the Parliament has wide-ranging economic development powers (relating to budgetary allocations, tax varying authority and the ability to introduce new policy initiatives), as has the Assembly in Wales (but without the tax varying authority). In Northern Ireland, too, the process of devolution has had a major impact, though the Northern Ireland Assembly is currently suspended. Finally, in England, eight RDAs were established by April 1999 and special arrangements were made for London (including the setting up of the London Development Agency in 2000 and the election of a Mayor with executive powers). More recently, steps have been taken to facilitate the creation of Regional Assemblies in the English regions.

Economic development policy is, thus, very much a devolved matter, although overall responsibility for State aids (including regional aid and the aid area maps) remains with central government. In addition, ways of coordinating aspects of policy have been developing with, for instance, a Memorandum of Understanding to try to minimise aid competition between the constituent parts of the UK.

Within England, the Treasury, the DTI and the ODPM have adopted a joint PSA. DTI is the lead department for the RDAs and for regional aid policy, with the ODPM taking the lead with respect to urban policy, regeneration policy and coordinating the efforts of the Government Offices in the regions.

In recent years, and as already noted, there has been a significant regionalisation of policy. In England, the RDAs have been given both significantly more resources and

greater funding flexibility (via the single pot approach). At the same time, they have become more accountable to central government through the setting of performance targets. Development agencies also play a significant policy delivery role in Scotland (Scottish Enterprise), Wales (the Welsh Development Agency) and Northern Ireland (Invest Northern Ireland).

**Table 3-1: Territorial Units in the United Kingdom**

<b>Unit Type</b>	<b>Designation</b>	<b>Number of Units</b>
Regions	NUTS I	12
Counties / Groups of Counties	NUTS II	37
	NUTS III	133

## UK REGIONAL POLICY, TERRITORIAL COHESION AND POLYCENTRISM

NRP in the UK does not have an explicit spatial dimension. Currently, there is no UK-level planning spatial framework to guide regional programmes in housing, employment, infrastructure, investment and regeneration. NRP regional policy agendas have been criticised for lacking a spatial dimension but spatial objectives have become more apparent.<sup>146</sup> As noted in the consultation document, Regional Planning Guidance for English regions is being replaced by Regional Spatial Strategies, to be developed at regional level.<sup>147</sup> Wales, Northern Ireland and Scotland have recently developed national spatial strategies or are currently working on them. An important factor in raising the profile of spatial planning is momentum gained from the publication of the European Spatial Development Perspective in 1999 and the basic objective of increasing and spreading prosperity links regional or devolved economic development strategies to the EU Structural Fund programmes.<sup>148</sup>

The UK consultation document does not make explicit reference to the concept of territorial cohesion. However, NRP objectives include elements that will contribute to the principle. Tackling wide, long-term regional differentials are seen as one of the basic challenges of modern regional policy in the UK and current policy is now aimed at enabling leadership so that national, regional and local institutions can exploit the indigenous strengths and tackle the particular weaknesses of each area. According to the consultation document, in lagging national and regional economies, the main cause of disparities is differences in productivity. The effectiveness of factors driving productivity, such as skills, investment and enterprise, vary from area to area. This implies that the approach required for addressing market failures should be capable of addressing regional, as well as national needs, with increasing priority given to the regional level.

Polycentric development is not explicitly mentioned in the recent consultation document and there is little reference to the principles associated with the term. However, there are signs that issues associated with polycentrism are becoming more prominent in the regional policy agenda. For instance, it is worth noting that a UK Government Working Group, led by the ODPM, is currently finalising a report which will contain an action plan for strengthening productivity and the urban renaissance in the major regional cities, as the essential foundation for progressive improvements in the performance of all regions.<sup>149</sup>

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<sup>146</sup> 'Whitehall is coming round to regional lobby' *Regeneration and Renewal* 16/1/03.

<sup>147</sup> 'A modern regional policy for the United Kingdom' p8.

<sup>148</sup> See, for instance, Welsh Assembly Government (2003) *People, Places, Futures: The Wales Spatial Plan* p8.

<sup>149</sup> See ODPM (2003) *Cities, Regions and Competitiveness: Interim Report*

## ESPON 2.2.1

# The Territorial Effects of the Structural Funds

Annex report B

**The relationship between National Regional  
Policies and Structural Funds Policies**



# ESPON 2.2.1

## The territorial effects of the Structural Funds

### Annex report B The relationship between National Regional Policies and Structural Funds Policies

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ISBN 91-89332-48-2

Annex report A  
Country reports  
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The contribution of Interreg to polycentric development  
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Nordic Centre for Spatial Development

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## Foreword

This annex report of the ESPON 2.2.1 project, "Territorial effects of Structural Funds" presents the findings of working packages 5 and 8, which provides a comprehensive comparative analysis of national systems affecting the Structural Funds, undertaken by EPRC and of the working package 6, which provides a in-depth analysis of thematic aspects of the Structural Funds' effects in the form of case studies, co-ordinated by Nordregio and undertaken by the national experts (the whole trans-national project group). The individual case studies are reported in Annex report A in the country reports. Both of these working packages constituted the materials which in part provided the analytical base necessary to identify the relevant policy content and degree of integration between European and national territorial policies, while also providing us with the means to investigate the relevant co-operation processes and governance methods. They also provide the country-, region- and programme- (in case even project-) specific examples needed to relate the broader results to our empirical perspective.

The final analysis and conclusions of the section presented here is reproduced in more detail in the project report itself. Therefore, the findings presented in this annex report are complementary to the project report.

The project report and the three annex reports are available at [www.espon.lu](http://www.espon.lu)

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

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# 1 Structural Funds activities in the light of spatial policies

## 1.1 The spatial discussion of strategies

For the purposes of this study - understanding the territorial effects that the Structural Fund programmes have thus far delivered and are likely to deliver in the future – the timeframe taken into consideration was that of the 1994-2006 period, 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.

### 1.1.1 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 a narrowing of the gap in GDP *per capita* terms between the Objective 1 regions and the rest of the EU from a position where they registered 64 percent of the EU average in 1993 to one where they registered at 69 percent in 2000 (ECOTEC 2003).

The main idea developed in the following paragraphs is then that the 1994-99 programming period was characterised by a number of developments that over time made the programmes more coherent, albeit not intentionally, with the objectives of territorial cohesion (and also, although less so, polycentric development). The programmes did not however explicitly target territorial cohesion 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 percent). 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 percent 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 the equality of opportunity principle 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 an un-intentional element of the 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 the 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 potential 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 only coincidentally, current Structural Fund programmes *do* demonstrate a certain degree of policy coherence with the concept of territorial cohesion. The concept of polycentricity is however less visible in the strategies. Links to the concept of polycentricity depend even more than those to territorial cohesion on the question of scale. Contributions to polycentric development at the *micro* level will differ substantially from support for polycentricity 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 the use of idle potentials.

Looking at the programmes examined in this project (listed in the chapter on methodology) it becomes clear that territorial cohesion and balance are often crucial elements of the strategies currently being implemented. Country examples of this are provided below.

The Italian programmes all support endogenous growth, which is to be attained through the valorisation of natural, cultural, environmental and human resources. The concept of potential is at the core of regional development strategies: the overarching and long-term aim is that of overcoming the under-utilisation of the area's resources. Some hints of polycentricity 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, the 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 Southern 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 the 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 in the Portuguese ones, where, for example, measures are implemented in respect of the strengthening of territorial and institutional cohesion, and for exploring and using endogenous resources for the re-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 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 helpful, giving 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.

The strategies of the Greek programmes also support territorial cohesion. They target the objectives of economic competitiveness (especially through the exploitation of innovative technologies), improvement of the quality of life, and the endowment of human resources, though 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 becoming regional centres of development.

The Austrian and German programmes also appear to be consistent with the objective of territorial cohesion. 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 initially considered from this perspective, i.e. the need to improve the competitiveness of the respective region by improving the existing basic economic conditions (usually relating in particular to 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 the peripheral and scarcely populated areas of Finland and Sweden, two different pictures emerge. For the Eastern Finland programme balanced spatial development is central, reflecting an understanding of territorial balance marked by polycentricity 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, research facilities, science parks etc.). Yet the rural areas dominate the programme areas and long distances and the peripheral location of the regions in question are discussed in a more detailed fashion than (territorial) balance. Transport and road infrastructure as instruments for improving accessibility remain dominant throughout the strategy, highlighting once again the centrality of the needs of the more rural areas.

The Swedish programme for Norra Norrland focuses on the comprehensive goal for the whole programme of achieving business growth equal to that of other successful regions in the country and in Europe, and of attaining full employment within the framework of sustainable development and gender equality. The programme underlines the fact 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, while 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 'polycentricity', 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 other than Valencia with new social and cultural infrastructures and services, as well as 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.

### ***1.1.2 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, the improvement of rural areas (e.g. several French programmes).

Table 1 below provides a brief country-by-country overview of Objective 2 strategies during the 1994-96 and 1997-99 programming periods.

Almost all of 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 direct aid 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 are strategies that 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' period, strategies were in many cases 'rolled over' from the first period, with the main categories of intervention remaining broadly the same. In some cases however 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 1: Strategies of the 1994-96 and 1997-99 Objective 2 programmes by country

Country	Key Features
Austria (1995-1999)	€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	<p>Wallonia: €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).</p> <p>Flanders: €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.</p>
Denmark	<p>€119 million for North Jutland and Lolland (plus €134m national resources). Different strategies for the two regions:</p> <ul style="list-style-type: none"> <li>- North Jutland: 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.</li> <li>- Lolland: 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.</li> </ul>
Finland (1995-1999)	Total financing for 1995-1999 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 of 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.
The 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 (1995-1999)	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 emerged, while more explicit strategic thinking introduced a number of changes, including an increasing 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 often than in the previous programming periods, programmes from across the EU now make reference to these horizontal themes at the level of the strategic objectives. Moreover, various forms of action designed to address the horizontal themes through the priorities and measures further enhance this.

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 however the eligible area is highly fragmented, requiring a multiplicity of separate targeted initiatives.

One response to this 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, Catalunya, 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, while 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 through '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. The policy objectives related to this theme are also strongly represented in the programmes for the South of Finland, Alsace (France), Catalunya (Spain) and Scotland (UK).

The strategy of the Finnish Objective 2 programme has at its core the integration of "International and competitive business activity, an attractive living environment, and a strong cluster of expertise and functioning connections". Of these only the latter has direct relevance in terms of spatiality, though expertise and an attractive living environment can be seen to indirectly contribute to territorial balance and to the promotion of the role of urban growth centres.

The Catalan programme, on the other hand, implements a strategy targeting competitiveness, employment and the 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 mountainous and rural hinterland.

The West of Scotland SPD, supports territorial cohesion by highlighting the geographical concentration of high levels of deprivation, long-term unemployment and low skill levels – as such multiple deprivations have 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 thus 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 polycentricity in the programme strategy. The objective of reinforcing 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.<sup>1</sup> Furthermore, 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, according to the programme these specific measures are 'complementary.' Indeed they all define the overall objective of territorial cohesion in the different Objective 2 areas. They aim at:

- Promoting 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;
- 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;
- Reinforcing 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;
- Supporting 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 +;
- Preserving the environment through actions undertaken by the regional natural parks and measures aimed at maintaining the quality of rivers and underground water reserves.

### **1.1.3 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 face: out-migration of young people, falling population, severe unemployment, a decrease in the number of jobs, and 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. Nevertheless, the *ex post* evaluation of these programmes stresses that

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<sup>1</sup> Within ESPON 1.1.1 the concept of '*pays*' is translated to "project territory" in English and defined in the following way: "A 'project territory' is a territory defined by a common project developed by local authorities and recognized by the central government, which supports it with funds. The projects aim at stimulating coherence, mainly between the agglomeration and its surroundings." (p.54 in WP2 report for ESPON 1.1.1)

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 ongoing programme period, this has been corrected and Umeå now belongs to the Objective 1 Area. (Katajamäki 2002),*

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. These include:

- The diversification of the regional economy
- The enhancement of local competitiveness, attractiveness and quality of life for local communities
- The promotion of development of human resources
- 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 however deliver increased territorial cohesion.

## **1.2 The sectoral discussion of interventions**

As underlined in previous paragraphs, the Structural Fund programmes in the 1994-99 period were primarily concerned with income and job creation; as such they generally lacked an explicit territorial focus. There are however 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', 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 (contributing 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.

### 1.2.1 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 2: 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 Funds' contributions to the development of transport infrastructure have 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,

*[i]t 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 (Faber et al 2000)*

On the other hand, Structural Fund co-financing provided a further stimulus to the introduction of higher environmental standards, both because of the types and standards of infrastructure created (including the obligation to carry 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 did not include the analysis of regional OPs, 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.

Box 1: 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.

### ***1.2.2 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 over two decades of evolution in the policy agenda, 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 already required for Structural Fund programmes in 1988, though it was only in the 1993 regulations that a stronger emphasis was placed on the theme of environmental sustainability as a necessary element of Structural Fund strategies for economic development.

## Box 2: The gradual integration of the theme of environmental sustainability into 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)<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup> 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 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.*

<sup>2</sup> World Commission on Environment and Development (1987) *op. cit.*

<sup>3</sup> United Nations Conference on Environment and Development (1992) *Agenda 21: The United Nations Programme of Action from Rio*, UN, New York.

<sup>4</sup> Johnson S and Corcelle G (1995) *The Environmental Policy of the European Communities*, Second Edition, Kluwer Law International, The Hague.

<sup>5</sup> 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.

<sup>6</sup> Clement K (2000) *Economic Development and Environmental Gain*, Earthscan Publications Ltd, London, pp.30-58.

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 a number of 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.

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 directly supporting 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 changes in existing national schemes and legislation, 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 (ibid).

### ***1.2.3 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 project, and of territorial cohesion as identified in this report. In the 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 we will later demonstrate, in the current programming period also) 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) though funding RTDI investments. Increased Structural Funds investment in the R&D sector has been part of a perceived need to address the high concentration of the research and development activities in the 'Archipelago Europe', where nearly half of all European research capacity is located.

Objective 1 regions have 26.6 percent of the population of EU15, they account for 15 percent of the GDP of the Union, but only 4 percent of the Union's RTD personnel, and only 2 percent of patenting activities – seven 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. (Higgins, Tsipouri & van der Lande 1999)

The RTDI content of Structural Fund programmes (particularly the Objective 2 programmes) has evolved over the last decade, in line with a growing awareness of the importance of technology transfer and innovation to regions seeking to regain a competitive advantage and a deeper understanding of the barriers to establishing these dynamic, interactive processes (Bachtler & Taylor 1999). 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 also 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 also now 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 in identifying and implementing projects designed 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 the policy measures.

#### **1.2.4 The Information Society**

As has been seen, accessibility is one of the most crucial factors in the achievement of territorial cohesion. Accessibility relates to both physical and non-material aspects such as telecommunications technologies. In addition to the more limited technical aspects of ICT, increasing attention has been given to the broader understanding of the concept. Whilst in policy debates the concept of Information Society is usually closely connected with the development of information and communication technologies and the economic, technological and industrial prospects this opens up for the economy as a whole (in Europe, nationally and locally), the concept often also entails a range of societal issues, such as education, e-democracy and sustainable information society development. It is also increasingly seen as a horizontal and cross-sectoral policy concern. The EU has placed increasing emphasis on the Information Society (IS) 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.

Overall then, the Information Society can be seen as an emergent 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 (IS) 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).

As such, 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 to achieve competitive advantages. They may however 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-Ardenne, Languedoc-Roussillon, Picardie, Bretagne).

The Information Society has also become more significant in the policies and strategies of EU Member States - at both the 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 paradigm 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 Commission views the new 2000-06 programming period as one where the focus and volume of activity in the area of Information Society should increase significantly. Although many regions have promoted 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. As Taylor and Downes (2001) note however, any review of the importance of the Information Society in the programmes is likely to encounter 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 within the framework of the IQ-Net network of partners, Objective 2 SPDs (2000-06) show 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 more rigorous 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.

At the priority and measure level however, 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 the 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.

Mainstreaming the IS in the Structural Funds has however remained that has been consistently difficult to attain. The next stage in this process then for the regions will thus be one of following through the reorientation of strategies into the programme implementation stage.

### ***1.2.5 Outputs from the Objective 1 and the Objective 6 1994-99 programmes***

It is not possible within confines of this study to draw up 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 the fact 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, Table 3 below still provides an insight into the effects delivered by the 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 to 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 in the reviewed evaluation documents.

Table 3: 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. of SMEs supported	No. of SMEs supported for RTD projects	Employment created
<b>Austria (1995-1999)</b>	n.a.	n.a.	n.a.	n.a.	12,369	n.a.	263	15	5,387 (+6,067 secured)
<b>Belgium</b>	22	n.a.	33*	n.a.	142,525	n.a.	2,512	103	17,035
<b>Finland (O6)</b>	-	-	-	-	110,000	n.a.	3,700 new firms	n.a.	3,200+ 9,000 saved (estimated)
<b>France</b>	n.a.	3	21.5	n.a.	230,695	n.a.	361	n.a.	5,200 (estimate)
<b>Greece</b>	316	n.a.	615	441	521,691	100,394	1,263	70	390,000
<b>Germany</b>	n.a.	n.a.	3,500*	n.a.	700,000 (up to 1998)	n.a.	26,555	1,900	57,214
<b>Ireland</b>	n.a.	n.a.	2,211	n.a.	n.a.	n.a.	n.a.	n.a.	212,874
<b>Italy</b>	n.a.	253.6	493.6	n.a.	1,378,182	n.a.	105,344	n.a.	73,727
<b>The Netherlands</b>	18.5	n.a.	n.a.	n.a.	25,683	n.a.	309	n.a.	7,342
<b>Portugal</b>	43	n.a.	23,237*	188.7	1,374,506	74,839	5,008	n.a.	6,656
<b>Spain</b>	3,650.5	n.a.	482	n.a.	4,453,444	217,240	61,916	25	n.a.
<b>Sweden (O6)</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,000+ 1,800 maintained (estimated)
<b>UK</b>	n.a.	18.55	n.a.	127.2	n.a.	n.a.	10,657	n.a.	22,249 (Merseyside only)

Source: ECOTEC (2003) & Katajamäki (2002)

## **1.3 The power of delivery mechanisms and the partnership principle**

### ***1.3.1 Structural Funds governance and delivery mechanisms***

As noted previously, 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 however proved to be a complex process and has thus occurred in different ways and with different characteristics in the various Member States.

Given the different domestic policy contexts and the different scale and scope of funding, the roles played by national governments, regional administrations and sub-regional actors are 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 at which this may occur.

### ***1.3.2 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 multitude of discrete factors in the equation, nor the dynamic aspects that characterise Structural Fund policy-making, a broad distinction can nevertheless 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 previous programming period, while in some countries such as Austria, Belgium, Germany, Italy and the Netherlands, Structural Fund programme management was devolved; in others, i.e. 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 on the governance of Structural Fund programming from the outset: 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 by 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 (2003), for example, observe that European regional policies by their very nature are bound to undermine centralist models of the organization of the territorial systems of the EU Member States, although they are not necessarily going to generate quasi- federal solutions.

Whatever the causalities of the ongoing devolutionary trends affecting Italy, the UK and the Nordic Countries may be, looking in particular at Structural Fund implementation, it appears that a number of countries that would generally be thought of as 'centralised' in the past programming period can now be considered to have become more devolved or regionalised: i.e. 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 indeed, predominant (in particular as regards the coordination of the CSF/NDP).

Of course the subdivision between the 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 also play a role. In addition, differentiations also exist 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 coordinating 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 4: Structural Fund implementation responsibilities (level of Managing Authority function). Period 2000-06

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

Table 5: The Taylor Model for Structural Fund Implementation

<b>Type of System:</b>	<b>Member State</b>	<b>Project Appraisal</b>	<b>Project Selection</b>
<p><i>Subsumed Systems:</i> 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 a 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>Austria, (Greece), Germany, (Luxembourg) (Portugal) Spain</p>	<p>Secretariat, expert panels and/or technical committees</p>	<p>Dedicated Structural Fund Committee</p>
<p><i>Mixed Systems:</i> Structural Fund decision-making is undertaken on the basis of pre-existing national administrative structures, however with procedures which give some visibility to Structural Fund programmes and interventions.</p>	<p>Finland, France, Ireland, Italy</p>		
<p><i>Differentiated Systems:</i> Can be found where Structural Fund programmes are considered to be separate instruments. Here, a range of economic development actors, through a discursive consultation process, develop Structural Fund policies, with applications then being 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>Belgium, Denmark, The Netherlands, Sweden, UK</p>	<p>Usually single competent authorities</p>	<p>Usually single competent authorities</p>

Source: Taylor, Bachtler & Rooney (2001), Op. Cit.

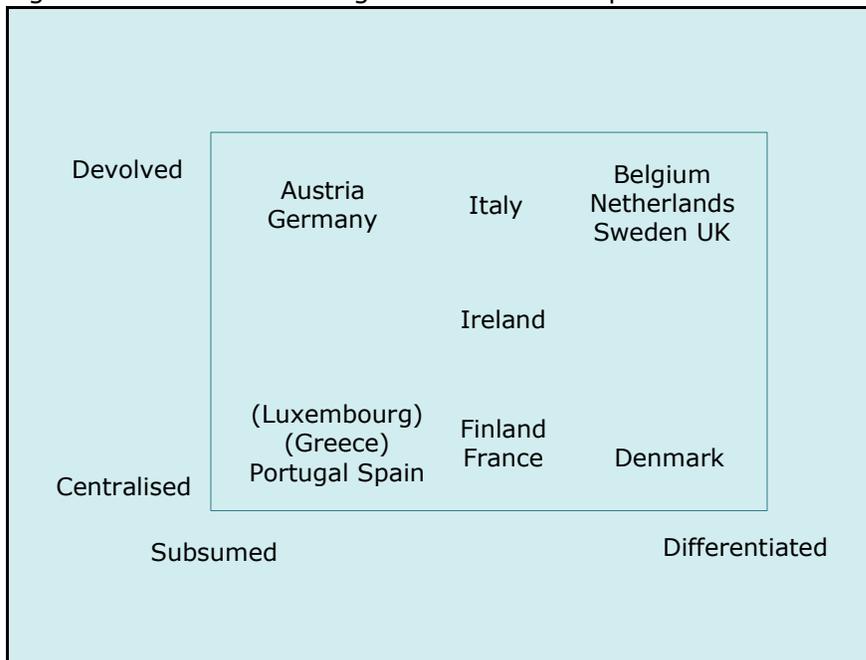
### 1.3.3 Structural Fund delivery

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 labelled, 'differentiated systems' and 'subsumed systems'.

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 pursued across the Union (see Figure 1 below).

Figure 1: Structural Fund governance and implementation



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

In Austria, to face the challenge of implementing Structural Fund programmes, which displayed a novel 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 to have played an important role in identifying regional projects, communicating between various different involved actors, creating and encouraging networking at the regional level, and of accumulating knowledge about the EU and other funding sources that could be used to support regional level initiatives. The utility of these organisations is such that a debate is now taking place in Austria to assess whether they should be retained after 2007, even though Structural funding in the country will by then 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 only 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 the social partners. While project funding was largely decided upon 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 a 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. In consequence, they decided to create a co-operative alliance between the businesses and the public and private organisations, which supported them (CSES 2003).

#### ***1.3.4 Partnership, 'bottom-up' policy-making, the programming method: improved policy integration***

Although the cross-sectoral nature of the policies for territorial cohesion were discussed above, it is worth underlying once again that, while dealing with delivery mechanisms, 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. Indeed in 1999 the Thematic Evaluation of the Partnership Principle already 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. (Kelleher, Batterbury & Stern 1999)

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. In this area then the Structural Funds 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, i.e. the Regional Growth Agreements (which will, in 2004-07 become Regional Growth Programmes). These are the key instruments of county-level coordination in that they provide a coordination framework for both regional planning and government spending in the regions (Yuill 2003). 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 called PITs (Programmi Integrati Territoriali, Integrated Territorial Programmes) or PISL (Programmi Integrati per lo Sviluppo Locale, Integrated Local Development Programmes) have been introduced within the context of the current programmes 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 has been defined as 'a set of integrated actions' of an inter-sectoral nature, which encompass both material and non-material 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.

Acting on a local territorial scale, the PISLs are the outcome of a 'bottom-up' programming effort by the local social, economic and institutional partners, which are coordinated by the provincial authorities. 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.



## **2 The relationship between national regional policies and the Structural Funds policies:**

### **2.1 Moving from traditional regional policy to economic development in the regions**

Structural Fund policies have undergone a significant evolution in their strategic approach over the last decade, reflecting the emergence of new policy thinking, in particular on the factors that influence economic development and on how these can be affected through policy. It is not only the Structural Fund policies themselves however that have undergone a period of change in recent years: national regional policies have also undergone a process of evolution as a response to external and endogenous pressures on the policy environment. Indeed Bachtler (2000) was quick to identify a tentative new regional policy paradigm by isolating the innovative features of a 'modern' regional policy (as opposed to traditional regional policy): features that span the conceptual basis of policy, to its characteristics, structure and organisation. This is illustrated in the table below. According to Bachtler, 'new' or 'modern' regional policy increasingly targets both equity and efficiency, shifting the policy-focus from redistribution to competitiveness. It also favours supply-side instruments and 'bottom-up' local economic development initiatives. It embodies a stronger spatial but also a thematic/sectoral targeting of resources, whilst at the same time acting on reduced regional aid eligible areas. It is implemented and delivered by different (broader) actors and mechanisms, allocating a greater role to local public and private actors.

Table 6: Bachtler's conceptualisation of classical and modern regional policy

<b>Criteria</b>	<b>Classical</b>	<b>Modern</b>
<b>CONCEPTUAL BASIS</b>		
	Industrial location theories Key factors are regional attributes e.g. production costs, availability of workers	Learning region theories Key factors are regional capabilities e.g. innovative milieu, clusters, networks
<b>POLICY CHARACTERISTICS</b>		
Aim(s)	Equity or efficiency	Equity or efficiency
Objectives	Employment creation Increased investment	Increased competitiveness (e.g. entrepreneurship, innovation, skills)
Sphere of Action	Narrow (economic/industrial)	Broad (multi-sectoral)
Mode of operation	Reactive, project based	Proactive, planned, strategic
<b>POLICY STRUCTURE</b>		
Spatial focus	Problem areas	All regions
Analytical base	Designation indicators Regional exporting	Regional SWOT analysis
Key instrument	Incentive scheme	Development programme
Assistance	Business aid Hard infrastructure	Business environment Soft infrastructure
<b>ORGANISATION</b>		
Policy development	Top-down/centralised	Collective/negotiated
Lead organisation	Central government	Regional authorities
Partners	None	Local government, voluntary sector, Social partners
Administration	Simple/rational	Complex, bureaucratic
Project selection	Internalised	Participative
Timescale	Annual budget	Multi-annual planning period
<b>EVALUATION</b>		
Stages	Ex post	Ex ante, interim, ex post
Outcomes	Measurable	Difficult to measure

Source: Bachtler 2000

## 2.2 Overall strategic approach and policy content

### 2.2.1 Strategic approach

An initial indication of the degree of separation or coherence between European and national regional policies is given by the extent to which national regional policies are, as with the Structural Funds, based on cross-sectoral, multi-annual programmes, with strategies emerging from the 'bottom-up', partnership-based elaboration of policy needs and priorities.

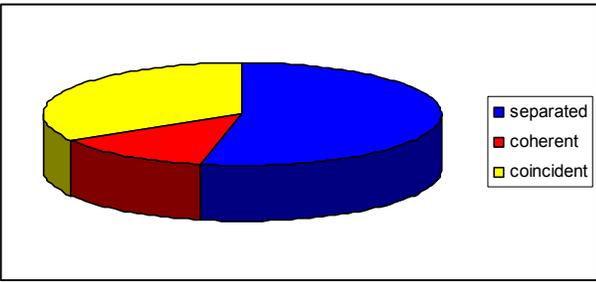
In those cases where NRP has adopted the same principles as the Structural Funds, the two policies have been considered as coherent. Where NRP is in addition aligned with Structural Fund programming, such as for example in the cohesion countries, the two sets of policies have been considered coincident. In some cases, however, national regional policy is not programme based, or is programme based only to a minor degree. In these cases, the two policies have been considered as being separated. This is particularly the case with countries where NRP is

still mainly incentive based, or where regional programmes or strategies are part of a broader package of economic development programming for the regions (i.e. for both areas in need and areas within regions not eligible for regional state aid support).

Table 7 below illustrates the results of the classification process described above. From the table, three clear clusters emerge. For the majority of the countries, NRP and ERP are considered as being separate. This applies to all those countries that are largely excluded from Objective 1 eligibility. The two more developed parts of the countries representing a highly dualistic regional development picture (Germany and Italy), i.e. Western Germany and Northern Italy have also been included in this category.

In some of the countries included in this category, national regional policy is linked to regional or sub-regional economic/industrial development programmes. In *Denmark*, for example, national regional policy is embedded in interregional (regional business development initiatives) and sub-regional (regional growth alliances) programmes where national coordination is increasing important. Such national coordination involves bringing together diverse funding sources (including the Structural Funds) to meet 'bottom-up' strategic goals; however given the relatively low weight of the Structural Funds, the two policies can largely be considered as separate. The *UK* is another example where programme based policymaking responding to regional needs and priorities has been taken to heart. Nevertheless, the Structural Funds still tend to operate alongside and thus separate from national regional policy.

Table 7: The overall strategic approach of NRP and its interrelationship with ERP

	<i>Separated</i> Economic development programmes in the regions	<i>Coherent</i> Programme-based (Structural Fund model)	<i>Coincident</i> Aligned to Structural Funds
Austria	✓		
Belgium	✓ (incentive based)		
Denmark	✓		
Finland		✓	
France	✓		
Germany	✓ (West)		✓ (East)
Greece			✓
Ireland			✓
Italy	✓ (Centre-North)		✓ ( <i>Mezzogiorno</i> )
Luxembourg	✓ (incentive based)		
The Netherlands	No NRP		
Portugal			✓
Spain			✓
Sweden		✓	
UK	✓		
EU Overview			

Source: ESPON 2.2.1

In other cases, for example in *Belgium*, NRP is mainly based on regional aids. Similarly, in *Luxembourg*, NRP is mainly based on incentives, especially for FDI. Here regional policy is largely synonymous with national industrial and economic policy, with little overlap with the Structural Funds (even though attempts were made in terms of drawing broadly similar maps).

An intermediate situation between these two extremes is perhaps best represented by *France*, where the regional policy approach is an 'all-region' one, centred on long-term goals for public service provision, medium-term state-region planning contracts and regionally-generated regional planning documents. The Structural Funds fit within this broad planning framework. However, the regional aid component of policy is quite separate.

Austria and the Netherlands are however difficult to categorise. Programme-based policymaking takes place at the *Land* level in *Austria* and, where Structural Funds are available, they generally build on, and are closely related to, the *Land* programmes. To that extent, ERP and NRP could be said to be coherent. It is also the case however that, without the Structural Funds, regional policy would have a very low policy profile in Austria. On the other hand, aspects of the EU approach to regional policy do not fit easily with Austrian approaches and traditions. In Austria, there has been a long-standing aversion to map-based policymaking, so much so that, prior to EU entry, there was no formal aid area map. The policy focus was on regional problems rather than on problem regions. Moreover, to the extent that there is a national regional policy in Austria, it now takes the form of an innovation-oriented policy. In contrast, the Structural Funds are perceived in Austria as being suitable mainly for standard routine investment. For this reason, Austrian NRP is considered as being separate from ERP.

In *the Netherlands*, the prime imperative underpinning the Structural Funds for 2000-06 was that there should be sufficient national co-finance available. Reflecting this, programmes were spread across the relevant national ministries – Objective 2 (industrial), Ministry of Economic Affairs; Objective 2 (rural) Ministry of Agriculture; Objective 2 (urban), Ministry of Internal Affairs. To this extent there was a coincidence between European and national policies, but not really from the point of view of adopting the same strategic approach; rather the aim was simply to ensure that there would be sufficient co-finance available. Within the Ministry of Economic Affairs, the main Objective 2 area is in the north and provides co-funding for the *Kompas voor het Noorden*, the regional programme for the north of the Netherlands. More generally however, the spatial economic policy agenda being followed in the Netherlands does not have a great deal of overlap with the Structural Funds.

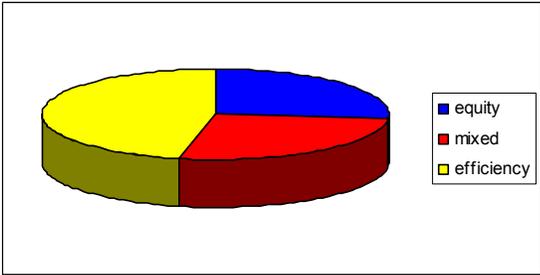
### **2.2.2 Policy content**

Of course, one further strategic aspect that can be considered in assessing the degree of separation or consistency of national regional policies with European regional policy is the emphasis placed on the objectives of equity or efficiency. Elsewhere in this report we have discussed how Structural Fund strategies increasingly target endogenous growth and competitiveness support, through complex, cross-sectoral strategies that aim to mobilise and valorise local assets. In essence however ERP remains a policy targeting equity rather than

efficiency, and this is implicit in the selection of areas for support as *areas most in need*. Nevertheless, over the current programming period, the Structural Funds should continue to be considered as essentially equity-based, in that they focus on the worst-off areas towards which most resources are to be directed.

Looking at the domestic regional policies implemented in some Member States, however, including many of those that have been moving towards more programme-based approaches, it is the efficiency basis of policy that is being stressed. This is reflected in an 'all-region' approach to regional policy rather than the spatially targeted approach of the Structural Funds. An assessment of the degree of coherence between NRP and ERP in each EU15 Member State as regards their 'equity versus Efficiency' focus is provided in the table below.

Table 8: The strategic content of NRP and its interrelationship with ERP

	<b>Equity (like ERP)</b> (Support to problem regions, e.g. job and income creation)	<b>Mixed</b> (Compromise between two aims)	<b>Efficiency</b> (Competitiveness and endogenous growth)
Austria			√
Belgium		√ (Wallonia equity, Flanders efficiency)	
Denmark			√
Finland			√
France			√
Germany	√		
Greece	√		
Ireland		√	
Italy		√	
Luxembourg			√
The Netherlands		√	
Portugal	√		
Spain	√		
Sweden			√
UK			√
EU Overview			

Source: ESPON 2.2.1

As can be seen from the table, half of the countries implement regional policies that are largely efficiency oriented. These include: Austria, Denmark, Finland, France, Luxembourg, the Netherlands, Sweden and the UK.

*Austria* can be considered as efficiency-oriented in that regional policy generally has a very low profile. Regional economic development is here largely associated with innovation policy, which is targeted generally throughout the country. In *Denmark*, regional policy has, at least since the beginning of the 1990s, been largely efficiency dominated. It should however also be

acknowledged that the recent 2003 White Paper mentions the need to support 'lagging' peripheral localities, hence inserting some equity-related considerations.

In *Finland*, the main policy goal of national regional policy as outlined in the Regional Development Act of 2003 (602/2002, which came into force on the 1<sup>st</sup> of January 2003) is

*To create the preconditions for economic growth, industrial and business development, and a higher employment rate, that will guarantee regional competitiveness and well being on a basis of competence and sustainable development. Further purposes are to reduce differences between regions in the level of development, to improve their people's living conditions, and to promote balanced development among the regions. (Ibid, Section 1)*

Clearly, the equity aspects of overcoming regional disparities and balanced development appear to be secondary in relation to the fostering of local competitiveness and endowment.

In *France*, the new government (2002) contributed to a shift in the policy-emphasis towards wealth creation and the full exploitation of resources, with an 'all region' approach centred on long-term goals for public service provision, medium-term state-region planning contracts and regionally-generated regional planning documents. The emphasis here is increasingly on equity (equality of opportunity) rather than on equality (equality of situation).

The situation of *Luxembourg* is somewhat peculiar, with this in the main being due to the country's limited geographical scale. As such, there is very little regional policy. In effect, Regional policy is largely synonymous with industrial and economic policy, focusing to a large extent on FDI.

The main policy goal of national regional policy in *Sweden*, as outlined in the Regional Development Bill passed in 2001 (2001/2002:4, p. 101) is to create well functioning and sustainable local labour market regions, with good levels of service-functions, in all parts of the country.

This policy objective expresses a shift in focus in Swedish NRP towards a more holistic view. This new view is underlined by the change of name from regional policy to regional development policy. The overall idea being that regional development is a policy target for all regions, not just the least favoured.

Finally in the *UK*, domestic regional policy, as outlined in the recent consultation document *A Modern Regional Policy for the United Kingdom* (Department of Trade and Industry 2003) is based on two key goals: (a) enabling leadership so that national, regional and local institutions can exploit the indigenous strengths and tackle the particular weaknesses of each area; and (b) providing the environment for businesses and communities to maximise their potential by tackling market failures in national, regional and local markets through micro-economic reforms, at the national, regional and local levels, to strengthen the key drivers of productivity growth. Again, the ultimate objective here is to improve the economic performance of all regions.

A second cluster, at the other end of the spectrum, groups those countries for which regional policy is predominantly equity-oriented: these are the three cohesion countries (Greece, Portugal and Spain), where EU and domestic regional support are in fact the same, and Germany. In the three cohesion countries the main goal of regional policy is to support investments and growth in the areas that are least developed. This is particularly true for *Spain*, where the objectives of balanced development and of an equitable distribution of income have constitutional status.

In *Germany*, the main co-ordinating instrument is the *Gemeinschaftsaufgabe Verbesserung der Regionalen Wirtschaftsstruktur* (GA). Through this, the *Länder* and the Federal State coordinate regional policy approaches. The primary aim of GA is to support structurally weak regions in the process of adjustment and to help them to improve. The two most important measures in this respect are investments in companies and infrastructure, potentially generating a primary income effect.

Finally, the remaining countries have been classified as being in an intermediate position, although this is so for a number of different reasons. These countries are Belgium, Ireland and Italy. In *Belgium*, the emphasis placed on equity and efficiency differs markedly between the two regions of Flanders and Wallonia. Flemish national regional policy holds a somewhat schizophrenic approach that follows from the difficulty in mediating between an efficiency and an equality approach (Vlaamse Regering, 2000a, p. 50), the emphasis of domestic policy is on moving away from focusing solely on deprived areas, this is for example reflected in the policy for the support of deprived urban areas, where a general trend is to shift the policy emphasis in this part of NRP away from tackling problems towards seizing the opportunities that lie within cities. In Wallonia, on the other hand, regional policy is still very much targeted to areas undergoing industrial decline and restructuring, while it maintains the overarching goal of job creation.

In *Ireland*, the main focus of the National Development Plan (NDP) is the urgent need to address infrastructure bottlenecks and regional imbalances. There is also a renewed sense of urgency and commitment on the need to address social inclusion issues for those who have not benefited from the rapid economic growth of the late 1990s. The overarching goal however is that of creating the basis for an affluent economy and society. Equity and efficiency goals are integrated into a comprehensive and cross-sectoral strategy of which the Structural and Cohesion Funds are also an integral component.

In *Italy*, national regional policy is territorially targeted towards areas that are considered 'underutilised' (formerly known as 'depressed' or 'disadvantaged' areas), both in the *Mezzogiorno* and in the Centre-North of the country. Increasing policy emphasis is however now being placed on the development of endogenous competitiveness factors and on the full exploitation (*valorizzazione*) of local assets. Here as well as in Ireland, an attempt is being made to balance both equity and efficiency goals.

Finally, in *the Netherlands*, policy is essentially efficiency oriented, but two main regional challenges are also targeted through NRP: the development of urban economies and the strengthening of the economic structure of the North of the country.

**2.3 Spatial targeting**

Linked to the discourse developed above is the theme of the spatial targeting of domestic regional policy. The interrelationship between domestic and European regional policy can be assessed in relation to two aspects: the overall philosophy underpinning the territorial scope of domestic regional policy and the actual overlapping of national regional aid maps with the maps for Structural Fund support.

**2.3.1 General philosophy**

As already noted, while in some regions domestic regional policies are targeted predominantly on the areas that are most in need, in a number of countries there is now an increasing emphasis on an 'all region' approach. Figure 2 (below) provides a visual representation of this. Clearly the all region approach marks a shift from the approach followed by European regional policy whereby support is strictly targeted to the less developed areas of each country (as was illustrated in the Second Interim Report).

Figure 2: Spatial targeting and strategic focus of NRP in the Member States

All regions			Austria Be/Flanders France Sweden
	Mixed	Be/Wallonia  Ireland (⇔) Netherlands	Denmark (↓) Finland (↑) UK (↑)
	Spatial targeting	Germany Greece Portugal Spain	Italy  Luxembourg
	Equity	Mixed	Efficiency

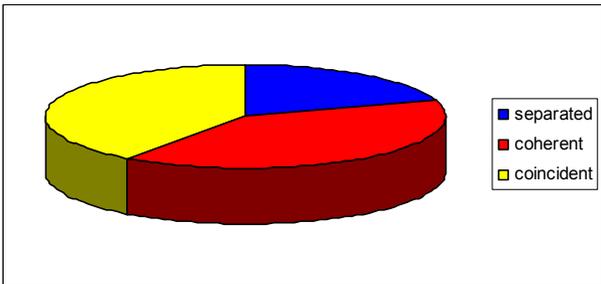
Source: ESPON 2.2.1

In respect of spatial targeting, Greece and Portugal have been classified as countries where regional policy is spatially targeted, however, as in each case the entire country is eligible, one may argue that they have in reality an all region approach. The classification here was based on the logic of regional support, i.e. the eligibility because of spatial criteria (whether these were met across the entire country or not is a secondary issue).

### 2.3.2 Area designation process and outcomes

Another important distinction between national and European regional policy can be made in relation to the methods and criteria used for area designation purposes and to the effective degree of overlap between the two maps. In some cases, in fact, the area designation exercises were quite separate (with different policy objectives, methodologies and data used), though delivering rather similar outcomes, while in others, on the contrary, countries that tried to achieve coherence did not quite succeed in doing so. Table 9 below illustrates the comparative outcomes of the area designation process (for domestic and EU support). As can be seen, only in France, the Netherlands and the UK can the two maps be considered to be different to a substantial degree. For all other countries the maps are either coincident (given the identical definition of Art. (87)(3)(a) and Objective 1 support) or coherent, i.e. closely aligned.

Table 9: Interrelationship between national regional aid and Structural Fund maps

	<b>Separated</b>	<b>Coherent</b>	<b>Coincident</b>
Austria		√	
Belgium		√	
Denmark		√	
Finland		√	
France	√		
Germany		√ (West)	√ (East)
Greece			√
Ireland			√
Italy		√ (Centre-North)	√ (Mezzogiorno)
Luxembourg			√
The Netherlands	√		
Portugal			√
Spain			√
Sweden		√	
UK	√		
EU Overview			
			

Source: ESPON 2.2.1

As can be seen from the table, the countries can be subdivided into three main groups:

- Countries/*macro*-regions with a one hundred percent overlap between ERP and NRP designation: the cohesion countries, the Italian *Mezzogiorno*, Eastern Germany, Spain and Luxembourg.
- Countries where the two maps are coherent: these include Austria, Belgium, Denmark, Finland, West Germany, the Italian Centre-North and Sweden.

- A final cluster of countries – France, the Netherlands and the UK – where the spatial scope of NRP and ERP is practically different. This reflects the different philosophies underpinning national and European regional policies and the subsequent application of different methodologies and criteria for area designation.

Looking first at the minority of countries whose maps for national and European support are largely unrelated, *France* built its national regional aid maps on the basis of sequential criteria with a subdivision of labour market areas so as to remain below the population ceiling assigned. The definition of the Structural Fund map used quite different criteria, a mix of the Commission's hard criteria and national criteria. The outcome resulting from these two separate exercises was that the initial national map was submitted without regard to Structural Fund coverage, except for the fact that areas losing their Objective 1 coverage were automatically included. However, Structural Fund derogation was then recognised as important in resolving difficult issues, particularly the subdivision of labour market areas. The overall coincidence, however, was limited. In *the Netherlands*, the two area designation exercises were quite separate. The Structural Fund area designation was driven by the need to provide co-financing opportunities in industrial, urban and rural areas. This helped to bring Structural Fund priorities into line with national policy. The national aid map was prepared by taking the existing map and then cutting it back to fit the reduced ceiling allocated to the country for the 2000-06 period. Even if this was not a planned consequence of the methodologies used, there was in the end a substantial degree of overlap between the two maps in the North of the country. In the *UK*, finally, the Government does not accept that the areas eligible for Structural Funds and the national regional aid support need be identical, or that one set of areas needs to contain the other. It argues instead that there are some geographical areas where the economic and social conditions make one type of regional aid more suitable than the other; constraining the relationship between the two sets of areas could reduce the effectiveness of both types of aid. National and European regional policies, it is believed, should respond to different needs and have different objectives and instruments. A key difference in both approaches to designation is the absence of GDP *per capita* in the UK exercise, principally because the UK government recognises significant problems of measurement. Thus, EU Objective areas are designated using different criteria to UK national policy and the two sets of maps do not completely coincide. The Structural Fund derogation was however used at a late stage in the process to get round the problem of designating aid areas in London. The final maps agreed, however, had a low degree of coherence, and, according to the Commission, a lower coherence than in the previous programming period.

The coincidence of the two maps for those countries with a large (if not total) proportion of territory included in the Objective 1/Art. (87)(3)(a) derogation is obvious and does not merit further comment here, with the exception of Luxembourg and Spain. For *Luxembourg*, the aim was for coincidence and to retain the same spatial focus as the previous national aid map, though the population ceilings set out in the 1998 Regional Aid Guidelines were exceeded in the process, leading to the introduction of revisions that reduced the initial coincidence. The final maps were coincident, with the exception of one municipality. In *Spain*, emphasis was placed

on retaining the status quo on coverage under Objective 2 and (3)(a). The small decline in coverage under Objective 2 made this straightforward for the Structural Funds (most of the fall was in the Madrid area). For (3)(c) there was an increase in coverage. The increase was distributed *pro rata*. The outcome was a considerable overlap between the two maps due to their similar coverage and to the fact that coherence was stressed when the national authorities asked the Autonomous Communities for new (3)(c) areas. Overall, only 600,000 people are covered by one map or the other, but not both. This is just 1.5 percent of the national population. Areas where the maps do not overlap are mainly to be found in the Madrid region, Zaragoza in Aragon and in Catalunya.

The final group of countries, i.e. those where the two maps are considered related and coherent, albeit not coincident, includes a large majority of the countries involved. These are illustrated in brief below. In *Austria*, the area designation exercises were highly political and taken at the Land level. Objective 2 maps were agreed first since Structural Fund derogation impacted on the national aid map. Structural Fund de-designated areas benefited from phase-out support, most of these were rural and benefited from the national rural development programme. The final outcome was that starting from two similar approaches to population coverage, the national aid area map was more extensive in *Östliche Obersteiermark* and in *Niederösterreich Süd* otherwise the Structural Fund map was generally more extensive. Where Objective 2 areas were outside the nationally designated areas then the areas concerned generally had a strong SME base such that they were less disadvantaged by being outside the national regional aid map. The Structural Fund derogation was used extensively to justify the inclusion of partial NUTS III areas in the national map of regional aids.

In *Belgium*, the two area designation processes were quite diverse: while major difficulties were met in the elaboration of national regional aid maps, the Objective 2 map was quickly approved (after the election of a new government). Traditionally, map coherence has been stressed in Belgium, however, this was not the case with the new maps, particularly in Flanders, where there is no coherence in the west of the region, perhaps reflecting the very low aid area coverage. In Wallonia moreover, significant areas also do not coincide, especially in the south-east of the region. Therefore, although the initial intention was for the maps to coincide, in practice there are very significant differences in the spatial focus of the two maps. In *Denmark*, the key concern was that all Structural Fund areas should lie within the national regional aid maps, so the criteria for designating areas eligible for the regional aid map were adjusted to ensure that this happened and this aim was achieved. Similarly, in Finland the aim was to achieve coherence between the two maps, such that all areas designated for national support would also be eligible for the Structural Funds (with a population ceiling for the Structural Funds exceeding that for national regional aids of an extra 8.7 percent). The outcome of the two designation processes saw the achievement of the desired overlap between the two maps.

In *Germany*, the area designation exercises were initially viewed as separate; however, to ease agreement on the distribution of the Structural Fund quota at the *Land* level, it was decided

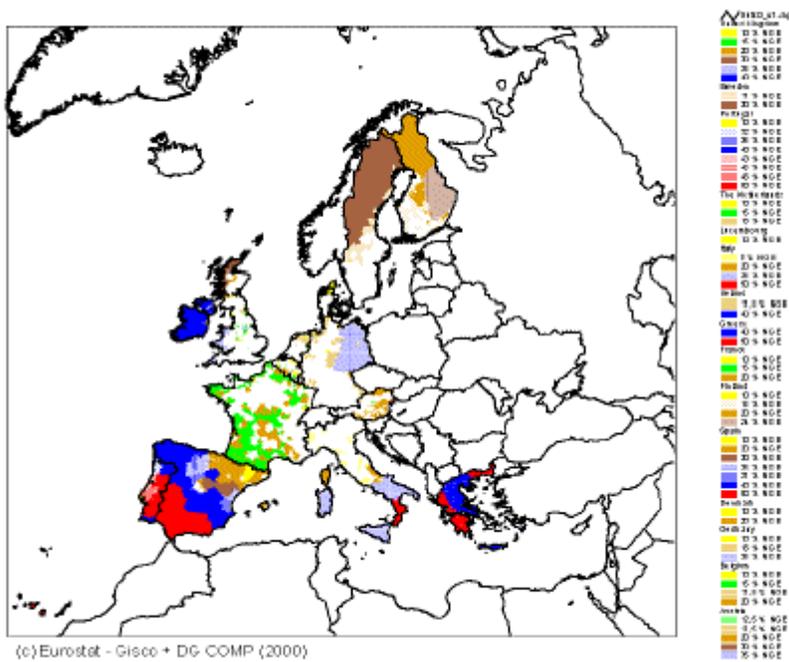
that there should be at least 80 percent coherence between the two maps. The outcome was that there was more coherence between the two maps than originally envisaged, with over 90 percent of the Structural Fund submission related to areas included in the *original* aid area map.

In *Italy*, apart from the obvious coincidence between the Objective 1 and Article 87 (3)(a) areas, the designation of Objective 2 and (3)(c) maps was problematic. The Italian authorities sought the maximum degree of coherence possible between Structural Fund and regional aid map (as regards Art. 87(3)(c)). In 2000 for both maps, the Italian authorities used as building blocks the so -called *Sistemi Locali del Lavoro (SLL)*, i.e. local labour market/commuting units. However, the different population quotas (13 percent of the national population eligible for Objective 2 and only 10 percent for the regional aid map, under Art. 87(3)(c) derogation), the different prescriptions of the State Aid Guidelines and of the Structural Fund Regulation, as well as the dissimilar approaches adopted by the two competent DGs within the Commission (e.g. as regards the possibility of splitting up individual SLL) meant that the two maps were approved at different times and that they were not wholly overlapping: the use of local labour market units instead of NUTS III as building blocks delayed the agreement on the Structural Fund map and caused a delay in the approval of the (3)(c) map, which relied heavily on the Structural Fund derogation. In practice, at the end of this laborious process, the two maps were closely interrelated, even though not fully coincident.

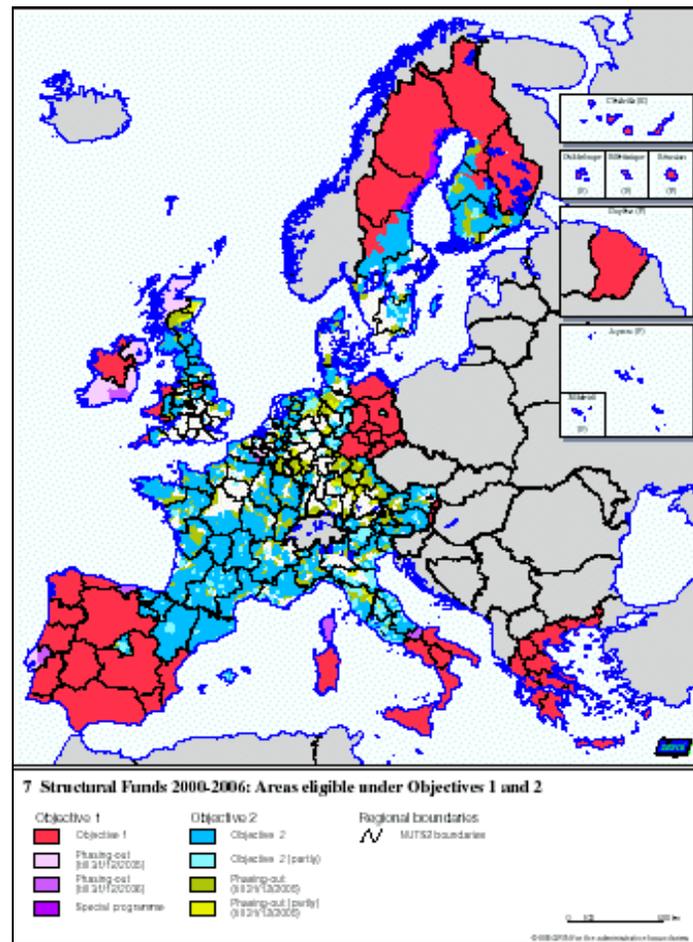
For *Sweden*, the fact that the national regional aid map had a low ceiling made population density the dominant criterion. Other designated areas bordered those areas. The Structural Fund map was based on the previous Objective 6 area and on the special programme area (equivalent to the Objective 6 area). Objective 2 areas were generally areas bordering those in Objective 1. In the end, all national regional aid areas fell within the Structural Fund map.

To summarise, half of the Member States explicitly aimed for complete coherence: (i) Greece: where the entire county was eligible under both maps; (ii) Ireland, Portugal and Denmark: where Structural Fund areas (excluding phase-out areas) fit wholly within the designated aid area boundaries; (iii) Finland and Sweden: where designated aid areas fit wholly within Structural Fund boundaries. Luxembourg and Belgium also aimed for coherence: while this was relatively close in Luxembourg, the much reduced aid area coverage meant that there was only limited cohesion in Belgium. The other countries placed less initial stress on coherence: still, coherence issues were taken into account in the designation process in Austria, Germany, Italy and Spain. In the cases of France, the Netherlands and the UK: map coherence was not initially on the agenda (different objectives, different timing), but map practicalities brought the two maps together (Structural Fund derogation in France; coincidence in the north of the Netherlands; Structural Fund derogation used in London).

The two maps reproduced below thus provide a pan-European overview of the spatial coverage of the two maps (national regional aid and the Structural Fund map).



Source: DG Competition website



Source: EC, Second Cohesion Report

Map 1 & 2: Spatial coverage of National Regional Policy and European Regional Policy

## 2.4 Policy instruments

Table 10: Yuill's classification of national instruments for regional development (EU15)

Member State	Regional Incentives	Business Environment	Infrastructure Provision	Regional Strategies
Austria	None. Withdrawal of Regional Innovation Premium in late 2000.	Increasing focus on regional innovation potential (RIF 2000 and similar measures).	None Withdrawal of Regional Infrastructure Support in 2000.	<i>Land</i> strategies central to regional economic development
Belgium	New Flemish Decree: call for tenders for small and discretion for large projects.			
Denmark	Support for long-distance commuting from poorest areas.	New government favours business environment support.	Coordinated via RBDIs and the new RGAs in poorest areas.	New regional growth alliances (RGAs) in poorest areas + RBDIs
Finland	None. Aid to Business Act 2000. Pilot SSC in far north.	Centres of Expertise Programme: May 2002 call for tenders.	2002 RDA (Regional Development Act): Policy regionalisation.	2002 RDA: Stress on regional programming.
France	None. Re-operation-alisation of the PAT in 2001. More sub-national business aid.	Stress on national competitiveness and on need for favourable business conditions	Adoption in 2002 of <i>schémas de services collectifs</i> .	<i>Schémas de services collectifs</i> establish framework for <i>contrats de plan 2003</i>
Germany	Investment allowance in new <i>Länder</i> under review (needs new legislative basis 2004).		GA aid for economic infrastructure likely to be cut for State aid reasons	None. GA grant to help develop strategies in weakest regions (August 2000).
Greece	New Development Law proposed (focus on inward investment).	None since CSF III introduced	None since CSF III introduced	None since CSF III introduced
Ireland	New Enterprise Ireland funding approach plus IDA-Ireland support for job quality and embeddedness	Both EI and IDA-Ireland addressing deficits in the regional business environment.	National Spatial Strategy 2002 follows NDP stress on infrastructure deficiencies	None. NDP: stress on tackling regional imbalances. Regional components of NDP
Italy	2003 Finance Law limited grant aid and cut Law 488 budget. Localisation contracts.	Stress on negotiated programmes; related to support for the business environment	None. Objective 1 CSF stressed need for infrastructure.	None. Objective 1 CSF strategic framework. Regional strategies in regional OPs.
Luxembourg	None. Interest subsidy ended Dec. 2000.			
The Netherlands	None.	TIPP: first call for proposals in 2001, two in 2002 and last call in 2003. Being evaluated	1999-2003 regional covenant (now under review).	None. Programming in the north is via the <i>Kompas voor het Noorden</i> (to 2006)

Portugal	Changes to the SIME in July 2002. More repayable aid plus completion premium.	New PPCE contains broader measures to improve the business environment	New PPCE has revised infrastructure component of CSF 2000-06	Regional elements of revised CSF 2000-06
Spain	None			
Sweden	No significant change. IT aid in north (2002-04). De minimis SSC	2001 Bill aims to enhance capabilities of every region.	2001 Bill aims for acceptable service provision in every regions. Regionalised sectoral policy	RGAs and RGPs. Also Delegations in inland north & Bergslagen. Municipal cooperation
United Kingdom	RSA under review. More scope to tailor support possibilities regionally.	Movement towards regionally-based business-environment focused initiatives	On-going devolution of economic development powers	Policy regionalisation RDAs in England; Development strategy for Scotland/Wales/N I

Source: Yuill (2003)

Adopting the typology developed by Yuill in the framework of the research for the EoRPA Consortium (Yuill, 2001, 2002 and 2003), current regional policy instruments can be categorised into four basic categories:

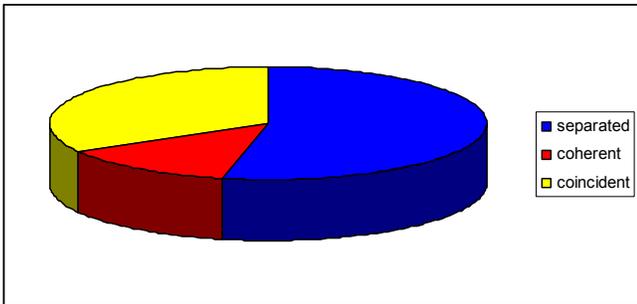
- Regional incentives;
- Interventions for the business environment;
- Infrastructure provision;
- Regional strategies

The table above provides a synthetic overview of the main national regional policy instruments in use in each Member State. As can be seen, each country presents a distinctive mix of instruments, some of which are the same instruments utilised under the Structural Funds.

The degree of coincidence or separation between national and European regional policies implemented by each Member State can be assessed, from the perspective of the instruments in use, looking at the extent to which the Structural Funds co-finance national regional policy.

The following table provides an assessment of this.

Table 11: Interrelation between national and European regional policy instruments (co-funding)

	<b>Separated</b> (mainly non co-funded)	<b>Coherent</b> (national instruments mainly co-funded)	<b>Coincident</b> (same instruments)
Austria	√		
Belgium	√ (mainly, regional aids are mainly co-funded)		
Denmark	√ No regional aids		
Finland		√	
France		√ mainly (exception of PAT scheme)	
Germany	√		
Greece			√
Ireland			√
Italy			√
Luxembourg	√		
The Netherlands	√		
Portugal			√
Spain			√
Sweden	√		
UK	√		
EU Overview			

Source: ESPON 2.2.1

As illustrated by the table, the majority of countries, around 53 percent, operate national and European regional policy through separate instruments. This is the case in Austria, Belgium, Denmark, Germany, Luxembourg, the Netherlands, Sweden and the UK.

Another group of countries – the cohesion countries and Italy – do operate the two policies through the same instruments, in some cases, particularly in respect of regional aids, these are national instruments that are co-funded by the Structural Funds (e.g. Italy). Finally, Finland and France have been assessed as being in an intermediate position.

Looking at each group in more detail, and starting with the first: in *Austria*, in terms of instruments then there is likely to be overlap at the *Land* level (since Structural Fund programmes are closely related to *Land* economic development strategies). However, there is little or no overlap between innovation-oriented regional policy as operated nationally and the Structural Funds. Similarly in *Belgium*, where regional policy instruments are regional aids, these are related to the Structural Funds in those areas where the Structural Funds are

available (the scheme being co-funded in these areas) but otherwise they are completely separate from the Structural Funds. In *Denmark*, there is not much (if any) overlap in terms of regional policy instruments, other than that some of the regional policy coordination mechanisms that have been introduced recently are there to ensure that diverse funding sources (including the Structural Funds) are brought together to meet regionally-agreed goals. The fact that the regional aid map was designed so that it included the Structural Fund areas was not to allow coherent policies to be followed but simply to create the space (in terms of award ceilings) such that aid could be awarded under the Structural Funds. There are no national regional aids in Denmark. In *Germany*, although aspects of German regional policy are co-funded by the Structural Funds, the German authorities are always keen to ensure that it is national regional policy that determines priorities etc., not the Structural Funds. In essence the two policies can thus be viewed as separate.

National regional policy instruments are different from those implemented under European regional policy in *Luxembourg*, where three main aid schemes operate: a regional aid scheme providing financial assistance in the form of either a capital subsidy, an interest-rate subsidy or tax relief on the creation of new firms; an aid scheme for investments by small and medium-sized firms; and a preferential aid scheme for the implementation of research and development projects and programmes. In *the Netherlands*, apart from the operation of the *Kompas* and the Investment Premium in the north, there is no overlap of policy instruments (with the exception of urban policy). In *Sweden*, there is some overlap in the instruments in use in the peripheral North of the country, but none elsewhere. Finally the two sets of instruments can be considered as essentially separated also in the *UK*. UK national regional policy instruments, which involve a plethora of business assistance and regeneration schemes, complement EU regional policy to a certain extent. For instance, EU regional policy places a strong emphasis on using appropriate local and regional partners and long-terms planning which fits the current evolution in the UK's approach to regional policy delivery from a heavily centralised to a more regionalised system. Complementarity between National and European objectives is aided by their inclusion in regional economic strategies. It must be noted however that the UK government has recently identified some areas of 'poor fit': for some English regions it has proved difficult to use the Structural Funds to adequately address the priorities in their Regional Economic Strategies.

Looking at the second group of countries, in all of the cohesion countries, it is difficult to identify regional policy instruments that are separate from the Structural Funds. This also applies to the Italian *Mezzogiorno* (although a recently introduced, and very much discussed, fiscal concession is not co-financed).

Finally, we turn to the two remaining countries, Finland and France. In *Finland*, regional aid policy is co-funded to a significant degree and the regional programming approach that has been developed for national regional policy purposes is very much based on the Structural Fund model. The widespread coverage of the Structural Funds in Finland means that most of the country is covered by the Structural Funds. National regional policy, however, is an all-region policy. As regards *France*, the PAT scheme does not have any overlap with the Structural

Funds. Nevertheless, other aspects of French regional policy are relatively widely drawn and (presumably) tie in with the Structural Funds at the regional level, via the regional planning documents.

## **2.5 Governance**

This section deals with the governance system associated with national and European regional policies in the Member States. As in the previous sections, the Member States are classified into three groupings, namely, separated, coherent or coincident, and the criteria used for this classification is in this case the overall responsibility framework associated with regional policy. This has entailed looking at two aspects:

- First, the territorial level of responsibility, in other words where the key decisions are taken: in some cases while national regional policy is nationally monitored, European regional policy tends to be regionalised (e.g. in Austria);
- Second, the thematic competence of the Ministries/Departments in charge for regional policy, in other words, who takes the key decisions: the decision-making competence for the two policies does not always coincide, in the UK, for example, the two policies are monitored by two different Departments, the DTI (national) and the ODPM (European) respectively.

As the table below illustrates, in about half of the EU15 Member States the overall framework of responsibility for regional policy is coincident, thus encompassing both National and European regional policy. This is obviously the case with countries where there is no spatial or strategic differentiation between the two policies, though once again, it is also the case in Finland, where the Structural Fund model has permeated domestic policy making, as well as in France, where overall responsibility for both policies lies within one single agency, the DATAR. In other countries, however, there are differences in the governance approaches of national and European regional policy as can be seen below.

Table 12: The relationship between national and European regional policy governance

	<b>Separated</b> (Neither the same territorial level, nor the same competent agent)	<b>Coherent</b> (Same territorial level or same competent agent)	<b>Coincident</b> (Same territorial level and same competent agent)
Austria		√	
Belgium		√	
Denmark			√
Finland			√
France			√
Germany		√	
Greece			√
Ireland		√	
Italy			√
Luxembourg		√	
The Netherlands			√
Portugal			√
Spain			√
Sweden			√
UK	√		
EU Overview			

Source: ESPON 2.2.1

In the post-devolution *UK*, the institutional framework of national and European regional policy has become quite complex. Overall, the lead department for regional policy is the Department of Trade and Industry (DTI), through its Regional Policy Directorate. The DTI has a central role in leading on negotiations with the European Commission on state aids rules/maps for both domestic and European regional policy. The DTI also co-ordinates overall UK Government policy on the Structural Funds and takes the lead on many issues affecting more than one fund or more than one part of the UK. Moreover, most of the main policy instruments and resources for regional policy come from the DTI, particularly Regional Selective Assistance (long seen as the core regional policy scheme) and regionally-differentiated business support policies in areas such as innovation, start-ups and venture capital investment. The DTI also has responsibility for the operation of Regional Development Agencies, increasingly important actors in the regional policy field (see below). At the central level, responsibility for Structural Fund implementation belongs to the Office of the Deputy Prime Minister (ODPM) but recent years have witnessed a decentralisation of regional policy responsibilities, something that has included the processes of de-concentration in England and devolution in Scotland, Wales and Northern Ireland.

A de-concentrated system of regional policy exists in England. As such, Central government has basically unbundled its organisation but not its authority regionally. The move from separate regional government offices for each ministry to integrated government offices in the regions from the early 1990s was made partly to facilitate the administration of the Structural Funds and this provided an early boost to institutional capacity at the regional level. The role of the government offices has changed radically over the years but they remain important actors, implementing ERP under the auspices of the ODPM. In parallel, recent legislation established a series of new Regional Development Agencies for the English regions and these are increasingly significant actors in NRP implementation. They are charged with the preparation of Regional Economic Strategies and can now determine how to allocate expenditure from a single 'pot' of funding according to the priorities identified in these Strategies. It is worth noting also that the process of creating regionally elected assemblies in North Eastern England was on-going at the time of the writing of this analysis. These assemblies were to be responsible for developing regional strategies in areas such as economic development, skills and employment, spatial planning and housing and have direct responsibility for the RDAs and the Regional Economic Strategies they produce. On November 4 2004, voters in the North East rejected the proposal by 696,519 votes to 197,310; a result that was seen as a block to elected regional assemblies elsewhere in England outside London.

In Northern Ireland, Scotland and Wales, regional policy is the legal competence of the devolved territorial administrations. With the establishment of assemblies in each of the 'nations' by the Labour government, regional policy has been devolved to varying extents to the elected assemblies. In Scotland, devolution includes powers over several areas of economic development: control over the budget assigned to Scotland, potential for increasing the resources available for economic development through tax-varying authority and the ability to develop new industrial policies independently of the rest of the UK. Scotland has its own variant schemes of RSA and smaller grant schemes, administered by the Scottish Executive. Such policy-making authority has been limited by the powers 'reserved' to Westminster, notably those relating to the UK's commitments as a Member State of the EU, such as the Community ceilings on industrial assistance and the designation of Assisted Areas within the UK (which remain the responsibility of the DTI). A similar process has been taking place in Wales where a National Assembly has been established, though with fewer powers than in Scotland. With the creation of the new Assembly for Northern Ireland in connection to the Belfast Agreements in 1998, this tradition of distinctive practice has now been brought into line with the other nations of the UK, as its Assembly has similar powers to the Welsh administration (even though the Irish Assembly has been suspended since October 2002). Implementation of ERP is devolved to the Scottish Executive and the National Assembly for Wales. In Northern Ireland the Funds are implemented by the Department for Finance and Personnel.

Looking now at the countries which have been classified as being in an intermediate position, in *Austria*, while overall responsibility is co-shared between the federal and *Land* level, NRP is primarily a responsibility of the national level (Bund); ERP is primarily a responsibility of the *Länder*. NRP falls under the competence of the Austrian Federal Chancellery, Ministry for

economy and labour (BMWA), Ministry for transport innovation and technology (BMVIT), Ministry for agriculture, forestry, environment and water management (BMLFUW); ERP is a responsibility of the *Länder* as regards Objective 2 and Interreg issues, although the Chancellery and ÖROK (Austrian conference of Regional Planning) at the federal level have an overall coordination function. Leader and rural areas/development as well as the Objective 3 areas are however a federal responsibility – of the BMLFUW and BMWA respectively.

Reflecting the federal institutional structure in *Belgium*, responsibility for regional policy lies with the sub-national tier, the Flemish, Walloon and Brussels regional governments. The legal basis for regional policy is provided for under national legislation, the 1970 Economic Expansion Law, but the regional governments are responsible for the implementation of policy. The 1970 Law is essentially a framework for regional incentive policy within which the Flemish and Walloon governments have passed appropriate secondary legislation to establish the main lines and conditions of policy within their jurisdictions (it is only post 2000 however that eligible regional aid areas have been designated in the Brussels region). For the purpose of EU regional policy however, the federal government of Belgium is still considered as the only relevant interlocutor by the European Commission and the three Regions must co-ordinate their positions. In Flanders, the implementation of the business support scheme is a joint enterprise between Flemish government and the provincial authorities. The Flemish government urges a coordinated approach on the level of the provinces, e.g. by installing a joint organisation for all relevant agencies, authorities, organisations and business representatives (Vlaamse Regering, 2000a, p. 49). The 'House of the Region,' in Esen sets the example for this way of working. This is a co-operative effort between the province of West Flanders, 16 municipalities, and various other regional *fora*, and includes the teams that implement the Objective 2 (previously 5b) and LEADER programmes for the ERP. To ensure this complementary and integrated approach to the NRP and ERP, the Flemish government promotes the negotiation of regional charters, in which funding packages and the establishment of such a 'House of the region' is arranged. In 1999 10 out of 17 regions had agreed to such a charter (Vlaamse Regering, 2000a, p. 52).

In *Germany*, initial overall responsibility resides at the national and regional level, e.g. the Federation together with the *Länder* (regions in EU terms). NRP is the main responsibility of the *Länder* in Germany. The Federation however does contribute towards this, given its overall aim to create equal living conditions throughout the national territory. The GRW is managed by a joint planning committee, composed of Federal and *Länder* ministers, and is usually responsible for the economy or finance.

Overall responsibility for regional policy in *Ireland* lies at the national level, however, slightly differing institutional frameworks are in place for national and European regional policy. At the national level, the Department for Enterprise Trade and Employment is the main Ministry involved in regional policy. The department also has policy responsibility for the key agencies involved in the delivery of regional policy, IDA-Ireland and Enterprise Ireland. These primary national economic development agencies, IDA-Ireland (for multinationals) and Enterprise

Ireland (for indigenous industry), both have balanced regional development as a key objective and, over the last two years, have adopted more regionalised structures. The main difference in the operation of NRP and ERP exists at the regional level. While NRP is mainly centralised, ERP is more regionalised. The NUTS II regional level (group regional authorities) has a greater involvement in the delivery of the Structural Funds, while NRP is more centralized. Eight Regional Authorities were established in 1994. The Regional Authorities were allocated responsibility for the coordination of public services in the regions, for planning the regions overall development requirements and the subsequent monitoring and evaluation of EU Structural and Cohesion Funds. In 1999, Group regional authorities were created, whose territorial coverage corresponds to the two new NUTS II regions. The new authorities are based on the existing regional authority structure and cover: the current regional authority areas of the Border, Midlands and West – named as the Border, Midlands and Western Group Regional Authority, and the regional authority areas of Dublin, the Mid-East, the Mid-West, the South-West and the South-East – named as the Southern and Eastern Group Regional Authority. These have the responsibilities of promoting the co-ordination of the provision of public services in their areas, monitoring the general impact of all EU assistance programmes under the Community Support Framework (CSF) in their areas; and managing regional programmes in the CSF. In *Luxembourg*, both general policy development and implementation responsibility for both national and European regional policy in Luxembourg lies with the Ministry of the Economy, which is part of the national government. For European regional policy, the Ministry of the Economy has set up an Objective 2 Selection Committee (*Comité de sélection*) for the 2000-2006 programming period.

To conclude, in the last cluster of countries responsibility for regional policy – be it domestic or European – falls largely within the same level of governance and actors. In *Finland*, on the whole it is the municipalities and the State that are responsible for regional development with the regional councils as joint municipal boards being responsible for the management functions related to regional policy. The Ministry of the Interior is responsible for the formulation of national targets for regional development in cooperation with other ministries and the Regional Councils. In addition, the Ministry of the Interior is responsible for coordinating, monitoring and evaluating the preparation and implementation of regional strategic programmes and other programmes in accordance with the regional Development Act, in cooperation with other relevant sector ministries and the Regional Councils. The Regional Councils are responsible for drawing up proposals for regional Structural Fund programmes concerning their areas, which are to be financed from the European Community Structural Funds. The programme proposals themselves are developed jointly by the relevant stakeholders, i.e. the State authorities, municipalities and the other public and private bodies involved in programme implementation.

Overall responsibility for regional policy in *France* lies with the *Délégation à l'Aménagement du Territoire et à l'Action Régionale* (DATAR, Delegation for Spatial Planning and Regional Policy), a public body currently under the responsibility of the *Ministère de la Fonction Publique, de la Réforme de l'Etat et de l'Aménagement du Territoire* (Ministry for the Public Service, for State Reform and for Spatial Planning). DATAR is responsible for preparing negotiations with the

Commission for the area designation for both NRP and ERP. DATAR also monitors the implementation of NRP policy in the regions with respect to EU competition policy. It is also the Managing Authority for the French National Technical Assistance Programme and in that respect it provides assistance, training and advice to the Mission Europe (European officers' unit) in the SGARs.

In *Greece*, it is the central Government (Ministry of Economy and Finance) that has overall responsibility for regional policy, where as we have seen, national and European regional policy coincide. Under Law 1662 / 86 for "Local governance, regional development and democratic programming", Greece was divided into 13 regions. Each region was responsible for the planning, programming and coordination of regional development (FEK A 92, 14/7/86)<sup>7</sup>. The regions in Greece served as decentralised parts of the central government, thus constituting part of the overall modernisation process of public administration. Law 2503/97 for the "Organisation and Management of the Regions" identified the present legal framework that governs the regions today. According to this Law, "[t]he region is a decentralised and administrative unit of the state" (FEK A 107, 30/5/97)<sup>8</sup>. The role of this region, as identified by this Law is to plan, programme and implement policies for its economic, social and cultural development within its territory and within the wider national framework for development (Athanasopoulos, 2000). The Region is administrated by the General Secretary of the Region and the Regional Council. The Secretary is a representative of the Central Government and is responsible for the implementation of Government policies related to the region. The Secretary and the Council do not have competence over certain projects i.e. national projects and projects with a budget of more than 300.000 Euros, for projects under the trans-European networks, (projects funded by national or EU funds come under the CSF), or for CF or Community Initiatives. Central Government is responsible for overseeing the actions of local governance – though it cannot intervene – and for allocating funds to local governance (Athanasopoulos, 2000).

Overall responsibility for regional policy in *Italy* lies within the Ministry of Economy and Finances, formerly the Ministry of Treasury and Budget, where a dedicated department is in charge of the coordination of development and cohesion policies (Dept. for Development and Cohesion Policies). This department is in charge of the negotiations with the Commission for the area designation for both NRP and ERP; it monitors the implementation of NRP policy in the regions in respect of its implications for EU competition policy (e.g. as regards notification procedures); it is the Managing Authority for the Objective 1 CSF, and, in respect of the ERP implemented in the Centre-North regions, is responsible also for the monitoring of the national (i.e. non regional and nor European) part of public co-funding attached to Structural Fund programmes. Overall responsibility lies at the national level (see above), however, the national administration has a much more 'hands-on' approach in the case of the *Mezzogiorno* than is the case with the Centre-North regions. These latter operating their economic development/regional policies with much more independence.

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<sup>7</sup> FEK A' 92/1986 Law 1622/1986

<sup>8</sup> FEK A' 107/1997 Law 2503/1997

In *the Netherlands*, for the 2000-2006 period central government has drawn up an agreement with the alliance of the three northern provinces, *Samenwerkingsverband Noord Nederland* (SNN). The agreement is the result of negotiations between the provinces and central government, which has resulted in the investment programme often referred to as *Kompas voor het Noorden* (literally Compass for the North). Of the total budget for this programme, €500 million comes from the Ministry of Economic Affairs (Ministerie van EZ, 2001). The funding for the investment programme for the northern provinces is in fact an earmarked part of the budget for the region of one the national programmes for economic development, notably an investment premiums for business sites (IPR) (Ministerie van EZ, 2001). Some €150 million was planned for that programme. The rest of the €500 million was allocated to other projects and measures. The rest of the budget comes from the government fund for strengthening the economic structure, the Fonds Economische Structuurversterking (FES). This fund forms the basis of a renewed interest in the Netherlands for government investment in the economy. The FES was created in 1995 with money from the additional export of natural gas. The funding is sometimes referred to as 'ICES'-monies, referring to the interdepartmental committee that allocates the funding to various infrastructure, research, innovation and social programmes. The main aims and objectives are thus decided in negotiation between central government and the provinces. The provinces are mostly responsible for the implementation of the programme. This includes part of the funding from NRP that is used to co-fund the programmes for the ERP. The Ministry of Economic Affairs coordinates central government decision-making on the investment programme for the northern provinces and the allocation of funding from various other ministries and the European structural funds. The actual implementation of the NRP and the ERP in the northern provinces is done by the alliance of the three northern provinces (SNN), which serves as the accountable body in this process (SNN, 2001). The money from the FES is also used for the GSB programme for urban restructuring. In this case the management duties are undertaken by the Ministry of Internal Affairs, which until 2001 even had an extra minister to co-ordinate the programme. The ministry has an agreement with each of the individual municipalities, although the provinces have assumed a coordinating role between central government and the municipalities, which sees them monitoring the progress. For the GSB programme for urban restructuring a similar way of working was developed, although in this case an agreement was made between central government and the four largest cities, with an additional agreement being reached between central government and the rest of the 26 eligible cities, as they work with slightly different packages of measures and funding (Arnoldus, 2003). The municipalities however implement the actual programmes themselves. Eleven of these 30 cities are also eligible for the ERP (Objective 2). The GSB programme for these cities has been included in the single programming document (with the exception of the cities of Emmen, Groningen and Leeuwarden in the northern provinces). It should also be noted here that the national GSB programme contains a 'European pillar' that concerns the Objective 2 funding of the ERP.

In *Portugal*, overall responsibility (i.e. for the definition of assisted areas, monitoring, evaluation) lies at the national level, within the Ministry of Planning, Directorate General for

Regional Development. Traditionally, little responsibility is assigned to the regional level (at least on the mainland, though more responsibility is given directly to the regions of Azores and Madeira).

In *Spain*, responsibility for both national and European regional policy lies within the Ministry of Economics and Finance, Directorate General for Budget Planning and Analysis, where two different divisions are responsible for each policy. The regions are allocated some competences, especially the Basque Country and Navarra, which for historical reasons enjoy greater autonomy than other regions. As in Italy, more responsibility is attributed to Objective 2 regions, since Objective 1 regions are bound to the Objective 1 Community Support Framework, which leaves them little space for individual action. Nevertheless, since the Basque Country and Navarra are Objective 2 regions where only certain areas are eligible thus attracting lower levels of funding, they are therefore often even more active in national regional policy debates than with the Structural Funds. One example here is the Urban Regeneration/ Local Development Programme IZARTU for urban areas with problems defined by the Basque Government, following the example of the URBAN programme. Since in Spain only one city in each Region could be selected for the URBAN II programme, the Basque Country decided to create its own programme for the other distressed urban areas in the region. No similar national programme however exists.

## **2.6 Conclusions on the interrelationship between NRP and ERP in the EU 15**

At the end of this analysis of the interrelationship between various aspects of national and European regional policy in the EU15 (overall approach, spatial targeting, policy instruments and governance), it is possible to provide a qualitative overall assessment of whether national regional policy in each country is separated, coherent or coincident with European regional policy. This qualitative overall assessment groups the countries under analysis as follows:

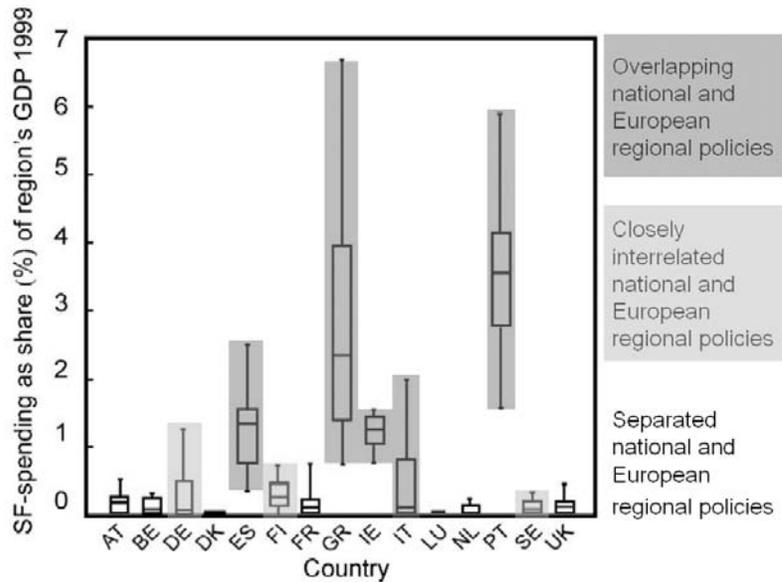
- In a majority of countries, the two policies can be considered as 'separated': Austria, Belgium, Denmark, France, Western Germany, Luxembourg, the Netherlands and the UK;
- At the other extreme, in Easter Germany, Greece, Ireland, the Italian *Mezzogiorno*, Portugal and Spain, the two policies are to be considered coincident (overlapping);
- Finally a further cluster of countries groups those countries where NRP and ERP do not coincide, but are certainly closely interrelated (either due to the geographical scope, or due to the overall approach and strategies implemented). These countries include the Italian Centre-North and the two Nordic Countries, Finland and Sweden.

This typology on the interrelationship between national and European regional policies shows a clear core- periphery picture, with separated policies in the core of Europe and more related policies in the peripheral parts of the EU15. The only exception here is Germany, which can be

explained by the relative weight given to Eastern Germany. As illustrated earlier, national regional policies differ markedly in the Old and New German *Länder*.

In addition to the core-periphery divide, there is also a clear relation between the national and European regional policies and the Structural Fund share of a region's GDP. As illustrated in the figure below, those countries that are categorised as 'coincident' are also the countries where the share of Structural Funds on the region's GDP is highest. In countries categorised as 'separated' the share is low, while the countries seen as 'closely interrelated' are grouped in an intermediate position.

Figure 3: The coincidence of European and national regional policies in relation to Structural Fund spending



Source: ESPON 2.2.1

Thus it can be argued that the amount of Structural Fund money allocated to a country matters as regards the leverage effects the Structural Funds have on national regional policies.

Furthermore, we can conclude that the leverage effects of the Structural Funds on national regional policies imply that the Structural Funds have a wider range of indirect effects in Greece, Ireland, Italy and Spain (i.e. those countries seen as overall overlapping) than in the rest of Europe. Thus far this study has not distinguished amongst the various degrees of impact the indirect effects of the Structural Funds have in different countries. It can however be argued that the influence that the Structural Funds have on shaping national regional policies in the countries mentioned above means that the effects of national regional policies can, to a large extent, be considered together with the effects of the Structural Funds – i.e. the effects of national regional policies may be considered as indirect/leverage effects of the Structural Funds.

## **2.7 National regional policies, territorial cohesion and polycentricity**

While one could argue that regional policy is a spatial policy by definition, not all national regional policies have a strong implicit spatial focus. In addition, even when national regional policy implies a strong spatial focus this is not always linked to the concepts of territorial cohesion and polycentric development.

Table 13 below – which is based on the assessment provided by the country experts - provides a visual overview of the extent to which national regional policy in each EU15 country is spatially oriented, and the degree of integration of the objectives of territorial cohesion and polycentric development.

Following the table, the integration of spatial themes (particularly territorial cohesion and polycentricity) in domestic regional policy is reviewed on a country-by-country basis.

Table 13: Integration of spatial objectives in the national regional policies of the EU15

Country	Overall spatial approach			Territorial cohesion			Polycentric development		
	none	Some	strong	none	some	strong	none	some	strong
Austria		√				√		√	
Belgium			√		√				√ (Flanders)
Denmark			√			√			√
Finland			√			√		√	
France			√			√			√
Germany			√		√			√	
Greece			√			√			√
Ireland			√			√			√
Italy		√			√			√	
Luxembourg			√			√			√
The Netherlands		√			√		√		
Portugal		√				√		√	
Spain		√			√		√		
Sweden		√			√			√	
UK		√			√		√		

Source: ESPON 2.2.1

On cross-referencing the analysis on the relationship between national and European regional policies with that the spatial dimension of national regional policies, we see that the picture that emerges is a heterogeneous one. As such, it is not possible to link causally the level of inclusion of spatial themes in national regional policies with the degree of separation or coincidence between NRP and ERP.

Table 14: Integration of spatial themes in domestic regional policy

	<b>Strong Spatial approach</b>	<b>Some Spatial approach</b>	<b>Strong TC</b>	<b>Some TC</b>	<b>Strong Polycentricity</b>	<b>Some Polycentricity</b>
<i>Separated</i> (Austria, Belgium, Denmark, France, Luxembourg, The Netherlands, UK)	Belgium, France, Luxembourg, Denmark	Austria, The Netherlands, UK	Austria, France, Luxembourg, Denmark	The Netherlands, UK	France, Luxembourg, Denmark	Austria, Belgium (Flanders),
<i>Coherent</i> (Finland, Germany, Sweden)	Germany, Finland	Sweden	Finland	Germany, Sweden	-	Finland, Germany, Sweden
<i>Coincident</i> (Greece, Ireland, Italy, Portugal, Spain)	Greece, Ireland	Italy, Portugal, Spain	Greece, Ireland, Portugal	Italy, Spain	Greece, Ireland	Italy, Portugal

Source: ESPON 2.2.1

### **3 Case studies on the territorial effects of the Structural Funds**

The assessment of the aims of the Structural Funds provided above has shown that there is something of a 'coincidence' between the aims formulated in the Structural Fund programmes and the aims of European spatial development policy. Furthermore, the assessment of the relationship between European regional policies and national regional policies illustrates that the Structural Funds have considerable leverage effects in the countries receiving the highest *per capita* assistance in particular.

The analysis of Structural Funds spending shows moreover, that spending is mainly targeted on urbanised areas. As regards the correlation of spending geography to the aim of polycentric development, it can therefore be argued that polycentric development at the macro level is more likely to be supported than polycentric development at the *meso* level.

All of these observations, laid out in much more detail elsewhere in this report, provide further useful arguments in better assessing the territorial effects of the Structural Funds. The causal relation however cannot be addressed based on these assessments alone. Rather, in order to come a step closer to seeing causal relations and viewing the funding in relation to the mechanisms of spatial development, a series of case studies were thought necessary, focussing on Structural Fund 'cold spots' and 'hot spots' in greater detail. The various criteria used in the selection of these case studies, as well as the methodology used to undertake them were discussed in more detail above. By employing this case study method, and through utilisation of the data gathered on the allocation of the Structural Funds across different regions it then becomes possible to attain a better picture of the impact of funding on the spatial development of Europe in general and on Europe's polycentric aims and development in particular.

In terms of the causalities involved we must proceed with caution. It is customary in any evaluation exercise to consider the issue of counter factuality, i.e. the question of what would have been the case if ... (the measures/projects/programmes had NOT been implemented where/when they were). As the methodology selected for the case studies provided the project team with qualitative data to be analysed further, there was no model within the confines of which one could have addressed the counterfactuality issue in a uniform fashion. In the case studies the national experts in charge of the initial case study reporting addressed this to differing extent. In many cases it was clearly argued however that whilst national evaluation exercises have shown modest results in terms of the quantitative (and quantifiable) effects and impacts of the Structural Funds programmes, there are other more qualitative effects and impacts of interest. It was argued for instance in a recent Swedish evaluation that

there was no perceived effect of the Structural Funds in Sweden and this was seen as "a serious warning signal that at least the work done in the initial years with the structural fund programmes in Sweden has not had any definite effects on the structural conditions the policy was intended to influence" (ITPS 2004, 4). Yet elsewhere it has been stated that there are effects on learning and methodology, which may in fact only show impacts in the longer term. It has been argued that there seems to be a clear and even quite a steep learning curve in the early stages of EU membership, when the 'added value' is at its greatest, at least in terms of the qualitative learning aspects of the programme implementation (e.g. Aalbu 1998, 11). However for those countries that have already been members for a long time and have extensive national regional policies, the 'added value' seems to diminish. Thus one of the general conclusions seems to be that especially in cases where the total financing is not extensive, the learning effects should be promoted and the integration of national and European efforts targeted towards similar objectives and where possible, using similar methodologies. This steep learning curve offers a unique opportunity of breaking with previous (inefficient) policy practices, whilst if the new resources are added to previous resources without taking advantage of the learning curve effects, one might in fact be accentuating inefficient policy interventions. In cases where national regional policy has longer traditions and sector integration has been taken seriously a long time before the introduction of Structural Funds the effects (or the counterfactual situations) may be less dramatically different.

There is quite a lot of focus on learning effects throughout the case study analysis, because this, in our view, is one of the main opportunities for the lessons learnt to be identified and highlighted for future use. Another common theme of the case studies is that awareness of the concept of polycentricity, a theme shared by many ESPON research projects. It is argued that the concept of polycentricity is included in a clearer fashion in the 2000-2006 programming period documents, as well as being better understood among the stakeholders interviewed, than in the 1994-1999 period. This confirms the findings presented in the analysis of the Structural Fund programmes and evaluations. Two examples where increased awareness of polycentric development can be seen are with regard to the Highlands and Islands (UK) and the Southern and Eastern region (Ireland). The case studies present strategic maps showing nodes and linkages, gateways and flows. Even though this is not necessarily portrayed as investigating or evaluating the polycentric patterns of the region or country, it can definitely be interpreted as such. The picture becomes rather more blurred however when the actual impacts of polycentricity are sought.

Another recurring point of discussion in some of the case studies is the question of whether funding to the urban regions/territorial nodes in Europe supports the peripheral areas or further disadvantages them. This is a central part of the wider debate on polycentricity, and it has special relevance in the examples where the

case study region consists of both dense urbanised parts and sparsely populated rural (peripheral) parts.

*In the Southern and Eastern region in Ireland the considerable industrial growth, which has taken place around urban centres in the region has not filtered through to many more remote and coastal areas.*

In Sachsen, discussion in respect of the focus of Structural funding has also centred on this point. Here it is argued that:

*The cities provide greater potential in terms of education and R&D, a higher density of technology and capital- intensive companies, and a higher level of accessibility. The allocation of SF to these nodes is more likely to improve competitiveness and to induce growth – though this is likely to be at the expense of rural regions and hinterlands, with the further disadvantage of increasing centralisation.*

Thus, looking for the explicit inclusion of European spatial policy objectives in general, and polycentric development in particular, does not provide us with sufficient insight into the dynamics of Structural Funds, neither in terms of effects not in terms of more long-term impacts. Therefore we have chosen to concentrate upon a number of the aspects supported by the Structural Funds that could conceivably make a direct or indirect contribution to territorial cohesion and polycentric development.

These issues include what we have termed 'spatial positioning', as well as the themes of the Lisbon agenda and the main aspects in the current governance debate. After a brief introduction to the case studies we will present our findings on these issues commencing thereafter to translate them into an assessment of Structural Fund influences on polycentric development. Last but not least, we will highlight the main findings of the case study work in the concluding section.

### **3.1 Background information on the case study regions**

The case studies on the territorial effects of the Structural Funds have been selected with great care, with attention being paid to the development of a set of studies reflecting a broad variety of regions, different types of MEGAs, differential accessibility in terms of regions, border regions, low population density areas, areas with different socio-economic specialisation profiles, areas with different geographic handicaps, environmental aspects and regions with different governance characteristics. This has been done in order to ensure a broad span of regions, thus allowing for generalisation, but also because we were curious as to whether certain issues would score better in particular types of regions than in others. This aspect of the study was however limited by the actual number of case studies we were able to carry out.

In what follows we provide information on how the various case studies have been profiled. More information on the actual case study selection and working methodology can be found in the chapter on the working methodology of this project as well as in the boxes providing brief overviews of each individual case study.

### ***3.1.1 The hypothesis related to territorial cohesion***

The working hypothesis of the case study analysis reported here has been, based on the analysis conducted thus far, that whilst the Structural Funds have not during the period investigated (1994-1999) been successful in their primary objective, namely re-balancing the economic and social disparities between regions in Europe and overcoming imbalances in socio-economic development, the indirect and qualitative impact may be proven more important than the impact on changes in the economic performance. Also the question of territorial cohesion and how it is addressed in different European countries and regions has been an important focus area in this study.

The selection of case studies was based on the identification of relevant "cold" and "hot" spots, with "cold" regions being those with high Structural Funds spending and negative development in terms of GDP, while "hot" regions were those with low or high Structural Funds spending and positive development. Case study regions representing clear "hot" spots in this sense included Madeira (Portugal), Toscana (Italy), Cantabria (Spain), Lakonia and Grevena (Greece), Lappi (Finland) and Southern and Eastern (Ireland). Extremadura was also included in the group of "hot regions" in the national context, i.e. it represented high Structural Fund-spending and positive GDP-change during the 1994-1999 programming period. Case study regions identified as "cold" spots were to be found in Calabria (Italy), Catalunya (Spain), Highlands and Islands (United Kingdom), Sachsen (Germany) and Norrland (Sweden).

As noted in the Second Interim Report (p. 105), polycentrism has become a clearly prioritized policy ideal to be followed within the European spatial policy discourse. Therefore the aim has been to select case studies on the basis of variable scale, in other words, at the same time addressing the position of regions within transnational or cross border regional constellations, as well as in a *micro* or *meso* regional context. The case studies undertaken here also attempt to capture the discernable policy trends relevant to polycentrism, such as supporting urban networks (e.g. in the case of Sachsen), reducing disparities (e.g. Grevena) and strengthening regions with specific geographical features such as peripheral regions (e.g. Madeira, Lappi, Norrland, Highlands and Islands).

### ***3.1.2 The strategic positions and spatial roles of the case study regions***

The selected case studies illustrate the territorial impacts of the Structural Funds in regions that have very different characteristics and where the preconditions for regional development differ enormously. In terms of functional urban regions (FUAS) for example, the Irish Southern and Eastern region includes Dublin, which is seen as a MEGA functional urban area. The same applies to the Catalunya case study, with the MEGA here being Barcelona. The regions of Toscana, Centre and Sachsen all have more than one FUA of transnational or national scale, while at the other end of the scale the Greek case study regions (Lakonia and Grevena) contain no functional urban areas at all.

The case study regions also exhibit great variety when one takes into account their role in the wider spatial system. The assessment of the spatial role of the case study regions on the *micro*, *meso* and *macro* levels is based partly on the data provided by ESPON 1.1.1, and partly on the assessment of national experts based on documentary material and interviews. Here we can refer in particular to the example of Calabria, which - although located in the European periphery - has two FUAS of European importance, namely Gioia Tauro (transport) and Vibo Valentia (tourism). Meanwhile, Dublin is considered to be of European importance in terms of population, transport, industry and administration. The FUA of Leipzig in the region of Sachsen is of European importance in the field of higher education due its well-respected university.

The issues of connectivity and cooperation, as well as a number of more geographical aspects, made several case studies particularly interesting as regards deeper analysis. Once again we can refer to the example of Calabria here, one of the least developed regions in Italy and one of the least developed in Europe in terms of the GDP index. The region remains isolated from the flows of international exchange, while national financial transfers make the regional economy dependent on external factors. The main problems with regard to communication and transport are basically related to their management, i.e. to the lack of an efficient network of services. Yet on the other hand the infrastructure initiative undertaken in and around the port of Gioia Tauro has spurred an important process of development in the surrounding areas. Madeira is another case study example of note here, where the Structural Funds have successfully contributed to better internal and external accessibility. Catalunya, one of the richest regions in Spain, having a GDP *per capita* close to the EU average, is traditionally considered to be of strategic and geo-political importance (e.g. Latin arc, French border and Mediterranean co-operation). A favourable strategic location, and both the ongoing development and type of communications networks across the region make it interesting in terms of analysing polycentrism at the European scale.

Grevena is an isolated mountainous region in the European periphery with low population density and until recently, inadequate transportation links. Previously, the areas close proximity to Albania and the former Yugoslav Republic of Macedonia may have been considered as a significant constraint on economic growth and regional development. Notwithstanding this however the region's wider geopolitical position in the Balkans can actually be seen as an important element of dynamism. Therefore the relationship function in general and projects related to the improvement of transport infrastructure are considered to be highly important for the overall spatial development of the region.

The issue of border region location proved also to be an aspect of some interest in the case studies of Norrland, Sachsen and Lappi. Norrland has been active in cooperating with regions in neighbouring countries and thus in promoting a shift to a more cross border approach as far as regional development planning is concerned. Meanwhile, its neighbouring region in Finland, Lappi, has been active in the further development of cooperation with North-western Russia and the Barents region in particular. The region of Sachsen borders two new EU-countries, and thus the case study discusses how the border situation towards accession countries impacts on the broader development pattern.

The regions of Highlands and Islands, Lappi and Norrland all have an extremely low population density and a dispersed population pattern each presenting a significant challenge to their potential development in terms of polycentricity, territorial cohesion and spatially balanced development. Remoteness and high transportation costs due to long distances and sparse population are thus seen as major barriers to economic development. As such, the Structural Funds programmes in these regions focus on long-term and strategic themes, developing such things as social capital and trying to create a more polycentric structure and cohesive economy within the regions as well as addressing the difficulties associated with peripherality. In all of the above mentioned regions measures facilitating educational changes, e.g. regional institutes for higher education, play an important role.

Investing in expertise and higher education, as well as attempting to identify and further develop suitable niche areas of innovation are also common approaches in the regions of the Northern Periphery. In both Norrland and Lappi regional development is becoming increasingly targeted on growth centres, clusters and polycentric spatial patterns. Structural Funds intervention is also increasing R&D input in these regions. As such, the utilisation of 'clusters' and a strategic approach to regional innovation, and partnership and cooperation models are thus now increasingly seen as the main tools in the promotion of a region's international competitiveness and as the most useful instruments in overcoming the permanent handicaps of remote and sparsely populated regions.

A specialisation in tourism was clearly discernable in several case studies and in regions such as Calabria, tourism is perceived as having an important, though as yet under-exploited, development potential. In such places however, improvements in the tourism structure undoubtedly need to be accompanied by the introduction of high level services and the creation of an integrated approach to the tourism industry. This was perhaps most pronounced in the case of Extremadura, where the tourism potential was seen as of particular interest, but at the same time the under-development of the service sector was seen as a main bottleneck for fulfilling this potential. If promoted in a systematic fashion however the economic wellbeing and job creation effects of tourism may in the longer run help in maintaining the population in rural areas. In Lappi for instance tourism is a niche area of innovation, while expectations exist for tourism-generated economic development beyond the already existing major tourism centres. In Toscana, where the region is already a world-renowned tourist destination, Structural Fund investment has thus been predominantly targeted at the modernisation of the tourism sector in terms of the provision of services and service delivery.

Explicit aspects related to polycentrism can be identified in at least three of the case studies. In the case study of Catalunya the issue of polycentricity and various spatial scales is problematised by asking whether the capital of the region (Barcelona) is in fact overly dominant in Catalunya, and thus whether Structural Funds intervention is used to increase the centralisation of connections from the inland areas of the region to Barcelona and, in the widest sense, whether funding is thus actually increasing Spanish centralisation. The case study of Sachsen recognises probable core-hinterland problems affecting urban-rural partnerships. Here also the relation function is interesting, addressing as it does the importance of the Saxon triangle (a network of cities) as a tool to ignite the regional economy, improve accessibility and service provision as well as the linkage between core and hinterland. The region of Southern and Eastern Ireland includes Dublin, the economic core of the country. Development disparities have however increased between the designated area and rest of the country. Due in part to this fact, concepts such as polycentricity and balanced development are now gaining policy prominence in both Irish policy thinking and practice. Here again the relation function and accessibility in particular were highlighted, as “without investment from the Structural Funds transport bottlenecks would have been much worse in Ireland”. In addition, the desire, through the preparation of gateway strategies, to target growth and positive regional development to areas beyond Dublin was also discussed.

Environmental aspects were discussed especially in those case study regions where tourism is an important element of regional development. This was so for example in Toscana, where in the current Structural Funds period, funding is targeted to territorial consolidation and endowment as well as environmental

preservation and valorisation. Madeira's case study argues that the over dominant tourism sector leaves other local resources unused, while it may also be a threat to environmental stability. In the Greek region of Lakonia, regional development can be build on the assets of a rich and varied cultural heritage and on the quality of the natural environment. Therefore the strategic aim is to develop the region's endogenous resources, restructuring the economic fabric, improving the quality of life and protecting the local environment. In addition, the other Greek case study region, Grevena, recognises the natural beauty of its mountains as an asset. Together with the unique and unspoilt natural heritage, the physical environment offers scope to the expansion of sustainable tourism activities. According to the case study report, the Structural Funds have had a significant impact on the promotion of regional sustainable development in Grevena in the sense that environmental problems are now taken more seriously. In Région Wallone, ongoing decline in traditional industries has led to an increasing number of brown-field areas, creating environmental problems and challenges regarding water purification and waste management.

Almost every case study concentrated to some extent on governance changes. The description of policy impacts in Région Wallone is also suggestive of many of the processes found in the other case study regions, as "Structural Funds programmes have significantly influenced governance processes within policy-making bodies and beyond by introducing more strategic linkages and strengthening partnerships between local actors." The common elements of governance changes are related to learning, introducing new actors to regional development planning, regionalisation, partnerships, and to sharpening strategic approaches. Indeed, increased levels of co-operation between the public and private sectors, new working methods, and the impact of partnerships were considered to be the main positive effects of the Structural Funds (e.g. Norrland). In Lakonia it was noted that, governance innovations, including for instance cooperation between local authorities, organisations and SMEs have played an important role in the economic growth of the region and in the implementation of programmes and projects. Structural Funds interventions have also encouraged a more locally based strategic approach to the targeting and delivery of investments (Highlands and Islands).

### **3.2 Structural Fund influences on spatial positioning**

Both spatial development policies in general, and the Structural Funds in particular seek to further their aims within the context of considerations of 'comparative position', that is to say, on the advantages and disadvantages different places have in relation to each other, or in relation to the EU average. This can best be expressed in terms of polycentric development – i.e. which type of FUA a place is – or in terms of regional polices – i.e. how much regional GDP a

place has. In both cases the spatial position of one place in relation to other places is at stake.

As such, when attempting to address the issue of the spatial influences or impacts of the Structural Funds on territorial development, the direct influences on spatial positioning can be taken as point of departure. William (1996:97) wrote about the idea of spatial positioning:

*Most local planners have a clear sense of the location within national space of the place for which they are responsible, often without thinking very consciously about it. The capacity to conceptualise or think about one's location or situation within the spatial structure of Europe as a whole is a skill, which often needs to be developed. Spatial positioning is the term proposed for this skill. Through such a process, it is sometimes possible to identify opportunities, comparative advantage and possibilities on the basis of which new links and relationships could be developed and strategic policies formulated.*

Translating this into a language more appropriate to the Structural Funds, this would imply the image of a place (i.e. a region) as being highly profiled in a given field of socio-economic specialisation and advantageously linked to other places. Therefore, in the following we will mainly address the issue of specialisation, thereafter only briefly touching upon related issues such as rural-urban relations and connectivity.

The degree of the specialisation of businesses and services is one factor determining the degree of spatial positioning influenced by the Structural Funds. Specialisation is however a rather broad concept, and in the programmes there are usually several measures and interventions that could be interpreted as affecting, or attempting to affect, the degree of specialisation in a region.

It has however always to be borne in mind that the aspects of structural change under which functional specialisation is addressed in the Structural Funds can also result in diversification rather than specialisation. This is most apparent in relation to the question of whether a region's economic development strategy focuses on developing key competences (being aware of the fact that this may lead to boosting development as well as vulnerability), or whether it opts for diversification instead (in order to have a broad, and thus perhaps more sustainable, or less risky portfolio of potential growth areas).

In what follows we will highlight the degree to which the Structural Funds have contributed to functional specialisation in each of the case study regions. To start with, the term "specialisation" is rarely explicitly used in the documents studied. There are however a series of interventions identified that imply developments towards functional specialisation in a region, e.g. by aiming at the consolidation

of, or building on, the region's economic performance or at the creation of long-term employment or the strengthening of the regional economy.

For instance in Lappi the Objective 1 programme has supported "the formulation of clusters and development programmes for each cluster" with a natural resource cluster being prominent here. In Norrland the traditionally strong industrial orientation is to some extent now a negative trait, causing unemployment, out-migration and structural problems. The Structural Funds have however been important here in trying to affect the education level of people in the region such that they can successfully match the job opportunities in the emerging service and knowledge economy with the employable population. New businesses strengthened by Structural Funds funding are to be found for example in research (the space research centre) and car testing. In Sachsen Structural Funds funding is used in an attempt to develop "factors of potential" ("Potenzialfaktoren") such as industrial history, car manufacturing and biotechnology. In addition, Leipzig is viewed as a "learning region project". The German examples may in fact provide an example of an alternative strategy for coping with structural change, i.e. via the transfer of the region's old industrial heritage into new knowledge businesses. In addition, the Structural Funds have helped to attract new companies to the region, including large industrial companies such as BMW and Infineon.

In the Highlands and Islands, there are attempts to create a healthcare cluster and a University of Highlands and Islands, both of which could be viewed as strategically important in terms of specialisation and spatial positioning at the national level.

In Grevena the Structural Funds have been used in order to establish a "k-cluster" – knowledge cluster – in the areas of marble, energy, lignite, and hazardous material handling among others. Overall the objective of the k-cluster is to show concrete cases of good practice on new product development and to transfer them to the largest possible number of regional firms.

In Finland the national "centres of expertise" programme is also visible as regards the focus of the Structural Funds, in the form of "cluster thinking" and the aim of strengthening the 'experience' industry and tourism in Lappi, in addition to natural resources and welfare. In addition, the strategy of inducing regional specialisation from the national level, and prescribing sectors to different geographical regions, could actually be interpreted as an explicit strategy for creating a polycentric pattern nationally, through the degree of specialisation. According to the case study, Objective 1 funding "... has enabled Lappi to practice regional policy that the region in itself considers to be important."

For both Centre and Toscana it is stated that the tourism sector gained significantly from the Structural Funds assistance, with financial assistance to tourism in Centre more than doubling between 1994-1996 and 1997-1999, while several tourist attractions were also developed.

Toscana is of global importance as regards tourism. Structural Funds funding during the 1994-1999 period had both priorities and measures aimed at developing the sector, and it has among other things resulted in job creation.

### 3.2.1 Spatial positioning: functional specialisation

Following the aspects for functional specialisation chosen by the ESPON 1.1.1 project for its typology on polycentric development, the case studies provide insights into the ways in which the aspects of specialisation have been influenced by the Structural Funds.

Table 15: Specialisation aspects influenced by the Structural Funds

Case study region Aspect of specialisation	Calabria	Cantabria	Catalunya	Région Centre	Extremadura	Grevena	Highlands and Islands	Lakonia	Lappi	Madeira	Norrland	Sachsen	Southern and Eastern	Toscana	Région Wallonne	Σ
<b>Knowledge /Higher education</b>	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	-	↑	↑
<b>Tourism</b>	↑	↑	-	↑	↑	↑	↑	↑	↑	↑	↑	-	↑	↑	↑	↑
<b>Industry</b>	↑	↑	↑	-	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
<b>Economic base</b>	-	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	-	↑
<b>Administrative status</b>	↑	-	↑	-	-	↑	-	↑	-	↑	-	-	-	↑	-	-
<b>Decision-making centres</b>	-	-	↑	-	-	-	-	-	-	-	-	-	↑	-	-	-

↑ = Specialisation aspect influenced by Structural Funds, ↑ = some Structural Funds influence on specialisation aspects, - = not seen as particularly relevant

Source: ESPON 2.2.1

The table clearly indicates that the Structural Funds have had a significant level of influence on the fields of (1) knowledge, research and education and (2) tourism. When it comes to the influence of the specialisation with regard to (3) industry and (4) the economic base of a region, the Structural Funds are considered as having had a minor influence on these issues. Very little or no influence could however be traced with regard to (5) administrative status and (6) the location of private business decision-making centres.

In the following we will present some more detailed findings on the influence on these six aspects:

- Decision-making centres

Judging by the indications coming from the case studies, *corporate decision-making or decisions relating to the location of company headquarters* have not been influenced by the Structural funds. Support for SMEs is an important element of the Structural Funds, but in this context of specialisation it would have been more important if support had gone to large companies increasing the private sector decision-making power of a region. Notwithstanding this however some indications that the Structural Funds had had an influence could be discerned in the Southern and Eastern region of Ireland, and in Catalunya, in both cases this was so at the national level. Ireland has been cited as one of the most dynamic economies in Europe in recent years and this has largely been due to FDI. The difference between the 1994-1999 and 2000-2006 programming periods is potentially revealing here however, as it has entailed a shift in focus away from Dublin into supporting other regions as potentially attractive business locations.

- Administrative status

For Grevena, Lakonia, Madeira and Toscana we argue that Structural funding has had an "important influence" on the *administrative status* of the region, that is, its decision-making power over the public sector. In all four cases this refers to stronger regional status – strengthened regions in the national context, or in the case of Madeira, autonomous region status, and a greatly developed institutional capacity, both in a national and a European context. It seems however in general more common that Structural funding has only a limited or indeed no effect on the administrative status of a region.

- Economic base

Nearly all case studies consider Structural funding to have affected the *economic base* of the region to some degree, although few consider the level of influence to be more than "some". In Calabria a measure increasing start-ups was put in place, while in Grevena and Lakonia the tourism sector was reinforced through Structural funding. There is also some evidence to suggest that this generally was true also for Norra Norrland and the case study region of Centre in France.

- Industrial development

As regards *industrial development*, several of the case study regions provide examples of regions dependent on industry, with the Structural Funds assistance designed mainly to reduce this dependence and to provide ways of diversifying the regional economy through encouraging investment in the service sector. In all of our case study regions the situation of industrial

development, was viewed as having been influenced by the Structural Funds programmes, although such influence has occurred to varying degrees and in various directions. In Calabria the negative development of the industrial sector persists, in spite of for example the Gioia Tauro port development project. A further example of this can be seen in the Southern and Eastern region of Ireland, where industry/business support is viewed as a rather important aspect in terms of Structural funding, related both to the regional and national levels. In Lakonia the industry sector is still seen as a potential growth area, in spite of continual support throughout the 1994-1999 and 2000-2006 planning periods, while in Lappi the region is still dependent on a few large companies, although the Structural Funds programmes have tried to support increased linkages to SMEs. In addition the region is still profiling itself in terms of a natural resource based industry. In both Sachsen and Southern and Eastern Ireland, industrial development was considered to be the key aim of the 1994-1999 funding period. In each case this led to growth in the sector. In Toscana and Région Wallone funding has been targeted at business support training for the unemployed and thus has also led to job creation. In all four of the above-mentioned examples the regional (and on occasion, the national) level should be considered as the central level.

- Tourism

Tourism development as a tool for regional development is often prominent in programmes and projects in several European regions, particularly in regions undergoing a period of structural change. It is however the category of economic development that has received most attention through Structural funding. This sector is connected to several others – both manufacturing and service oriented – while it also employs people from across all parts of the educational spectrum. Nine of the case studies report the “important influence” of the Structural Funds in this regard, with three reporting “some influence”, while several indicated during both the current and previous periods that tourism was, “a potential growth area”, “one of the strongest developing sectors”, “highly important”, “an important economic niche”, or that it had “significant employment potential” and was “considered a vital element for the regional economy”. It is only in Sachsen and Catalunya where the influence of Structural Funds funding on tourism was considered to be non-existent. Whether the indications from the case studies can be viewed as depicting a situation where tourism is now seen as the new regional industry, or merely a new valuing of ‘soft’ factors in the programmes, is thus an important question. It is also important to reflect on the interpretation of tourism as the *new* tool of regional development, as on further reflection it may be that it has only come into fashion once again.

- Knowledge and higher education

*Knowledge/higher education* is the aspect of specialisation that emerges across the case study regions as the one most influenced by the Structural Funds. It can cover a diverse range of initiatives both for increasing the education level of a region's inhabitants, but also the knowledge level of business activities, and the region's position in the international business arena. There are measures/projects included that are connected to e.g. learning ICT (Catalunya, Lappi), improving education infrastructure (Grevena, Lakonia, Madeira), the supply of vocational training (Grevena, Lakonia), increased access across the region to higher education (Lappi, Norra Norrland) or the establishing of research centres on different subjects (environmental and space research centre MRI in Norra Norrland, centre for industrial research, the radio astronomy centre and a research centre on ceramics in Région Centre and the so called Fraunhofer institutes of applied research in Sachsen). The German network of Fraunhofer institutes is similar to the Finnish centres of expertise programme, aiming to increase the knowledge and specialisation degree of businesses in a region, and thereby also in the country. Fraunhofer institutes are high profile applied research institutes, providing significant attraction factors for related businesses, as well as providing a useful source of spin-offs. The Centres of expertise in Finland are the result of other driving forces (governmental regional development policy) though they have similar effects for a region, in the sense that they give a specialisation profile to the region, something that might attract related business activities, or create spin-offs.

Summing up then, the contributions made by the Structural Funds to various aspects of functional specialisation of importance to polycentric development are wide ranging. The reason why tourism and knowledge/higher education emerge as those most influenced by the Structural Funds are clearly related to the focus of the programming as well as to the popularity of these two aspects in current policy making. Both include activities of potential regional, national or international importance, while both also address hard and 'soft' factors as well as at the same time addressing industrial and service oriented activities. Education can be thus be either vocational training or internationally profiled knowledge intensive research activities, while tourism can be the manufacturing of products for sale to tourists, restaurants or the arrangement of large events, attracting visitors from across the globe.

### ***3.2.2 Spatial positioning: rural-urban relations***

Studying the spatial positioning of a region with regard to its socio-economic profile, i.e. functional specialisation, it became obvious that this is strongly intertwined with its morphological aspects. The debate here was often related to the question of rural-urban relations either within a region, in terms of town and

hinterland, or in a wider geographical context, in terms of peripherality. In both cases the Structural Funds have little ability to influence the development of settlement patterns. Strategies for developing functional specialisations are however often tied to the desire to stem migration flows draining certain areas. Only in the case of Sachsen could the reverse be viewed, where instead a focus on developing central nodes was apparent.

Regardless of the intention, it seems that the *spatial impacts* of these ambitions are rather difficult to detect. As in Calabria, where the case study states that programme measures are based on:

*... a better articulation of the role and functions of the cities in a local context; pursuing an integrated policy of physical and urban improvement and social regeneration; building up inter-municipal networks to recuperate the historical centres and developing common services and policies. [...] Though the programming of the above mentioned measures was affected by the concept of polycentrism on a theoretical, strategic level, at present there is no evidence that the implementation of the strategy is producing results that are delivering increased polycentrism.*

In Région Centre the Structural Funds have been helpful in the process of promoting the “pays”, a new legal framework for bringing institutions and actors from different contexts together.<sup>9</sup> This has increased urban-rural interaction in the region. In Madeira meanwhile Structural funding is considered to have improved interaction, for example through finding alternative economic activities for people in rural areas. Madeira is however a rather different case where the geographical characteristics render the urbanization problems essentially rather minor, while the rural development possibilities remain limited.

There are numerous other examples among the case studies of regions with special geographical characteristics affecting the analysis of the situation. Norra Norrland and Lappi are extremely sparsely populated, while the Highlands and Islands region is dispersed in its geographical constitution. In addition, Grevena is a region of low population density. Factors such as these clearly affect the preconditions for urban-rural integration. In Norra Norrland the areas eligible for Structural funding during the 1995-1999 period were divided into two programme regions, one for the coastal parts, where the population and the urban areas are predominantly situated, and one for the sparsely populated inland. This arrangement undoubtedly however had a negative impact as it “broke up” the

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<sup>9</sup> Within ESPON 1.1.1 this is translated to “project territory” in English and defined in the following way: “A ‘project territory’ is a territory defined by a common project developed by local authorities and recognized by the central government, which supports it with funds. The projects aim at stimulating coherence, mainly between the agglomeration and its surroundings. To bring cities and the countryside closer to each other (...) The demarcation and recognition of such areas (also referred to as ‘pays’) follow the initiatives of local inhabitants and politicians rather than technocratic criteria.” (p.54 in WP2 report for ESPON 1.1.1)

functional relationships that in reality exist between these two parts of the region. Those living in the inland areas depend on the cities, while the economies of the cities are still to a large degree dependent upon the natural resources of the inland areas. For the current programming period the two regions of the previous period have now become one, and thus the point of talking in terms of polycentricity has subsequently been enhanced

Moreover, it is viewed that the Structural Funds programmes for Norra Norrland for 2000-2006 show a greater awareness of the importance of urban-rural relationships as a tool for trying to solve the development problems of the region. As regards measures on how to improve urban rural relations it is stated that infrastructure and research and education activities are the most important elements of the programme measures. The current situation in the region is one of increased immigration to the urban areas, and continued out-migration from the rural areas. Whether this has come as a result of the Structural Funds growth focus or, on the contrary, whether we can say that Structural funding has reduced the negative effects of the out-migration, is hard to say. Perhaps the reality is that funding has helped to ameliorate the negative effects while not really improving the situation in the rural areas. Or is it the case that the rural areas also benefit from positive developments in the urban areas? This refers back to the discussion of the pros and cons of polycentricity.

In the Highlands and Islands, another example of a region where the population criterion as regards polycentricity does not apply, Structural funding to the regional university is brought forward for its effect on urban-rural relations. The university has worked as a node linking a range of partners from the periphery to the centre, in the town of Inverness.

The case study for Sachsen clearly indicates a strategy for polycentric development as regards the Structural Funds allocations, even though awareness or use of the concept was not significant in the period 1994-1999. In respect of urban-rural relations there has been a concentration on the larger urban areas as regards the amount of funding, and in a mid-term evaluation of the current Objective 1 programme there may be a potential conflict in this urban focus of investments, between the competitiveness goal on the one hand and the "... harmonious development between cities and regions" on the other. In Sachsen the population concentration in the cities of Leipzig, Dresden and Zwickau continues to display a bipolar structure built around Chemnitz and Zwickau, and according to the case study, with "territorially blind" Structural Funds programmes, the problem of weak urban-rural relations will not be reduced. Similarly, in the Southern and Eastern region of Ireland it is considered important to look closely at the needs of Dublin, in a European perspective, but at the same time to view this in relation to the desire to ensure growth and development in other areas. This integrated view is something new for the current programme

period, as it is argued that “in past programming periods documents tend to treat rural development as a distinct area of action”. This is consequently a potential conflict that is present in several regions of Europe, and it is not as yet clear whether Structural funding improves or worsens these relations.

In the cases of Grevena and Lakonia in Greece, programmes are viewed as having a polycentric approach as they support the smaller towns and rural areas, in order to spread growth beyond the city cores. There are however no actions explicitly dealing with urban-rural relations. In Lakonia Structural funding has improved the infrastructure thereby reducing accessibility problems, and any immediate hindrances to urban-rural integration. The evaluation for the Calabria 1994-1999 programme concluded that the measures intended to restore rural buildings for the purposes of tourism also had an impact on maintaining the population in the rural areas, even though this was not an explicit intention. In Toscana a similar development has also been detected. In addition, the diversification of economic activity has contributed to maintaining population settlements in rural and more mountainous areas.

In the case of Extremadura, the Structural Funds have helped to create employment and fix the population in the small towns and villages, in addition to the overall improvement of the accessibility in the rural areas.

Table 16: Structural Funds influences on rural-urban relations

	Calabria	Cantabria	Catalunya	Centre	Extremadura	Grevena	Highlands and Islands	Lakonia	Lappi	Madeira	Norra Norrland	Sachsen	Toscana	Southern and Eastern	Région Wallone	M
Rural-urban status	↑	↑	-	↑	↑	↑	-	↑		↑	-	-	-	↑	↑	↑
Promotion of rural-urban interaction	↑	-	-	↑	↑	↑	-	↑	↑	↑	-	-	-	-	-	↑
Possible concentration trends	↑	↑	↑	-	-	↑	-	↑	↑	-	-	-	-	-	↑	-
Population density	-	-	↑	-	-	↑	-	↑	-	↑	-	-	-	↑	-	

↑ = Specialisation aspect influenced by Structural Funds, ↑ = some Structural Funds influence on specialisation aspects, - = not seen as particularly relevant

Source: ESPON 2.2.1

Summing up, the table clearly indicates that the Structural Funds have only a marginal influence on the development of rural-urban relations, in particular with regard to demographic aspects. The rating of the four aspects identified indicates that population density and migration were not influenced that strongly by Structural Funds assistance, though rural-urban relations were to a somewhat

larger degree influenced in this way. This result is in line with expectations as there are several measures in the programmes dealing with rural-urban relations, and involving different types of actors in development. In addition, through transport and accessibility interventions and through supporting increased economic diversification in rural areas their isolation is considerably reduced. Migration and population development are also addressed in the programmes, but demographic changes are more complex matters, influenced by many other factors that EU funding cannot affect to any substantial degree. Five of the case studies reported an influence on population density through Structural funding in their respective regions, though in only two cases, namely, Lakonia and Southern and Eastern Ireland, was is considered important.

### 3.2.3 Spatial positioning: the relation function

It is certainly clear that spatial positioning has as a relational dimension. This relates to the question of accessibility on the one hand, i.e. how easy is it to reach a certain place? This dimension is obviously influenced by infrastructure measures carried out under the Structural Fund programmes. On the other hand, the relational dimension comprises the question of strategic networking between actors in different places. This networking dimension is only tangentially influenced by the Structural Funds and where this is the case mainly through the Community Initiative Interreg. As regards networking and partnership within the region, this will be discussed in the section on governance.

Table 17: Structural Funds influences on links (relational polycentricity)

	Calabria	Cantabria	Catalunya	Centre	Extremadura	Grevena	Highlands and Islands	Lakonia	Lappi	Madeira	Norra Norrland	Sachsen	Southern and Eastern	Toscana	Région Wallone	M
Accessibility	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Networks (promoting specialisation)	-	↑	↑	-	↑	↑	-	↑	↑	↑	↑	-	-	↑	-	-

↑ = Specialisation aspect influenced by Structural Funds, ↑ = some Structural Funds influence on specialisation aspects, - = not seen as particularly relevant

Source: ESPON 2.2.1

The importance of the relational dimension and thus of the influence of the Structural Funds on this, is highest in peripheral and border regions. In the case of Norra Norrland it is stated that the importance of the European context has changed significantly since the former programme period (the first for Sweden). There is now a demand for the stronger internationalization of the economy and for increased competence in EU questions, while the region is now also taking part in several different international co-operation networks within the Northern

periphery, the Barents region, the Baltic Sea Region, Bothnian Arc etc. Moreover, the north of Sweden provides an interesting case in this context as, according to the interviews, it displays the characteristics of robust internationalization and Europeanization *with* a strong EU scepticism. Lappi is in a similar peripheral location to Norra Norrland and international co-operation is here also considered important as it entails expanded markets and job-opportunities. For Lappi the co-operation networks aim towards the east, to Northwest Russia, but also within the North Calotte area.

In the case of the Highlands and Islands in Scotland the case study indicates that the impact of the Structural Funds in terms of polycentricity are difficult to discern, though a shift between the two programme periods can be seen, with more emphasis on transport communications in 1994-1999 being replaced by a greater focus on digital communications in the current period.

In Sachsen, international networking is also seen as important, with the region being centrally located but peripheral as it still suffers from the structural problems associated with its East German heritage. The EU context is however often used in the strategic rhetoric:

*Both programming periods use the EU context – and the global integration argument – as a standard backcloth to depart with the formulation of the specific strategy. Being part of a global economy (even if on the short end), being part of Europe, and facing the extension of the EU towards the East constitute a general awareness on the part of the actors involved.*

The CADSES network (Central European, Adriatic, Danubian, South-Eastern European Space) is an Interreg funded initiative for trans-national co-operation in spatial planning of which Sachsen is a part, in addition to regions in the new member states, the Balkans, Italy, Greece and others. The new member states are however not only seen as positive partners in co-operation, but also as potential threats, as their accession and their economic situation could remove focus from the development – and the development problems, of Sachsen.

As regards infrastructure links there are several examples from the case studies of the influence of the Structural funding in this respect. There are also examples of projects that aim to strengthen both nodes and links – airports, air links, ports, railway links or motorways. In the Southern and Eastern Ireland region for example there have been attempts to try to reduce the risk of Dublin becoming a “dispersed city” with high-tech industries located around the city edge. In Grevena, infrastructure has been an important part of the EU funded activities, and a number of examples were illustrated in the case study. The Via Egnatia, an ancient and originally Roman road through northern Greece, and the PATHE motorway (“Patras-Athens-Thessaloniki”) are two important parts of the Greek

motorway system, and with assistance from the Structural Funds the attempt has been made to reduce the region's isolation and improve its intraregional and trans-regional communications. According to the case study this strategy has worked well. Similarly for the other Greek case study region Lakonia and for Madeira the studies indicate that projects improving the regions' infrastructure – tunnels, port and airport infrastructure – have been central their development.

In the case of Extremadura, the Structural Funds have had significant impacts on the relation function. The funded projects were aimed at improving the internal accessibility of the region, as well as its accessibility in a wider transnational perspective. Besides the physical infrastructure networks, the Structural Funds have helped developing the ICT networks in the region that will become in March 2006 the first Spanish region to have a region-wide network of broadband internet access.

In Calabria in southern Italy, several infrastructure projects aimed at improving regional and national accessibility have been funded, or are envisioned in preparatory work. A bridge to Sicily is perhaps the most striking example of such projects. Other examples include improved air transportation in three locations improving accessibility both nationally and transnationally, and the improved port of Gioia Tauro, which is very important for the Mediterranean container trans-shipment business. Additionally, improvements in the railway system are also to be expected in future.

*The focus on developing connections among existing nodes is considered crucial to developing regional, interregional and international links such as the connection of the port of Gioia Tauro with the Tirrenic corridor and also with the Brennero.*

In Lappi the EU funded initiatives to develop a more dynamic tourism industry within the broader theme of 'experience tourism' have provided an important additional impetus to improving the transportation infrastructure, as good accessibility for tourists also makes good accessibility for the inhabitants. This is a good example of the fact that infrastructural investments can function as the driving force for development in other sectors.

### **3.2.4 Spatial positioning: conclusions**

This analysis of the case studies illustrates that the Structural Funds can positively influence the spatial positioning of the region in question. This influence is, however, limited to a few key aspects and relies on the existence of certain development trends that can be reinforced. It is thus argued here that the Structural Funds can have an impact, but only provided they are used consistently and together with other appropriate policy instruments and funding sources, as in most cases their volume is rather limited.

The Structural Funds can best influence the spatial positioning of a region with regard to transportation links and functional specialisation in the fields of knowledge and education as well as tourism.

In the other fields reviewed in terms of functional specialisation – i.e. industry, economic base, administrative status and decision-making centres – the influence of the Structural Funds is negligible for the most part, with the findings of the case study analyses needing to be seen in conjunction with the findings on the influence of the Structural Funds across the various dimensions of polycentric development, presented later in this report.

### **3.3 The Lisbon themes in the case studies**

Though included in the case study analysis, the relevance and indeed political centrality of the Lisbon strategy and the themes it encompasses does not fit particularly well with the time perspective of the study reported here. The Lisbon strategy for employment, economic reform and social cohesion was after all introduced in 2000, with the subsequent Gothenburg strategy (where the European governments committed themselves to a strategy for sustainable development and added an environmental dimension to the Lisbon process), being introduced in 2001, whilst the main focus of our study here is the previous programming period of 1994-1999. At the same time one also needs to acknowledge that the objectives set in Lisbon and Gothenburg are part of a longer path-dependent process of policy co-ordination and priority setting, and as such the seeds of Lisbon and Gothenburg were already sown at previous decision-making points within the European Union, where the competitiveness of the EU was gradually strengthened, while themes such as the Information Society, innovation policy and employment have been on the policy agenda in different forms for a considerably longer time (as is also reflected in the analysis of the Structural Funds programmes during 1994-1999 in our case study regions).

The themes selected for the case study analysis as regards the Lisbon strategy were outlined as follows:

- **An Information Society for all** through improving access to communications infrastructure, especially among excluded groups and using information technologies to renew urban and regional development and promote sustainable development
- **Establishing a European area of research and innovation** through improving the efficiency and innovation of research activities and improving the environment for research

- **Creating a business friendly environment for SMEs** through encouraging 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** through the development of local learning centres, and the promotion of new basic skills
- **More and better jobs** through the improvement of employability and reducing skills gaps, encouragement of lifelong learning, reduction of deficits in the service economy and the extension of equal opportunities
- **Promoting social inclusion** through the improvement of skills and the promotion of wide access to knowledge and opportunity.

These themes and their main dimensions and milestones were analysed more closely in the third interim report. In the following we will therefore only present the conclusions of how 'Lisbon-relevant' themes were addressed in the case studies undertaken as part of this project. In each of the case studies national experts were asked to indicate what was the status of including the themes in question during the programming period 1995-1999 (in the programmes, especially in light of evaluations as to the inclusion of the themes), as well as impact, i.e. the current status of these themes in relation to the previous programming period and the possible cases where the priorities and measures, as well as the projects had already been reflected in the priorities during the current programming period. National experts were also asked to give a rating as to the impact of Structural Funds activities during the previous programming period as regards the Lisbon relevant themes.

In most cases the Lisbon themes were explicitly addressed in the 2000-2006 programmes, though the picture was more varied during the actual programming period, thus reflecting a process of policy diffusion and learning within the EU context as the Lisbon policy agenda was ultimately reflected at the national and regional levels. For instance in the case of Catalunya, when analysing the move from the 1994-1999 period to the 2000-2006 period, the inclusion of Lisbon related themes is particularly clear, as the strategic objectives include:

1. Favouring real convergence by stimulating business and territorial competitiveness, technological development and implementation of the Information Society, better infrastructures to articulate the territory, diversification of the productive fabric, better qualification of human capital and local and urban development and support to the tourism sector.

2. Favouring the creation of employment, employability and equal opportunities.
3. Favouring sustainable development, social welfare and quality of life through environmental protection and conservation policies, better infrastructure, an improved network of social services, the development of the welfare state and territorial balance.

### ***Lisbon: Conclusions***

The discussion of how the Lisbon themes have been influenced by the Structural Funds has shown that four aspects are of particular interest:

- The relatively low degree of explicit inclusion:  
On average, the Lisbon themes are most often included in an indirect or implicit fashion, which is hardly surprising when considered against the timeframe of the two processes under analysis: when the programmes were drafted and implemented, the Lisbon themes were not yet on the policy agenda. At the same time it is obvious that some of the themes were already central to Structural Funds priorities and measures. Issues such as the promotion of research and development and innovation capacity, SMEs and the Information Society were already addressed during the 1994-1999 period, though this has been intensified during the 1999-2006 period. Better jobs and social inclusion were however seldom addressed as specific priorities during the 1994-1999 period.
- Social inclusion lowest priority, R&D the highest:  
Competitiveness seems to have been interpreted in quite traditional terms during the 1994-1999 period, as R&D and SME services rate highly, while social inclusion rates much lower. Better jobs rate surprisingly poorly here.
- The case studies provide for a varied picture, while few conclusions can be drawn on the differences in impact based on particular types of regions:  
Though we cannot draw conclusions on the types of regions and the policy themes they addressed in the 1994-1999 period, it seems that some cases rate consistently higher in addressing 'Lisbon relevant' themes and in promoting competitiveness, while others rate consistently poorly. This may however be more dependent on national policy priorities than the regions themselves. The Nordic regions (Lappi and Norra Norrland), as well as Madeira, the Highlands and Islands and the Greek regions seem to rate highly on most themes, while Catalunya, Centre, Southern and Eastern Ireland, Région Wallone and Sachsen rate much lower on the Lisbon relevant themes.
- Consistency between national and European policy priorities remains unclear:  
The fact that some case studies rate consistently lower, while others rate

much higher on 'Lisbon relevant' themes is likely to be connected to the realities of national regional policy priorities and in particular to the degree of integration. Moreover, as was seen in connection to the analysis of the governance effects, the consistency of national and European policy goals outlined in the programme documents was rated as the most central policy theme, which would seem to imply that in most cases those themes that are addressed in national policy terms are also central in European ones.

### **3.4 Governance aspects**

#### ***3.4.1 Governance: Promoting learning***

In the EU context the debates connected to governance have been closely tied to concerns over the democratic nature of EU decision-making and the alternative models for its further development, as was most clearly expressed in the recent constitutional debates. This issue was however also fuelled by the 2001 Commission White Paper on Governance, and by the subsequent academic and political responses to this that had a regional dimension (e.g. the Sapir Report from 2003). While democracy and other core governance issues have been increasingly propelled to the forefront of territorial policy, (in part due to increasing interest in the notion of territorial cohesion, which has itself become ever more central to policy discussions within EU spatial and territorial policy discourse), this has however also occurred within the wider context of the overall Europeanization of policy concepts.

Thus it can be argued that the need to focus on governance (or 'good governance') is widely accepted within the EU and beyond, and the need to build and promote effective institutional structures is increasingly seen as one of the main sources of regional competitiveness, as such structures facilitate cooperation between the various parties involved in both the public and private sectors, and in so doing can improve collective processes of learning and the creation, and the transfer and diffusion of knowledge, which are critical for innovation, as well as cementing networks and public-private partnerships, thus also stimulating successful regional clusters as well as regional innovation strategies and policies. (CEC 2004, 58; on the principles of European governance see also CEC 2001). It is further argued that 'good governance' requires a shift from a traditional 'top-down' approach to a more open form involving all of the relevant parties in a particular region. Such partnerships should extend to all the policy areas relevant for economic, scientific and social development (an integrated approach) and should ideally establish a long-term policy horizon (a strategic approach) (ibid.). As these partnerships and related methods and principle relating to governance are central to the whole Structural Funds working methodology, the variety of *regionally and nationally specific* working methods

and policy innovations relating to decentralization and the partnership-based mobilization of local actors are issues of particular interest to our analysis here.

### **3.4.2 Governance: Conclusions**

#### **New working practices and methods: the main impact**

The main effects and examples of such governance impacts were reported in more detail in the third interim report of this project. Based on this more extensive analysis, it can be argued that the main governance aspects reported were connected to the new working practices and methods associated with the programming cycle, evaluation and partnerships, while there were also indications that the influence of the Structural Funds themes and policy emphasis may have contributed to a more broadly based understanding of regional policy and the governance model required to promote the objectives it encompasses. The policy learning impact is thus of particular relevance, particularly in the new Member States (in this case from the previous wave of enlargement in the 1990s with Austria, Sweden and Finland), though also across the European Union as a whole. In most cases these impacts were felt across the Member States, and not particularly acutely at any particular territorial level.

#### **The problem of scale**

When compared to a similar analysis of urban areas (within the ESPON 2.2.3 project), there are both similarities and differences. Whereas in the urban areas the main aspects of policy impact and governance learning were identified as networking and organizational innovations (partnerships leading to new co-operation networks and more broadly based management structures); increased citizen participation and identity-building for the inhabitants, as well as the visibility and awareness of EU policies, here the picture is more general, emphasising the partnership constellations and working practices. This is not however surprising when we consider that the regional level within which the analysis was undertaken in this project was broader, and thus some of the grass-roots impacts and influences were perhaps more difficult to identify.

### **3.5 Summing-up Structural Fund influences on polycentric development**

As already documented in the review of the spatial dimension of the Structural Funds, explicit targeting is not very common. This is confirmed by the case studies carried out, as only in the case of Région Wallone was polycentric development directly addressed, both with regard to the national and the trans-national levels. However, in most of the other case studies it was felt that the aim of polycentric development had been *implicitly* addressed.

As noted above, the case studies focused on aspects such as the distribution of population, functional specialisation, accessibility, international co-operation and

the diminishing of regional divergence in order to operationalise polycentric development. Furthermore, attempts were made to rank both direct and indirect effects.

Table 18: Structural Funds influence on polycentric development

Geographical level of influence/effect		MICRO	MESO	MACRO	SUM	TOTAL SUM
<b>Type of influence/ effect</b>						
<b>Aspects explicitly targeting polycentric development</b>	Direct	↔	↔	↔	↔	↔
	Indirect	↑	↑	↔	↑	↔
<b>Distribution of population</b>	Direct	↑	↔	↔	↔	
	Indirect	↑	↔	↔	↔	↔
<b>Functional/economic specialisation</b>	Direct	↑	↑	↑	↑	↔
	Indirect	↑	↑	↑	↑	↑
<b>Connectivity/accessibility /transport</b>	Direct	↑	↑	↑	↑	↔
	Indirect	↔	↑	↔	↔	↑
<b>Strengthening of international co-operation</b>	Direct	↑	↑	↑	↑	↔
	Indirect	↑	↑	↔	↑	↑
<b>Diminishing regional divergence</b>	Direct	↑	↔	↔	↔	↔
	Indirect	↑	↔	↔	↔	↔
<b>SUM</b>		↑	↑	↔	↔	↔

↑ = Aspect influenced by Structural Funds

↑ = Some Structural Funds influence

↔ = Hardly any influence of Structural Funds or not seen as relevant

Source: ESPON 2.2.1

The distinction between the direct (effects discernible amongst those directly targeted by the intervention/investment in question) and indirect (broader effects that are also discernible amongst those that have not been the direct addressees of the intervention in question) effects of the Structural Funds shows that overall, the indirect effects are considered to be as important as the direct ones – a fact that is often forgotten in the debate. A more detailed look at the various fields of effects however shows that the direct and indirect effects tend to occur in different areas. As illustrated in the table, most effects are found in the fields of (a) connectivity and accessibility, and (b) socio-economic functional specialisation.

It is hardly surprising then that the largest single effect is seen in the field of direct effects on **connectivity and accessibility**. This relates in particular to improvements in accessibility at the regional and national levels. The impact on the trans-national transportation system is however considered to be of slightly lesser importance. Indirect effects are rather rarely encountered in this field.

In the area of **socio-economic functional specialisation**, the sum of direct and indirect effects accumulates to a similar level as that in the field of connectivity and accessibility. In this case however the main emphasis lies with the indirect effects as regards specialisation within a region, and to a certain extent, on the placement of the region in a trans-national context. Indirect effects in respect of the national context and direct effects in relation to the regional and national context are here considered to be of medium-range importance.

Another field that scored highly with regard to spatial effects is that of **strengthening international co-operation**. Here the direct effects are considered to be of more importance than the indirect ones, showing particular significance with regard to contacts at the *meso* level.

Aspects such as **diminishing regional divergence** and the **distribution of population** appear however to be less affected by the Structural Funds than the above-mentioned aspects.

### ***3.5.1 Morphology***

The distribution of population over space is often regarded as one of the most important aspects of polycentric development. Moreover, this is a rather difficult factor to influence through EU funding. In general, it can be said that pre-existing demographic trends have hardly been influenced by the Structural Funds. In some cases however influence has been detected by (a) focussing on rural areas, or (b) by focusing on strengthening the centres of a region.

#### **Stabilising settlement patterns in a region (particularly in rural areas)**

In the cases of Lakonia and Grevena, the Structural Funds have directly affected the morphology of each region. In both cases we can see a positive influence with regard to the Structural Funds in respect of allowing people to stay in the rural and mountainous areas through the creation of new jobs. In the case of Madeira the Structural Funds also indirectly contribute to stabilising existing settlement patterns through measures improving the living conditions in the rural areas; better links to Funchal and to the airport; and through new industrial zones in the east of the island. Thus the Structural Funds programmes have had an indirect impact on maintaining population levels in the smaller towns and in the rural areas.

Another series of indirect effects – of lower importance - on the morphology of a region can be seen in Toscana, particularly with regard to the maintenance of population settlement in rural and mountainous areas, through support for economic diversification, while in Calabria, the Structural Funds' effect on tourism and on the diversification of rural areas seem to play a significant role in population rebalancing, though there is no quantitative evidence for this.

### Concentration on the main centres (creating a nationally balanced picture)

The vast majority of the effects the Structural Funds have on the morphology of a region concern the stabilisation of existing settlement patterns in particular with regard to the rural population. However, the cases of Sachsen and Dublin illustrate that alternative tendencies, where migration trends towards the city centres are enforced, can also be found. In the case of Sachsen, this can be seen as job market activities in the central cities have concentrative effects. Over the past decade there has been both a rapid increase and a concentration of the population of the Dublin region, with the aim now being more balanced development and the effective management of population growth. Thus Sachsen and Dublin may thus be considered as cases where the Structural Funds have certainly influenced polycentric development nationally.

Table 19: Structural Funds influence on distribution of population

		MICRO	MESO	MACRO
		Allowing people to stay in the rural areas of a region.	Concentration towards main cities of a region, i.e. a more balanced national picture	
Some influence	Direct			
	Indirect	Calabria Toscana	Southern and Eastern	
Important influence	Direct	Lakonia Grevena		
	Indirect	Madeira Extremadura	Sachsen	

Source: ESPON 2.2.1

### 3.5.2 Functional specialisation

The socio-economic specialisation of an area is regarded as being important for the strengthening of competitive nodes in a polycentric system. Instead of focusing on diversity however the emphasis is on specialisation and the development of a *niche* complementing as well as competing with other areas depending on their socio-economic profile. The case study work has shown that socio-economic profiling is the second strongest aspect of polycentrism in terms of contributions in respect of the Structural Funds. When it comes to the direct influences of Structural Funds measures however, the development of socio-economic profiles at the *meso* level comes to the fore. In terms of indirect contributions however it is the *micro* level that is of particular importance.

### **Local specialisation through Objective 1 measures**

As illustrated in table 19, in nine of our cases, Structural Fund activities contributed to increasing functional specialisation at the local level, mostly relating to Objective 1. This contribution to specialisation through the promotion of certain profiles that already existed has been achieved predominantly through measures in the field of R&D and tourism, which can be said to have sharpened the internal regional division of labour.

- In respect of **R&D profiling**, this is often related to cluster thinking in Objective 1 programmes and centres of expertise established in different parts of the region, as e.g. in Sachsen or in Lappi. Another concrete example of this is increasing the R&D input in Northern Sweden, through e.g. the establishment of the Tourism Institute ETOUR in Östersund and the MRI in Kiruna, or Acusticum, a co-operative project between Luleå University of Technology, Piteå music school and the local and regional authorities that seeks to develop competences in the areas of music and new media. In the Highlands and Islands, the increasing R&D emphasis concentrated for instance on efforts to develop a biotech cluster and a centre of excellence in Inverness.
- With regard to **tourism**, e.g. in Madeira, Structural Funds assistance directly strengthened the existing specialisation (tourism) of and in the region. While in Lakonia, Grevena and Lappi, profiling in the field of tourism, has also been of importance. Activities in the field comprised e.g. the development of tourism centres as innovative localities. In general, it can be said that support for tourism and SMEs was important for the local economy and especially for rural development, and in e.g. Grevena also for the reinforcement of the mountain areas, i.e. areas with geographical handicaps.

Table 20: Structural Funds influence on functional/economic specialisation

		<b>MICRO</b>	<b>MESO</b>	<b>MACRO:</b>
Some influence	Direct	Southern and Eastern Extremadura	Grevena Southern and Eastern Highlands and Islands Madeira Norra Norrland	Grevena Madeira Lakonia
	Indirect	Highlands and Islands Extremadura	Lappi Southern and Eastern Sachsen	Southern and Eastern
Important influence	Direct	Grevena Madeira Lakonia	Calabria Lakonia	Calabria
	Indirect	Toscana Lappi Southern and Eastern Madeira Norra Norrland Sachsen	Toscana Norra Norrland	Toscana Lappi Norra Norrland Sachsen

Source: ESPON 2.2.1

### **Developing economic nodes of national importance**

At the *meso* level, tourism has also provided a strong focus, as have industrial clusters, in addition to those aspects already mentioned at the *micro* level, transportation issues, co-operation aspects and the information society were also important.

- As regards **tourism**, the focus was on improving the advantages of the region and reinforcing the development of the tourism sectors. For instance in the case of Lakonia, the region's proximity to the metropolitan region of Attiki, its extremely rich and varied cultural heritage, and the quality of its natural environment have been supported as development potentials in respect of attempts to strengthen the tourism sector.
- When it comes to **industrial specialisation**, the focus is on clusters of national or even international importance that may contribute to developing the region into a central node in such a network. Examples here include Prato's textile and leather cluster, the Massa Carrara marble industry, and the automobile clusters in Sachsen and Catalunya, all of which have been strengthened through Structural Funds investment.
- In the cases of the Highlands and Islands, Southern and Eastern Ireland and Norra Norrland, support for **trans-national co-operation** in business support networks cross-border economic development such as Barents co-operation in the international sphere, Interreg programmes and the importance of city-twinning were noted as well as the emerging

importance of spatial planning across borders, e.g. in the Haparanda-Tornio "euro city".

- In Lappi foundations have already been laid for future's trans-national co-operation particularly in the Barents corridor and the Bothnian Arc, while in the Southern and Eastern Ireland, **transport** links through Interreg and TENs have been mentioned as providing important indirect support for socio-economic specialisation.

### **The development of economic nodes of international importance**

When it comes to the contribution of the Structural Funds to socio-economic specialisation of international importance the aspects mentioned generally correspond to those presented at the *micro* and *meso* levels. Some interesting examples can however be found in respect of the Southern and Eastern region of Ireland, where efforts were undertaken to develop the region into a European centre for R&D and high value/high skill investments, e.g. pharmaceuticals and internationally traded services. Whereas this may sound rather mainstream, the Swedish region of Norra Norrland has used Structural Funds assistance to further develop their car testing industry and for the establishment of the Environment and Space Research Institute (MRI) in Kiruna (Objective 6 – the biggest single project). As regards the car testing initiative, the goals outlined are "more profound cooperation and networking between the actors in order to develop the industry and increase economic growth," in addition to the "marketing of a world leading test region".

### **3.5.3 Connectivity**

Structural Fund assistance that increases connectivity is the most important single aspect where such measures contribute to polycentric development. This relates in particular to the *micro* and *meso* levels, i.e. infrastructural improvements of local, regional or national importance. The improvement of accessibility relates predominantly to road and air transport, while sea and rail transport examples were much more difficult to uncover. In what follows we will provide some examples.

Table 21: Structural Funds influence on connectivity/accessibility/transport

		<b>MICRO</b>	<b>MESO</b>	<b>MACRO:</b>
Some influence	Direct	Centre	Centre Highlands and Islands Extremadura	Centre Southern and Eastern Norra Norrland Toscana
	Indirect	Centre Lappi	Centre Lappi Madeira	Calabria Centre Lappi Madeira
Important influence	Direct	Calabria Grevena Toscana Highlands and Islands Madeira Norra Norrland Sachsen Lakonia Extremadura	Grevena Toscana Madeira Norra Norrland Sachsen Lakonia	Grevena Madeira Sachsen
	Indirect		Calabria	

Source: ESPON 2.2.1

The observable improvements to the **road networks** in Lakonia, Sachsen, Calabria, Grevena, Centre, Southern and Eastern Ireland and Madeira relate to new highways, improved regional road systems, and rural paths. In Grevena for instance, support was given to the improvement of the national and regional road network and to the improvement of the trans-European networks linking the region's productive centres. In Madeira the important influences through road investment stem from the new highway from the airport to Funchal and other towns nearby. In Lakonia support was given to the improvement of the national and regional road network and to connecting Lakonia with the Corinth – Tripoli – Kalamata highway, which provides access to the main urban centres of the Peloponnisos, to Attiki and to the rest of the country. This illustrates that Structural and Cohesion Fund measures have been used to improve missing links in the road network, which can be viewed as an important contribution to polycentric development, as the availability of cross-border road connections are an important issue in border regions.

With regard to the centre-periphery divide in Europe however, the influence of the Structural Funds on the improvement of **air connections** in peripheral areas is of a somewhat higher importance than that of road networks. This is so in respect of Southern and Eastern Ireland, the Highlands and Islands, Calabria, Lappi and Norra Norrland. The type of Structural Fund activities vary, from airport extension in Madeira, to the development of airport services in Rovaniemi and Kittilä (Lappi) or plans for providing more domestic air connections in the Highlands and Islands, to indirect effects, where the socio-economic specialisation supported by the Structural Funds have increased the demand for air services.

This is the case in Norra Norrland, where the focus on car testing resulted in more flight connections to Germany.

In five cases, funding contributions to connectivity directly related to **sea traffic**. In Southern and Eastern Ireland and the Highlands and Islands investments have been made in seaports, in Toscana inter-port investments allow for increased openness to external markets, while in Calabria the port of Gioia Tauro has been turned into a container transshipment hub of European importance. In Madeira, the Structural Funds have contributed to an improved ferry service to Porto Santo, etc. and thus have had a huge impact on internal accessibility and development. Furthermore, the restructuring of the seaport areas has had a positive impact on connectivity and accessibility in a national context. Other Structural Fund measures (training, knowledge infrastructures, Science Park) have also had a positive effect on the development of an Atlantic hub-function.

**Rail transport** seems to be of less importance when it comes to the Structural Funds contributions to connectivity and polycentric development, with only a few examples (e.g. in Southern and Eastern Ireland and in Norra Norrland). In both cases the focus was on border traffic. In Norra Norrland, the planning of a new railway from Boden to Haparanda aimed at enhancing the ability to provide an efficient transport structure between Sweden and Finland. Despite repeated efforts there has only been limited development within the trans-national regions in the North Calotte to establish better cross-regional rail and flight connections (in most cases to travel between the regional centres in neighbouring countries within North Calotte for instance one has to travel via the national capitals).

A rather more unusual aspect of the improvement in connectivity is the building of so-called 'tourism roads' in Lappi. Indeed, here the focus was on tourism development helping to maintain railroad and air traffic connections at the national level. This illustrates the general dilemma of investments in infrastructure services, where missing links or low standards are often related to rather low demand.

Whereas the examples mentioned above concentrate on the *micro* and *meso* levels, the Structural Funds have also contributed to improved connectivity at the *macro* level. In Calabria, strongly influenced by national spending and national planning, the development of the transshipment hub has, nonetheless, benefited from the Structural Funds. In Grevena support was given to the improvement of the trans-European networks linking the Region's productive centres and also in Sachsen TEN and TINA projects cut through the region linking it with the CEE.

#### **3.5.4 International co-operation**

International co-operation is considered an important element of European polycentric development. Although it is not the main focus of Structural Fund

programming, the case studies illustrate that the Structural Funds contribute to increasing international co-operation, as such, this aspect ranks third after the more traditional aspects of connectivity and functional specialisation.

Table 22: Structural Funds and strengthening of international co-operation

		<b>MICRO</b>	<b>MESO</b>	<b>MACRO:</b>
Some influence	Direct	Toscana	Grevena Toscana Highlands and Islands Lakonia	Grevena Highlands and Islands Extremadura
	Indirect	Lappi	Grevena Lappi Madeira Sachsen Lakonia	Grevena Lappi Madeira Lakonia
Important influence	Direct	Grevena Centre Lakonia	Centre Southern and Eastern Madeira Norra Norrland Extremadura	Madeira Norra Norrland
	Indirect	Centre Norra Norrland Extremadura	Centre Extremadura	

Source: ESPON 2.2.1

Basically three types of co-operation can be identified:

- The partnership and governance approach of the Structural Funds within a region

In most cases the strengthening of co-operation discussed in the case studies relates to the partnership principle underlying the Structural Fund programmes. This involves co-operation and networking between the SMEs, between local government and SMEs, citizens and administrations, research institutes etc, as well as closer co-operation between the administrations themselves. These relate in the main to the aspects discussed previously in the governance section.

- Trans-national co-operation in peripheral areas

Another aspect of co-operation is related to trans-national co-operation and thus is closer to the idea of supporting links for polycentric development. It is hardly surprising that such co-operation was often the result of activities under the Community Initiative Interreg. However, it seems that strengthening international networking is of particular importance in peripheral regions such as the Highlands and Islands, Southern and Eastern Ireland, Madeira, Norra Norrland or Lappi.

- The European 'presence' of the regions

The third field of co-operation issues relates to the direct link between the regional and the European levels, i.e. the positioning of regions in European networks. This involved activities related to the establishment of regional offices in Brussels, working towards a greater awareness of the EU at the regional level and the higher visibility of the region in Europe. Again, the peripheral regions stand out, with Norra Norrland, the Highlands and Islands and Lappi, though even here the impact on the 'European presence' is indirect or coincidental at best. For instance in the case of setting up the regional office of North Sweden, Structural Funding was not used, though some interviewees argued that the need for a greater European presence stems from the Structural Funds process in the first instance. In this sense the causality is rather simple: EU membership has transformed the modes of influence and interest representation as a whole, with or without co-financing from the Structural Funds. This was exemplified by the statement made by the executive director of Lappi regional council when he argued, in a speech made in July 2004 that, "without EU membership Lappi would be a less international and considerably more peripheral region".

### ***3.5.5 Diminishing regional divergence***

In terms of cohesion policy, diminishing regional divergence has always been an important aspect of EU regional policy, as well as a topic of some interest in the debates on territorial cohesion. However, the case studies illustrate clearly that the Structural Funds contribute only to a minor degree to diminishing divergence. Indeed, the 'degree of influence' in this field is considered only slightly higher than that of their influence on morphological aspects. Furthermore, the case studies portray a picture according to which the Structural Funds, if they contribute at all to diminishing divergence, do so at the regional level. This picture is not however fully confirmed by analyses of the geography of spending presented elsewhere in this report.

Table 23: Structural Funds and diminishing regional divergence

		<b>MICRO</b>	<b>MESO</b>	<b>MACRO:</b>
Some influence	Direct			
	Indirect	Grevena Lappi Southern and Eastern Highlands and Islands Madeira Norra Norrland Sachsen Lakonia	Lappi Sachsen	Southern and Eastern
Important influence	Direct	Grevena Toscana Madeira Lakonia		Extremadura
	Indirect			

Source: ESPON 2.2.1

Aspects covered by 'diminishing divergences' include strategies that aim to develop the endogenous resources of the region in question, thus reducing its isolation. Through the reduction of intra-regional disparities and the development of rural and/or less-advantaged areas the region in question has already benefited in recent years and is expected to benefit even more so in future. Accordingly, in cases such as Lakonia, Lappi or Grevena, measures encouraging innovation and entrepreneurship have a positive, albeit indirect, impact on the mountainous, on the rural and on the less advantaged areas. In Madeira many parts of the region benefited from the positive economic development of the last few years through improvements in living conditions, specific support for rural areas, the promotion of industrial activities and support for balanced tourism (Funchal, other towns, rural areas). Many Structural Fund measures (training, health infrastructure, water supply, etc.) also had a positive, albeit indirect, impact on formerly disadvantaged areas. However, it remains difficult to assess whether the changes are solely attributable to Structural Fund intervention.

### **3.6 Conclusions**

Summing up the results of the case studies on the territorial effects of the Structural Funds, four areas of discussion can be emphasised: (1) the areas of intervention in which funding has had territorial effects; (2) the distinction between direct and indirect influences on territorial development (3) the geographical level at which the Structural Funds effect territorial development; and (4) the question of the geographical specificities of such influences.

#### ***3.6.1 Areas of intervention in which the Structural Funds have had an influence***

The case study work identified a series of areas of intervention through which the Structural Funds influence territorial development in the fields of spatial

positioning, the Lisbon agenda, governance and polycentric development. Three main areas of influence can be highlighted:

- Accessibility

Improvements in infrastructure relating to better accessibility have been identified as the main aspect of polycentric development to which the Structural Funds can make a contribution. However, it has to be borne in mind that although the amount of Structural Fund assistance targeting transportation issues is large, it is comparatively small considering other European and national funding sources in the field. Moreover, the Structural Fund influences on accessibility seen in the case studies to focus mainly on road transportation within a regional or partly national sphere of influence, and on measures related to air services. Air service related measures have been of particular importance in peripheral parts of Europe, as here improvements in road networks only result in minor gains in terms of accessibility. With regard to the mainstreaming issue of sustainable development however, surprisingly few measures concerning rail and sea traffic were recorded in the case studies.

- Functional specialisation

Socio-economic profiling is the second strongest aspect of polycentric development in terms of the possible influences of the Structural Funds. The areas in which the Structural Funds can best contribute to existing profiling activities are in the fields of R&D and tourism. In both cases the geographical scope is mostly on profiling within a regional or, on occasion, a national context. A few cases have been unearthed where funding could assist profiling activities of an international character. These were mainly linked to specific existing endogenous potentials and key actors in the region that already had international key competences. Such is the case in Norra Norrland with regard to car testing, in the Southern and Eastern region of Ireland with regard to pharmaceuticals, or in Sachsen with regard to automobile production.

- Governance

Governance themes rate highly in almost all case study regions, and it was argued on a number of occasions that the governance impact (either direct or indirect) is in fact one of the most important impacts of the Structural Funds, while in many cases quantitative goals remain unattained. The consistency of national and European policy goals outlined in programme documents is the highest rated theme here. Examples of promoting learning are consistently high on the agenda, across the case studies. Financial practices enabling the enlargement of partnerships rated very low in assessing the impacts of the Structural Funds working methods, as did the theme of trying to avoid 'technocratic elite pluralism'. This seems to suggest that the partnerships are not necessarily particularly inclusive, or at least no special effort was made to

widen them. As such, the case study analysis seems to suggest that the partnership approach is a novelty, but that it mainly encompasses the policy elites while not doing enough to embrace voluntary organisations or other similar bodies.

### **3.6.2 *Direct and indirect influences***

The territorial effects of the Structural Funds are rarely of a direct nature, while it is also rarely possible to follow the influence that they impart in terms of strict chains of causal relations. Indeed, in most cases, their effects can be considered to be rather more indirect or implicit in nature, while the cause and effect mechanism (Structural Funds and spatial development) is not always visible, or straightforward. In addition, the time span between cause and effect inevitably varies, making it even more difficult to measure such potential effects. These realities have undoubtedly affected the case studies in their assessments of the influence of the Structural Funds on development, and on whether a measure or project has had direct or indirect effects. As illustrated elsewhere in this report, the Structural Funds have indeed had considerable leverage effects e.g. in national policies, and also on regional development strategies. Indeed, the agenda setting power of the Structural Funds was already highlighted in the Second Interim Report and can only be underlined once again by the case study work reported here.

In the context of the case studies it became clear that the effects on polycentric development are at best indirect. Undoubtedly the Structural Funds contribute more to the contact link/relation function and the specialisation function than to physical planning for polycentricity. The reason for this may be that the direct and indirect effects of education and employment measures complement each other, and that the physical accessibility measures have indirect/secondary effects in line with this (increased contacts and access to education creates employment etc.)

### **3.6.3 *The geographical level of influence***

Territorial effects need to be distinguished according to the geographical level of their influence. Throughout this work we have made an attempt to follow the *micro*, *meso* and *macro* division proposed for all ESPON analysis.

The case study work illustrates clearly that the territorial effects of the Structural Funds are mainly of a local/regional nature, i.e. influencing the *micro* level. At the *micro* level, the Structural Funds can, on occasion, exercise a significant level of influence on accessibility, functional specialisation or on the diminishing of regional divergences.

At *meso* level however the level of influence held by the Structural Funds undoubtedly diminishes, however certain influences have been identified mainly with regard to accessibility, functional specialisation and international networking.

As regards the *macro* level, the case studies only rarely identified areas where the Structural Funds contributed to the spatial positioning of a region in a European context. Accordingly, *macro* level influences are thus predominantly exercised through the actual amount of spending in various parts of Europe rather than through any individual activities.

#### ***3.6.4 Geographical specificities of influence***

When selecting the case study areas, attention was paid to developing a set of studies that would reflect a broad variety of regions, different types of MEGAs, differences in the accessibility of regions, border regions, low population density areas, areas with different socio-economic specialisation profiles, areas with different geographical handicaps, environmental aspects and regions with different governance characteristics. This has been done in order to ensure a broad span of regions allowing for generalisation, but also because we have been curious as to whether certain issues would score higher in certain types of regions, though this is an aspect that is limited by the actual number of case studies we were able to carry out.

We can therefore conclude that in respect of most issues, the influence of the Structural Funds seem not to be particularly related to geographical specificities. The only exception here being the emergence of a core-periphery pattern with regard to relational spatial positioning. This concerns the higher featuring of air service related measures in peripheral areas, as compared to road and rail services in central areas. Furthermore, it seems that peripheral areas value transnational co-operation more than do central areas.

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## **ESPON 2.2.1 The Territorial Effects of the Structural Funds**

### **Collective learning through transnational co-operation**

The Case of Interreg IIIB

This report represents the final results of a research project conducted within the framework of the ESPON 2000-2006 programme, partly financed through the INTERREG programme.

The partnership behind the ESPON programme consists of the EU Commission and the Member States of the EU25, plus Norway and Switzerland. Each partner is represented in the ESPON Monitoring Committee.

This report does not necessarily reflect the opinion of the members of the Monitoring Committee.

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# ESPON 2.2.1

## The Territorial Effects of the Structural Funds

### Annex Report C: Collective learning through transnational co-operation

The case of Interreg IIIB

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## Foreword

This annex report summarises the findings of an up-dated and extended version of Annex Report C, The Contribution of Interreg to Polycentric Development, reported in connection with the final reporting of the study on the Territorial Effects of the Structural Funds (ESPON 2.2.1). Though the methodology undertaken is largely identical, the investigation was updated and geographically extended, with the survey questionnaire also being redrafted since the original INTERREG survey study was reported. As such, this appendix, though based on the findings and research interests reported in the original appendix report, should be viewed as a document that stands on its own merits. The updated version of the study was undertaken at *Nordregio* by Kaisa Lähteenmäki-Smith, and Alexandre Dubois, ably assisted by Julien Grunfelder. The authors would also like to thank Erik Gloersen from *Nordregio* for his insightful comments on the draft version of the report. Finally, the preparatory work on the questionnaire was undertaken in close co-operation with Lisa Van Well and Camila Cortes from the Royal Institute of Technology (KTH) in Stockholm, as they were preparing a similar questionnaire in relation to their ESPON-INTERACT study on cross-border co-operation.

Some of the findings enclosed in this study were presented by Alexandre Dubois to the Regional Studies Association conference, *Shaping EU Regional Policy: Economic, Social and Political Pressures*, that took place in Leuven, Belgium, on the 8<sup>th</sup> and 9<sup>th</sup> of June 2006.

The original final report, with all its appendixes, including this updated appendix report is available at [www.espon.eu](http://www.espon.eu).

Stockholm, July 2006

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



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# 1 Introduction

## 1.1 The starting point of our investigation: How to promote learning through transnational project activity? <sup>1</sup>

The study on Interreg IIC reported in the spring of 2005, as part of the ESPON 2.2.1 Project upon which this Annex Report is based, showed that Interreg IIC had the ability to increase participants' awareness and knowledge of polycentricity and functioned as a dissemination instrument for EU policy ideas to regional and local actors. It did this by influencing the way in which project participants view their neighbours (increased understanding and trust), but perhaps even more importantly, by influencing how regions perceive their own roles and positions in the wider European picture. It was further concluded after this first round of our survey investigation in spring 2005 that increased awareness and knowledge of polycentricity were manifest in particular at the transnational and regional levels. In this light, it was further argued that the importance of the regional level could be explained by the existence of a number of obstacles to transnational, interdisciplinary co-operation, a process that supports the strong role of regional sub-groups. An additional explanation offered here was the orientation of the various projects towards 'common' rather than 'joint' challenges. It was additionally argued that the greatest potential for Interreg to contribute to polycentric development was at the regional (*micro*) level, as it was mostly within sub-projects that such learning occurred. At the transnational level, the building of a common identity and of relations of trust is a good starting point for future developments towards increased polycentricity at that level. The establishment of constant co-operation patterns could actually then be regarded as the first step in the implementation of relational polycentricity.

Concerning the motivation and benefits of the co-operation, emphasis was placed on the need to build permanent co-operation networks. This was a theme that was carried over to the second extended round of our survey in 2006, as this was also seen as having repercussions for area designation, with more sustainable effects and applicable lessons emerging in most cases more easily in co-operation areas with a longer history of co-operation. The coherence of area designation and the need to build upon already existing networks were identified as the relevant lessons here, while it should also be noted that, in respect of the cooperation areas, their varying degrees of maturity should be taken into account.

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<sup>1</sup> In this Report, for the sake of consistency we have chosen to use the concept of Interreg as referring to the type of activity previously undertaken under the umbrella provided by the Interreg Community Initiative, while acknowledging that in the 2007-2013 period this activity will take place in the context of Objective 3, European territorial co-operation.

The questions addressed in this initial stage of our Interreg investigation were however deemed insufficient to address the current and future challenges of learning from Interreg while the geographical coverage and temporal focus remained limited. This then was the starting point for the additional investigation reported here, where we sought to address, for instance, the following questions:

- How does Interreg co-operation, through projects and their partnerships, contribute to learning in the context of spatial policy themes, in particular in relation to the case of polycentric development?
- What kind of learning takes place and under what conditions?
- How to better integrate ESPON and Interreg activities, each of which currently address spatial policy objectives?

Recent studies, including the investigation on the territorial impacts of the Structural Funds, which this article is a continuation of<sup>2</sup> (ESPON 2.2.1; see [http://www.espon.eu/mmp/online/website/content/projects/243/330/index\\_EN.html](http://www.espon.eu/mmp/online/website/content/projects/243/330/index_EN.html)) have suggested that the Structural Funds do have an impact on territorial cohesion. Potential impact areas include those issues pertaining to 'organisation' or 'collective learning', as well as spatial planning themes (e.g. 'polycentric development'). In the first instance, the study on Interreg IIC reported as part of the ESPON 2.2.1 project in 2005 showed that this Community Initiative did indeed increase the participants' awareness and knowledge of polycentricity, and thus that it has clearly functioned as a dissemination instrument for EU policy ideas to regional and local actors. The ways in which this actually takes place were a particular focus of the work carried out here.

Interreg co-operation has influenced both the way in which project participants view their neighbours (increased understanding and trust), but perhaps even more importantly, how these regions perceive their own roles and position in the wider European structure. In this second stage of the study, we extended OUR investigation to include the Interreg IIIB areas. Interest in the effects and impacts of a more qualitative nature has increased dramatically, not least since the traditional instruments of European and national territorial policy have been increasingly integrated and co-ordinated in order to improve their efficiency (e.g. Bachtler and Wislade 2005, viii).

Rather than concentrating on the nature and form of learning processes as such, our initial interest was more closely related to the actual content of learning and the effects of participating in Interreg activity. Here we sought to investigate the dimensions of polycentric development where learning effects could perhaps be particularly easily identified. This also allowed us the possibility of drawing broader conclusions on learning and discursive integration, providing an

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<sup>2</sup> ESPON 221; see [http://www.espon.eu/mmp/online/website/content/projects/243/330/index\\_EN.html](http://www.espon.eu/mmp/online/website/content/projects/243/330/index_EN.html)

exemplary case of policy learning, which could be used as an inspiration in other areas of transnational integration in respect of territorial/spatial policy. The main dimensions seemed to relate to transport issues and co-operation aspects. It seemed, moreover, that the level of 'awareness' as regards polycentricity increased over time, *even in the projects that were not directly linked to the theme* (partly due to increased self-understanding and the emergent spatial vision). As such then, learning in respect of polycentricity was among the indirect effects of INTERREG co-operation. As it was also concluded in the report that currently, Interreg is the only EU instrument promoting co-operation and as fostering cooperation between centres with similar development profiles across Europe in the context of the Structural Funds may support polycentric development; this seemed a natural connection to investigate further. The nature and future policy implications of such learning processes were only tentatively addressed in the original final report (from March 2005). This question therefore provides a major focus of this paper. What kinds of learning processes have previously been instigated through Interreg, what possible differences are there between programme areas, and what can we learn from these differences? How can the learning potential of Interreg be further developed?

The self-understanding that emerges through learning is thus one of its main aspects, and one of the key effects identified here. It was concluded that Interreg co-operation did increase the participant's awareness and knowledge of polycentricity and functioned as a dissemination instrument for EU policy ideas to regional and local actors, often influencing the way in which project participants viewed their neighbours (increased understanding and trust), but perhaps even more importantly, how the regions themselves perceive their own role and position in the wider European structure. In other studies on European spatial policy, it has been argued that polycentric development is essentially about promoting learning (Waterhout, Meijers and Zonneveld 2003,<sup>1</sup>) and discursive integration (Lähtenmäki-Smith, Fuller and Böhme 2005), which seems to support the choice of 'case study' in our analysis of trans-national learning processes.

As argued above, already in the first stage of the survey study undertaken as part of the study on the territorial effects of the Structural Funds, reported in March 2005, learning in relation to polycentric development through Interreg was already discernible. The dimensions of polycentric development considered were mainly related to transport issues and co-operation aspects. It seems however that the level of 'awareness' in respect of polycentricity has been increased even in those projects that were not directly linked to the theme (partly due to increased self-understanding and the emergent spatial vision). At for the trans-national level, the building of a common identity and of relations of trust is a good starting point for future developments towards increased polycentricity at that

level. While the establishment of constant co-operation patterns can actually be regarded as the first step in the implementation of relational polycentricity.

We also wanted to link the analysis to the nature of partnerships and partnership-building, where rather more generic conclusions could potentially be drawn. Does more learning occur in partnerships that are of a longer duration? What type of partnerships and learning processes are most effective in disseminating learning about polycentricity? These are some of the questions addressed in this investigation.

These were the starting points that were carried forward from the first round of our investigation. In the section on methodology (section 1.4) the changes undertaken after the initial round and analysis are described in more detail.

## **1.2 ESPON and Interreg: Past, present and future**

### ***1.2.1 Past: the links between spatial and territorial themes in the wake of the ESDP***

The Interreg IIIB Programme is one of the three strands of the Interreg Programme, financed in the framework of the Structural Funds. Strand B of the programme focuses on transnational co-operation, while Strand A is dedicated to cross-border co-operation and Strand C to inter-regional co-operation (less territorial and more sectoral). For many, the Interreg IIIB transnational areas are the first attempt to put into practice the wish to develop Global Integration Zones outside the core areas of Europe, but most importantly they also aim to stimulate a bottom-up approach to the development of links between regions (Zonneveld, 2005).

The ESPON programme is a part of the Interreg initiative, and is an applied-research programme that aims to analyse the territorial trends currently facing Europe. The objectives of the ESPON programme are to foster co-operation between spatial planning researchers in Europe and to provide policy-makers with scientific data on the territorial trends of Europe. At the same time one important side effect of ESPON is the creation of a common understanding of spatial planning, which has traditionally varies greatly across the Member States, thus posing additional challenges to trans-national and cross-border initiatives such as Interreg (e.g. Moll 2002, 22).

Both programmes referred to above are closely linked to the European spatial planning agenda. The ESPON programme was set up essentially with the aim of providing a scientific basis for a potential upgrade of the ESDP (Van Gestel and

Faludi, 2005). Since its founding in 2002, ESPON has achieved impressive results in the form of the collaboration of dozens European researchers producing thousands of pages of published reports. The Interreg IIIB programme was well set up in the wake of the ESDP (Faludi, 2002) and is considered by some to be the *de facto* field of implementation of the ESDP's rationale and policy goals. The inter-linkages are summarised below in figure 1.

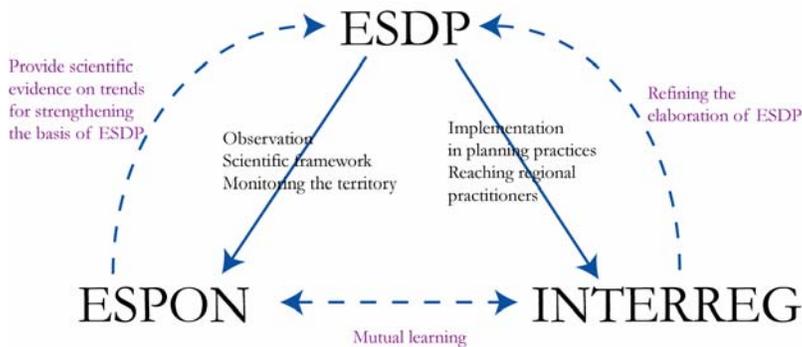


Figure 1: ESPON and Interreg in the wake of ESDP

Both programmes were set up with the firm intention to provide relevant feedback into the ESDP process. As Nadin confirms, the Interreg IIC programme (and its successor IIIB) are not only implementing the ESDP principles, but is also expected to refine its elaboration (Nadin & Shaw, 1998). Moreover, although the ESDP process has been put on hold (at least formally), the debate on European spatial planning remains ongoing and could greatly benefit from the careful analysis of the experiences acquired and results developed in both programmes.

### **1.2.2 Present: similar scope, but little connection between ESPON and Interreg**

Reviewing the *raison d'être* of both programmes stresses the fact that, in the mind of the European policy-makers, Interreg and ESPON were meant to be complementary in their scope and in the perspectives taken. At this stage, one can definitely say that this was wishful thinking, and as such, difficult to put into practice, as there are few connections between the ESPON research community and the mainly practitioner-based community of Interreg. A late attempt to make up for this perceived deficiency is the development of thematic studies commissioned by both ESPON and INTERACT (the coordinative body for Interreg programmes). The aim of these studies is to disseminate the ESPON findings and results to the Interreg Community, rather than developing an effective platform for mutual learning.

In its paper presented to the ESPON community in Luxembourg, Hague (2005) makes the point that 'practitioners are relatively unaware of ESPON findings [...] and [...] in general they have not been explicitly using ESPON to set the territorial context'. In substance, Hague stresses two interesting points, focusing on the visibility and comprehensiveness of the ESPON programme.

Consequently, the questionnaire sent to the Interreg IIIB Lead Partners gave us the ability to 'test' these assumptions, enabling us to present a certain 'state of the affairs' concerning the embeddedness of ESPON in Interreg, and thus to focus on the following questions:

- ✓ *How embedded is ESPON in the Interreg community?*
- ✓ *How useful have the ESPON results been for this community?*
- ✓ *What are the ESPON themes of relevance for Interreg co-operation projects?*

The embeddedness of ESPON was assessed by asking the Interreg practitioners to express their degree of awareness, the possible answers ranging from "Never heard of it" to "Yes, very much", as well as two more shades of positive response. The results are illustrated below, in figure 2.

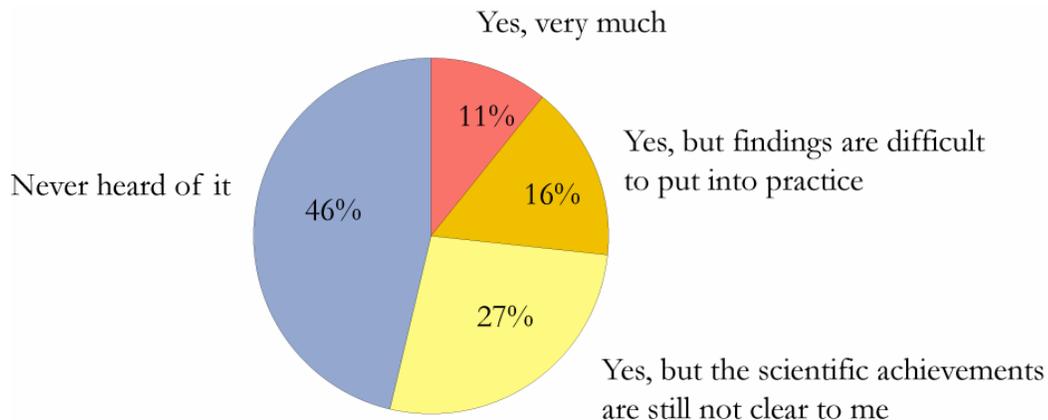


Figure 2: Awareness of ESPON in Interreg

From the diagram, two observations can be made. Firstly, almost half (46%) of the Interreg Lead Partners affirm that they have never heard of ESPON. From that, it seems reasonable to assume that ESPON lacks clear visibility from within the Interreg community. Not knowing about ESPON makes it highly unlikely that the practitioners will use its findings in order to 'set their territorial context' (Hague, 2005). A second point of interest relates to the right side of the pie diagram, i.e. the share of Interreg practitioners who *do* know about ESPON.

This second feature directly relates to the issue of the practitioner's ability to understand the ESPON findings and outcomes. Indeed, only 11% of the respondents seem to be fully aware of the ESPON programme, while 16% state

that its findings are “difficult to put into practice” and 27% that its scientific achievements are “still not clear” to them.

These answers provide clear support to the assumption made by Hague (2005), i.e. that ‘few (...) projects seem to have made explicit use of ESPON’, by stressing that knowing ESPON as a programme does not imply that it has been effectively used in practice. This is even emphasized by the fact that approximately 90% of the respondents assert that they have not been able to use the ESPON findings in their Interreg project.

To conclude on this point then, a very large proportion of Interreg Lead Partners, representing the members of the Interreg community that have the greatest awareness of their own programme, have little or no use for the ESPON findings and outcomes. This is all the more surprising, as ESPON and Interreg do share a number of common areas of work, as well as objectives.

Indeed, as Hague (2005) points it out, ‘many Interreg projects are dealing with issues that in principle overlap with ESPON themes’. In order to know more about this possible ‘overlap’, one of the questions in our survey focused on assessing the degree of relevance of selected ESPON themes (without saying explicitly that they were ESPON themes) applied in the context of Interreg projects.

The selected themes were the ones used in the context of ESPON-INTERACT studies:

- ✓ Transport and communication
- ✓ Environmental hazards and risk management
- ✓ Spatial visions and scenarios
- ✓ Cross-border co-operation and development
- ✓ Polycentricity and rural-urban relations

An initial comment here is that all five themes are assessed as being quite relevant for Interreg partnerships. This stresses the fact that there is a strong compatibility with the themes addressed in ESPON. In that sense, the relatively poor integration of the two programmes is not due to an incompatibility of interest, but more to the abovementioned obstacles to interaction.

The analysis of the answers shows that two themes are seen as more relevant for Interreg co-operation: ‘Environmental hazards and risk management’ and ‘Cross-border co-operation and development’. This is hardly surprising as these two themes are the ones with the strongest local correlation, and thus the ones that speak more to the Interreg participants’ concerns, as predominantly consisting of local and regional practitioners.

This brief overview of the 'state of the affairs' concerning the dialogue between ESPON and Interreg has shown that in spite of the often similar scope of work, the programmes have little connection, amounting to a weak interface between them, which makes the objective of improved mutual learning difficult to achieve.

### **1.2.3 Future: potential for improved integration?**

In this light it is clear that a significant level of effort still needs to be put into encouraging greater exchanges of experience and knowledge between ESPON and Interreg. This may in some cases be hampered by the changes that will take place before the onset of the new Structural Funds programme period, e.g. the fact that spatial planning seems to have a more ambivalent role in the trans-national programmes of Interreg type, and the fact that cross-border and European Neighbourhood Policy (ENP) policies predominate in funding terms. Thus regional or territorial policies seem to be better disposed to make their mark, while spatial themes are only relevant where they can be seen to support territorial policy objectives (e.g. in respect of competitiveness and the Lisbon Agenda, see for instance the Strategic Guidelines; CEC 2006, 30).<sup>3</sup>

Indeed, greater visibility and better ability for mutual understanding seem to be prerequisites for enhancing co-operation between ESPON and Interreg. For ESPON, the main challenge would then be able to translate its research findings into material that is meaningful to the practitioners involved in Interreg projects. This can be seen to refer to both conceptual and substantive clarity, as the lack of a shared language or rather a shared vocabulary was seen to be one of the main challenges here. As Hague (2005) suggests, the ESPON community has been much too timid on the policy analysis side, which is, of course, the most interesting for the local and regional practitioners that make up the Interreg community. The focus should then be put on extracting the key messages relating to the ESPON working themes in order to create the conditions for a dialogue between the two communities. In this sense, it would be possible for the ESPON community to receive feedback on what the most important perspectives are from the point of view of the Interreg practitioners.

Indeed, despite their strong convergence in terms of scope (spatial development), ESPON and Interreg have shown few signs of real collaboration in exchanging experiences and knowledge. This is, in part, the purpose behind the elaboration of the ESPON-INTERACT studies, the intent of which is to disseminate more efficiently the key ESPON findings. More importantly however, it would be

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<sup>3</sup> The strategic guidelines also leave room for articulating spatial policy objectives, e.g. "...territorial cohesion extends beyond the notion of economic and social cohesion, its objective being to help achieve a more balanced development, to build sustainable communities in urban and rural areas and to seek greater consistency with other sectoral policies which have a spatial impact. This also involves improving territorial integration and encouraging cooperation between and within regions." (CEC 2006, 29.)

more useful to develop closer links between the actors in each programme, i.e. researchers and practitioners, thus fostering deeper networking. Here the call for better co-ordination of these issues and a more targeted learning process can be of relevance. National strategy documents on territorial development also raise the theme of learning as increasingly central. This is the case, for instance, in the recent national strategy for regional competitiveness and employment published by the Swedish government for 2007-2013 period, where the topic is referred to in different programme management contexts, but particularly as a need stemming from the increasing cross-border and international programme contexts (Näringsdepartementet 2006, 51).

### **1.3 Why the interest in learning?**

The need to understand how things are learned is a logical consequence of being faced with increasing complexity and even perceived chaos. Learning is part of the process of creating order in complex situations. Programme theory has in its own way sought to create order and understanding in this world of perceived complexity produced by our late modern societies. This is also explains part of the interest underlying our study reported here.

The policy responses that emerge in response to some of the problems and challenges brought about by such complexity have also lead to more constructivist responses being called for, also seeking to accommodate perceived chaos and the tensions that this brings about. Theories of learning organisations (e.g. Senge, Nonaka et al 2003, Saarinen 2004), thus have paid increasing attention to the need to increase social capital and collective processes of creating learning, and in so doing bring order to a situation of perceived disorder and chaos. Network solutions for learning and the co-operation that these necessitate have thus been seen as particularly fruitful. As all learning necessarily takes place in a more or less explicitly articulated and structured social context, the systems of interactions and their embeddedness (e.g. Granovetter 1985) are the key to understanding learning. While living in the midst of continuous complexity and perceived chaos causes anxiety for an individual and turbulence in organisations, the collaborative process that collective learning and teamwork entail can relieve this anxiety and instead form processes of creative tension where uncertainty and chaos prevail, while learning also takes place. These processes also necessitate that answers and explanations to policy intervention be produced and disseminated through different methods than previously: thus the focus on process evaluation (e.g. Patton 2002), self-evaluation and capacity building in recent years.

We argue here that there has been a shift from monitoring and evaluation as, first and foremost, an external and in some respects a more technical exercise (based on micro economic input-output models and similar), necessitated by the

need to realise and improve the accountability of public interventions of different kinds to a more qualitative and internally inspired, complex process of learning and improving, requiring new evaluation methods and concepts. This has entailed a simultaneous shift from focusing on the effectiveness and impact of policy intervention as well as absorption capacity and efficiency. The outcomes and results of projects, programmes and policy initiatives have thus increasingly been accompanied by an interest in processes, the nature and substance of activities put into motion through Structural Funds instruments: not only is there an interest in knowing what is being done with public funding in terms of indirect results and outcomes, but also what kind of processes are set into motion through these activities and what gradual changes they entail among the actors, organisations and institutions involved in these policy measures. What is being learned, how and by whom, have become questions of increasing interest in the context of public policy interventions.

This shift is reflective of a certain maturity within the Structural Funds as a certain type of policy instrument, but also of methodological learning which has taken place within the research and evaluation community. With the gradual development of both evaluation practice in general and within the Structural Funds in particular, greater emphasis has come to be placed on the learning aspects of evaluation, as well as on capacity building. Learning has entailed increased concern for explanatory factors. That is to say, there is an increasing interest in the reasons behind why some interventions succeed, while others fail, and the general lessons that can be learned from individual 'success stories'. In order to provide explanations for, and generate understanding of, increasingly complex interventions rather than just monitoring and controlling their efficiency and accountability, there has thus been a gradual shift towards a more multi-faceted, learning-oriented evaluation, which necessarily builds on a variety of methods and data sources. While quantitative indicators are still of the utmost importance, qualitative aspects are however increasingly highlighted.

Investigating learning within the cross-border and trans-national contexts has been a focus of other recent ESPON studies. For instance in the study on territorial governance, it was found that the cross-border context is an area where many at times conflicting governance dynamics are at play. The dimensions of analysis that were seen as particularly important challenges for closer integration and more successful territorial governance and Europeanization were related to funding (availability of Interreg funding in particular), identification of final beneficiaries, stakeholder and interested parties, as most of the trans-national cases are based upon and developed as exercises in co-operation for the local authorities, and cross-sector co-ordination. In the case of cross-border initiatives in spatial planning, the most important potential for learning was identified within improving and creating new channels of

information, the exchange of experience and learning, as the cross-border initiatives can be used as 'laboratories' through which trans-national ideas can be channelled and tested (e.g. Farinos Dasi et al. 2006, 20). Information and marketing tools and working practice are among dimensions where organisational innovation has been found.

Examples of evaluative studies indicate how the interest on how interaction and collaboration takes place and how co-operative ties are strengthened (or alternatively overlooked or severed) abound. The interest in collaborative and collective processes of change, necessarily involving learning is hardly surprising. In an evaluative study of the North Sea Interreg IIIB Programme, a number of dimensions of learning were previously identified. Interestingly for the theme at hand here it was concluded that the organisations benefiting from the Interreg IIIB projects mainly relied on the trans-national focus to achieve such learning effects (something that is already done within the organisation, but without the trans-national 'value added'). Similar projects may have been undertaken even without the Interreg impetus, but *without the same confidence or trans-national 'value added'*. In this respect, the project partners in the study tended to echo the Lead Partners. Benefits often cited by the project partnerships here included:

- **Confidence building**

Learning from others and co-operating internationally helps one put ones own work and expertise into perspective.

- **Cross-sectoral 'value added'**

Cross-sectoral benefits and results, perhaps not from the beginning but later on in the project implementation – what connections does our project have to other sectors through organisational learning.

- **Working methods**

Differences in methodology in mobilising and communicating resources for the benefit of the projects.

- **Concrete tools**

Guidelines, best practice guides, definition systems in order to ensure that all have the same conceptual vocabulary in the sector in question.

- **Lessons in project management**

These were also lessons that can be used in other contexts and activities and are part of the competence-development of individuals and organisations involved. Here leadership and communication were often referred to as the key issues. In many cases, good project management skills (in general terms) are the key, but they are not sufficient, as trans-

national/Interreg co-operation has its specificities. Leadership and learning are particularly important in broad partnerships.

**- Internationalisation**

The whole sector or organisation/unit benefits from the international learning and internationalisation (improving the international competence of personnel for instance).

**- Partnerships**

Interreg co-operation can bring together different parties that are not used to working together, in some cases, parties that did not have constructive relations previously – Interreg operations often have a positive effect in terms of solving inertia problems in this respect.

**- Expertise development**

In the best-case scenario the project allows for complementary expertise to emerge from the partners. (*Nordregio* and *Eurofutures* 2005, 55.)

These types of 'added value' effects seem to be more generic, thus not merely related to the North Sea context. The 'value added' of European interventions has in recent years been the object of increased interest (e.g. Tarchys 2005; Skâlnes and Moen 2004) while the 'value added' debate can also be seen within the context of learning: 'value added' after all emerges only after a process of learning and change. Whether such effects can be identified in the Interreg survey will be the question we turned to next, after an introduction to the methodology used in our study of learning through Interreg.

#### **1.4 Methodology: A survey-based study**

The present study is an analysis of the features of collective learning in Interreg IIIB projects mainly based on the results of a survey that was sent to the Lead Partners of the projects. The survey targeted the 'continental' programme areas, excluding the overseas Interreg areas such as Azores-Madeira-Canarias, Réunion, or the Caribbean Space. Moreover, because no project has been approved yet in the area, the survey was not sent to the Archimed area.

We want to emphasise here that while the study reported here represents evaluative and applied research, it is not an evaluation *per se*, but rather an investigation of both theoretical and empirical interests and ambitions. We have not identified policy recommendations, though at times there are policy implications identified, e.g. in relation to how one could better integrate spatial planning and territorial policy objectives and methods.

Unlike the first batch of questionnaires sent in 2004-05, this survey was designed to reflect a progressive and thematic approach to the issues relating to collective learning in Interreg, and was thus divided into three main parts, namely 'Collective learning processes', 'Aspects of trans-national co-operation' and 'Learning on polycentric development'. The questionnaire consisted of a set of 32 multi-choice questions with the possibility, in some cases, for the respondent to make comments via open questions. The questionnaire is included at the end of the present report as an attachment.

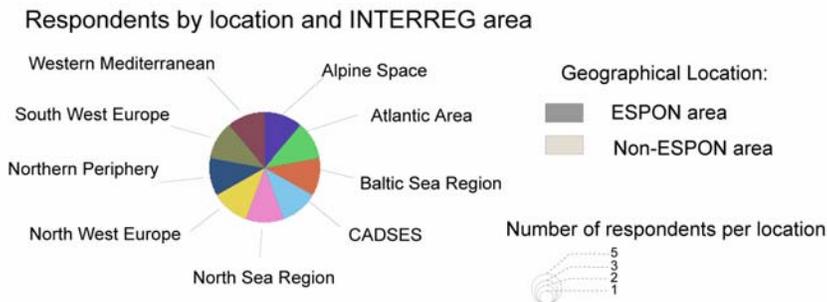
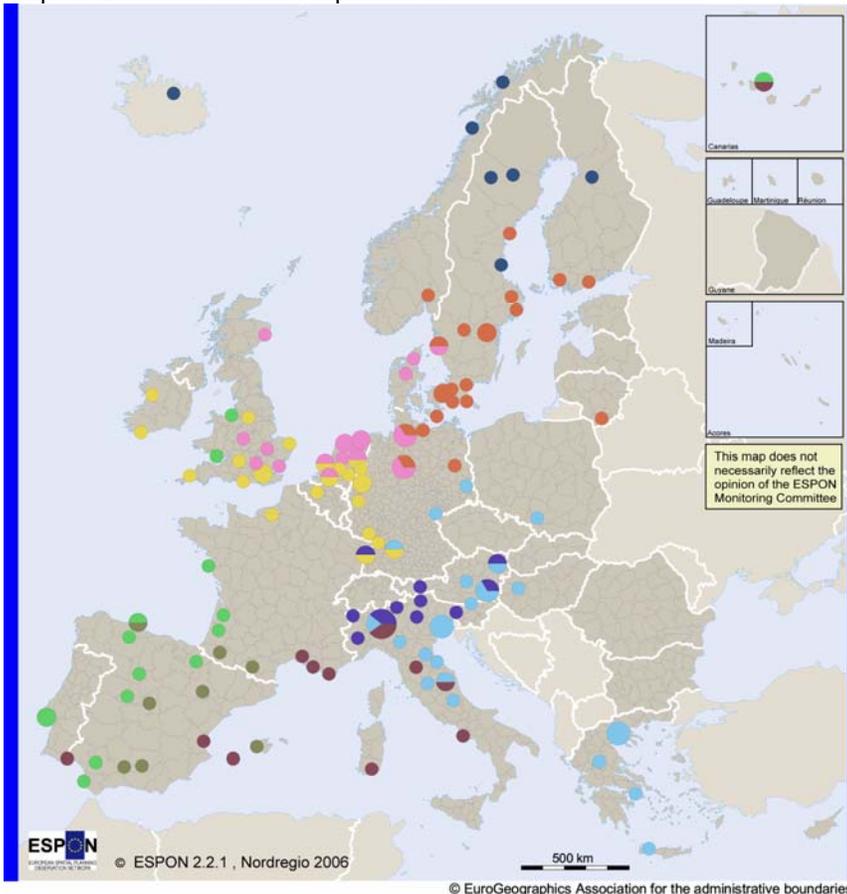
The Lead Partners of the Interreg IIIB projects were identified thanks to the ESPON-INTERACT database that was provided to the project team by the ESPON Coordination Unit. Although the coverage of the database was fairly comprehensive, some further updates were nonetheless necessary, as the contact information of the Lead Partners was in some cases either missing or outdated. This update was made by a brief survey of the projects' website, where available. The final step was the sending of an electronic version of the questionnaire to the identified Lead Partners, as well as a follow-up phone call to 25 project leaders in order to increase the response rate in the regions with a rather low turn-out, especially South West Europe and the Northern Periphery.

The survey only targeted the Lead Partners of Interreg projects, and not all project participants, for two main reasons. The first was practical, as it would have been too large a task to gather and process all the contact information for all the Interreg IIIB projects, which could not be performed in the framework of this project. The second was rather more qualitative in nature, as it was assumed, based on previous projects, that the LPs tended to have the best knowledge and the widest perspective on the processes that took place during the project.

From the approximately 800 questionnaires that were sent, 147 completed answers were received and processed, which corresponds to a return of approximately 20%. Initial expectations as regards the returns were essentially twofold. Firstly, as returns in similar studies tended to be low, our main interest was instead focussed on achieving a fairly even distribution of responses throughout Europe, thus enabling the analysis to be truly European in its range, as the lack of responses outside the northern regions of Europe in the first batch limited the pertinence of the first study. Secondly, the survey should be based on reasonably large samples of answers for each programme area, to be certain that our analysis is built upon a solid basis of Interreg IIIB areas, so that the results could fairly represent the perspectives from the entire Interreg IIIB Community, rather than being based on a limited number of Interreg IIIB areas (40% of the answers in the first batch came from the Baltic Sea Region programme alone).

The map 1 displays the location of the Interreg LP that responded to the survey, as well as the number of respondents per city (i.e. that two LP from distinct projects coming from the same city are displayed by the same points). While the map shows a fairly good spread of respondents across Europe, it also points to a number of other interesting features. One such feature is the lack of responses from the central parts of France as well as from Paris. Another is the low rate of response from the New Member States, which is perhaps to be expected as they only joined the European Union in 2004, and thus were not eligible to be part of the Interreg programme.

Map 1: Location of the respondents



The map also shows the locations where two or more projects responded to our survey. The locations from which two projects responded are to be found in the Netherlands, in the southern part of Scandinavia as well as along the Franco-German border. In the cities of Venice (Italy), Graz (Austria), Thessalonica (Greece) as well as Hanover and Hamburg (Germany), three LP have responded to our survey, while five responses have been collected from the city of Milan.

The second main target of the survey was to have the most homogenous sample of responses between the various Interreg areas. Table 1 proposes an overview of the number of answers received per Interreg area and per country. The responses cover all of the Interreg areas targeted, with the number of answers per area ranging from 26 (CADSES) to 7 (Northern Periphery). Overall, 20 responses have been collected from four different areas: CADSES (26), North West Europe (24), Baltic Sea Region (22) and North Sea Region (21). The countries that have contributed the most with their responses are Italy (24), and Germany and Spain (17 each).

Table 1: Distribution of the responses by INTERREG area and country

<i><b>INTERREG area</b></i>	<i><b>Country</b></i>	<i><b>Number of responses</b></i>
Alpine Space 12 (8,2%)	Italy	8
	Austria	3
	France	1
Atlantic Area 14 (9,5%)	Spain	8
	France	3
	UK	2
	Portugal	1
Baltic Sea 22 (15,0%)	Sweden	11
	Germany	4
	Denmark	3
	Finland	2
	Lithuania	1
	Norway	1
CADSES 26 (17,7%)	Italy	10
	Greece	6
	Austria	5
	Germany	3
	Hungary	1
	Poland	1
North Sea Region 21 (14,3%)	The Netherlands	9
	UK	5
	Germany	4
	Denmark	2

	Sweden	1
North West Europe	UK	7
24 (16,3%)	Germany	6
	The Netherlands	6
	France	2
	Ireland	2
	Belgium	1
Northern periphery	Sweden	3
7 (4,8%)	Norway	2
	Finland	1
	Iceland	1
South West Europe	Spain	6
8 (5,4%)	France	2
Western Mediterranean (MEDOCC)	Italy	6
13 (8,8%)	France	3
	Spain	3
	Portugal	1
	Total	147

As is typical for Interreg co-operation more generally and also became apparent in our survey, the organisational types represented are (in an order of the number of respondents) primarily regional authorities, local authorities, sector authorities and universities and research institutes. A few respondents also came from companies (mainly through chambers of commerce) and expert groups (consultants), as well as the voluntary sector, foundations etc. There are very few politicians among the respondents.

## 2 Summarising the findings: Learning effects of INTERREG

Firstly, it was of course our interest to investigate *who* the actors involved in learning actually were, and subsequently, whether the learning was in fact collective in nature, or more individually based. It was indeed seen that the transnational group and its individual members are the most central actors within the learning process, though organisational learning often follows. This can be understood in the sense that individual learning is the starting point for any wider process of learning; though it also seems to suggest that more attention needs to be paid to the ways in which project results and learning processes were communicated. Almost without exception, all of the partners were seen as benefiting from the learning process.

We also sought to investigate the nature of partnerships within Interreg and how these may influence the particular learning patterns involved.

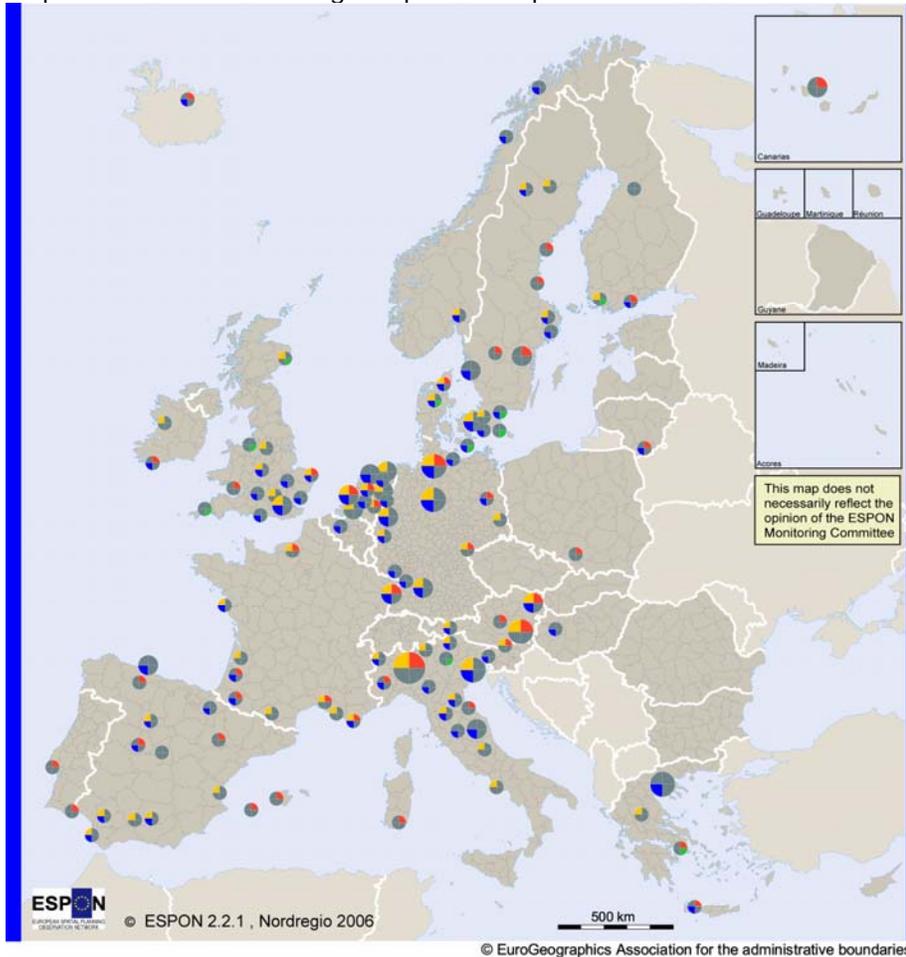
### 2.1 Nature of partnerships

The question of partnerships has also been extensively investigated in recent years; we did however want to include it in our survey, as it seems to lie at the core of collective learning processes and communication.

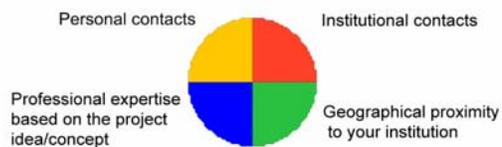
As already noted previously, the Interreg partnerships tended to be dominated by public sector authorities, in particular from the regional and local levels. In addition to the organisation of partnerships we were also interested in what brings them together, namely, what are the motivations and criteria for partnership-building?

As for the individual or organisational motivation to entering into a project partnership, most respondents saw the search for new solutions to similar problems as the main motivation, followed by establishing new transnational networks. As for the partners most interested in these issues, and the most willing to become involved, regional authorities were deemed to be most active, followed by research institutes and universities and local authorities. National agencies were deemed to be least active. As for the criteria in becoming involved, professional expertise and personal contacts were the two top criteria, followed by institutional contacts and geographical proximity. What brings partnership together is then their shared thematic interest, more than administrative or professional commonality of purpose.

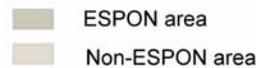
Map 2: Criteria for building the partnership



Criteria chosen for building the partnership :



Geographical Location:



Number of respondents per city:



What is also interesting here is that partnerships seem quite stable over time, with a high degree of continuation: most respondents were hopeful that co-operation could be continued across time and into the next programming period.

## 2.2 Learning effects

Catalyst effects emerged in the form of the creation of new collective knowledge within the trans-national project groups and in the form of generating entirely new solutions through collaboration. Questions over the nature and form of interactions and learning processes, already referred to in the opening section were of particular interest here, as only by understanding the nature and

processes through which learning takes place can we elaborate in a more concrete fashion on the processes of learning that should be supported within the future Interreg activities.

The majority of projects involved both innovation and learning, i.e. learning primarily took place in the form of generating entirely new collaborative solutions to problems, as well as through adapting external solutions to problems. Benchmarking solutions, i.e. solutions where successful problem-solving approaches from other regions were duplicated were however less common, despite the general ‘hype’ over bench-marking solutions in recent years.

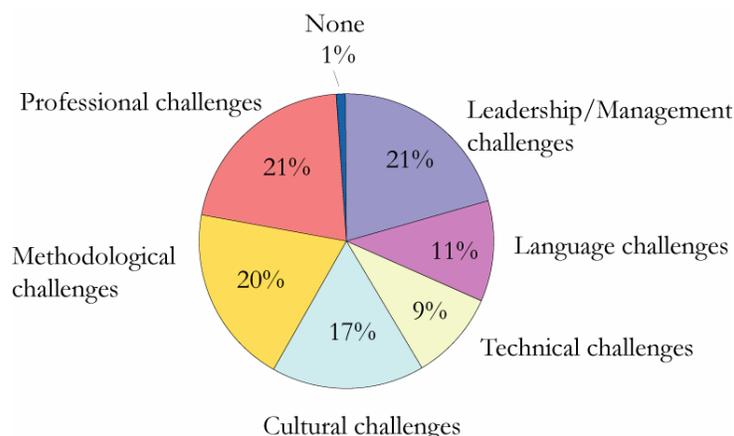


Figure 3: Most significant challenges hampering co-operation

Partnerships and project management also face challenges and our survey sought to identify which challenges the project Lead Partners most identified with. These are summarised in the figure 3 above. Here one of the key results was that challenges exist in particular in relation to commitment and *leadership*. As far as the processes of learning are concerned, and in light of the focus on interaction, it seems justified to look for bottlenecks in the ways in which communication and interaction may be hampered in trans-national project partnerships. The problems do not primarily seem to be connected to language: the majority of projects use English as the working language, and language differences are among those problems least mentioned, second only to technical problems. Rather the problems of communication are connected to professional differences (i.e. differences in administrative, political or professional styles and cultures), as well as to challenges relating to leadership and management styles. Different ways of organising work and cultural variations (such as those relating to different understandings of the same notions or concepts) are also among those challenges most often identified, which seems to suggest, yet again, that it is more likely that the lack of a common language in terms of conceptual or professional contexts is more of a challenge than differences in linguistic skills. It has in fact been pointed out in Interreg mid-term evaluations that the creation of

a common 'language' and understanding of shared issues is one of the main aspects of 'value added' (e.g. Görmar et al. 2004, 12). The prevalence of leadership and management as the issues most seen to represent a challenge is also very interesting, and is a finding that is not too dissimilar from other recent studies on organisational learning in general, or from the experience of Interreg in particular (ibid, 15).

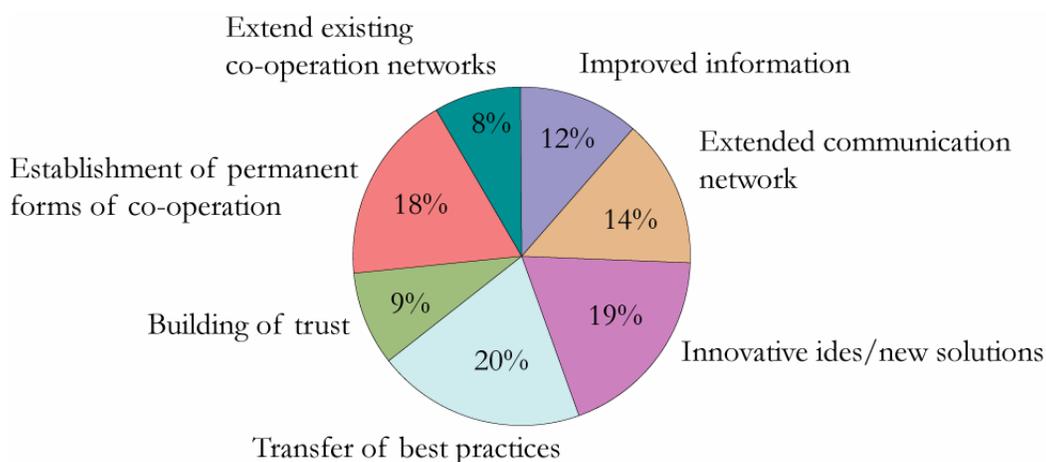


Figure 4: Main benefits of transnational co-operation

The nature of the learning process is naturally only understandable within the context of the actual content of the practices and solutions to concrete problems, referred to above. What it is then that is actually learned within Interreg partnerships is in turn summarised in figure 4 above. The types of learning content most often reported included the transfer of 'best practices' as well as innovative ideas and solutions (similarly to what was reported previously in relation to the solutions to problems), followed by establishing more permanent co-operation forms for the future and extending and increasing communication networks. In terms of individual learning and the increasing understanding of spatial and regional dynamics and processes, the respondents most often referred to aspects of individual learning such as increasing human and institutional potential and capacity for co-operation. In addition, issues such as the sharing of available human resources (e.g. in relation to R&D, education or culture) were identified. More locally based learning aspects and benefits, such as strengthening entrepreneurial or local/regional employment initiatives or revitalising small and medium-sized cities were generally however only rarely identified as relevant.

How to best promote learning in the future, in similar collaborative project contexts was a question of interest for the new programming period. Here networking skills were identified as being particularly important and in a majority of cases they were judged as good. This can indeed be seen as an important

aspect of the capacity building, that has been ongoing and that increases with more long-term commitment to collaboration.

Thematically we wanted to investigate how much the prevalent discourse on European spatial planning and territorial cohesion has influenced project content and thematic focus: are the current 'buzzwords' of cohesion policy actually dominant in the projects, and what kind of conceptual learning may be involved? Regional Competitiveness, Territorial cohesion, and the need for active cross-border co-operation were the themes that emerged as being particularly central. We also wanted to ask whether learning is in a way a self-perpetuating process – the more we participate in Interreg, the more we see that it is necessary? The more we work in trans-national contexts, the more need for this we see? There are, in fact, many aspects of 'thematic learning' that relate to learning in terms of the content and utilisation of various terms within territorial policy and spatial planning, including Polycentric development, and Sustainable development. Overall, learning on polycentricity is less pronounced than that in other themes such as sustainable development or regional competitiveness.

In many areas, co-operation at least initially, can bring about confusion and raise more questions than it answers. Learning through trans-national co-operation is clearly not without its problems. Most 'confusion' was associated with 'learning' in respect of issues which were generated by rather more recent policy concepts, e.g. territorial cohesion and polycentricity both emerged here as themes where not that much learning (in relative terms) has, as yet, taken place, and thus confusion resulted. The need for cross-border co-operation and regional competitiveness were on the other hand seen as less problematic. In the next section, we will investigate more closely the learning and other effects relating to the contested notions of polycentricity and polycentric development.

## 3 Delving deeper: polycentric development in Interreg

### 3.1 Introduction to the concept

Polycentric development has been a core issue in the context of the Interreg IIIB programme. As has been shown by recent studies (Dubois et al., 2006; Viehauser et al., 2006), polycentric development, as one of the key policy objectives of the ESPD, has been applied extensively in the programme documents used to define an area's objectives as well as in designing the priorities and measures that build the framework for the allocation of the programme's funds and the approval of projects.

On average, at least one measure in each of the Interreg areas investigated in this report takes polycentric development as a policy focus. However, the interpretation of the notion is not the same in each of the programme areas, depending on the socio-economic preconditions and the specific needs for future development in the region, thus understanding polycentric development as a 'malleable' policy objective that ought to be 'adapted' instead of directly 'imported'.

It is thus interesting to distinguish this top-down approach to policy development, conceptualising a policy objective to be applied at the lower tiers of territory, to a more bottom-up approach focusing on how the notion is locally and regionally understood, interpreted and put into practice. Indeed, as Nadin and Shaw state, Interreg provides the opportunity to shape a "bottom-up process of formulating transnational planning policy" (Nadin & Shaw, 1998). In this context, it becomes all the more relevant to focus on how the Interreg participants understand the concept of polycentric development.

This paper investigates the understanding that the Interreg participants, here represented by the Interreg IIIB Lead Partners, have developed on the concept of polycentric development. In that sense, the study is complementary to the recent "ESPON-INTERACT study on polycentric urban development and rural-urban partnership", which is more focused on how the Interreg projects have translated polycentric development into project objectives.

Nadin and Shaw also stress the importance of Interreg programmes (then IIC) as they make it possible to incorporate the transnational dimension in planning practices (Nadin & Shaw, 1998). Indeed, past studies have already focused on the wide array of applications of polycentric development in the European countries, as for instance the work performed by Zonneveld and his colleagues in the framework of the ESPON 1.1.1 project (Zonneveld *et al.*, 2004). These studies provide us with a pertinent picture of how polycentric development is

implemented at the national level in Europe. As we conceive it, the 'added-value' of our present investigation lies more in focusing on how the Interreg community, i.e. the Interreg participants, understand and interpret the concept of polycentric development from a transnational perspective, beyond the mere addition of national perspectives.

### **3.2 Some ESPON findings on polycentric development:**

Polycentric development has been one of the main focus areas of the ESPON research programme, funded by the Structural Funds, bringing together scientific institutes and public authorities dedicated to research on spatial planning issues from all over Europe. Defining polycentric development has been the specific focus of a number of ESPON projects (notably ESPON 1.1.1 and 1.1.3).

The objective of polycentric development advocated by the ESDP is formulated as a strategy to counterbalance the strong regional disparities currently existing in Europe. The large concentration of people and economic activities in some specific areas is causing a strong imbalance in development. At the European scale, the imbalance comes from the significant concentration of people and activities to the so-called Pentagon, the area between the cities of Paris, London, Hamburg, Munich, and Milan. At the national level, some countries, such as France and Ireland, are strongly focussed on their internationally competitive metropolitan areas (Paris, Dublin). Finally, at the regional scale, metropolitan areas act as a strong magnet for activities, undermining the development of their direct surroundings, either rural or urban (small and medium-sized towns for example).

The concept of 'polycentricity' within 'polycentric development' relates to how the urban system is shaped and to how that system actually functions. In its attempt to measure polycentricity, ESPON 1.1.1 (*Nordregio et al., 2004*) identified two complementary aspects of polycentricity. The first aspect is urban morphology, which can be described by the hierarchy of cities in an urban system. The classical way of measuring this aspect is to look at deviations from the 'rank-size rule', or 'Zipf's law'. This implies measuring the extent to which the distribution of cities in a country deviates from a Pareto distribution, stating then that these deviations are an indicator of the polycentric or mono-centric nature of the urban system. These measures are however blind to the geographical patterns of the urban network and therefore need to be complemented by looking at the spatial distribution of urban areas in each country. The second aspect of urban polycentricity is the functional or relational one, corresponding to the analysis of functional profiles of cities and to the flows of various kinds (i.e. transport, communications and co-operation) between them.

ESPON 1.1.1 also investigated the extent of the application of polycentric development in national policies (Zonneveld et al., 2004). In 16 countries,

polycentric development is assessed as being a major national planning policy objective, while it is considered as being only a minor object in a further five countries. Polycentric development in national policies essentially targets two distinct objectives: 'diminishing urban disparities (cohesion)' and 'enhancing urban competitiveness' (Zonneveld et al., 2004).

Echoing Davoudi, when she affirms that "polycentricity means different things when applied to different scales" (Davoudi, 2003), the ESPON 1.1.1 project has emphasized the need to have policy objectives adapted to each scale (the 'macro' scale corresponding to the European level, 'meso' to the trans-national and national levels and 'micro' to the regional and local levels), showing that implementing polycentric development leads to different implications at each of these scales. The policy recommendations made by ESPON 1.1.1 reflected this multi-scalar approach.

The tools and typologies developed in ESPON 1.1.1 essentially approach polycentric development as a spatial concept. This can be clearly perceived in the attempt to measure the degree of polycentricity for each of the 29 countries participating in the ESPON programme, as it takes the urban system as purely a network of places with essentially morphological attributes (size).

Nonetheless, ESPON 1.1.1 provides interesting 'food for thought' also for the analysis done here in pinpointing the potential gains that closer co-operation between urban areas could bring about. For instance, by assuming that physical proximity is the main incentive for co-operation, its systematic application at the scale of the Functional Urban Areas (FUAs) provokes counter-intuitive results as the areas gaining the most from co-operating are –perhaps surprisingly - situated in the core areas of Europe.

It seems then that, for it to be convincing, the ESPON approach to polycentric development is still lacking in term of complementary argumentation. In this sense, it also raises some important issues. Primarily, taking the urban networks as a purely spatial system misses the institutional and economic dynamics that are, in fact, predominant. Secondly, a systematic promotion of polycentric integration solely based on physical proximity may enhance the European scale contrasts in development.

In relation to these specific points, one could ask whether polycentric development can indeed be achieved "in spite of the space", i.e. by taking the spatial characteristics of the urban network not as a cause, but as a consequence. In that sense, the feedback from Interreg projects may shed some light on these questions and provide us with some elements of a possible answer.

### **3.3 Learning on polycentric development**

As noted previously, Davoudi affirms that polycentricity “means different things to different people” (Davoudi, 2003). In order to explore what this assertion could actually imply in the Interreg context, we decided to investigate what polycentric development means to the Interreg participants. The Interreg community is here taken as comprising the representatives of a new breed of practitioners, namely, transnational spatial planners.

Indeed, the Interreg participants represent different professional profiles (researchers, regional actors, town planners...) representing different fields of regional development or spatial planning activities. Most importantly, they are also constituted by several nationalities. In that respect, focus on Interreg participants as a transnational community enables us to go beyond national perspectives on polycentric development, as analysed in the ESPON 1.1.1 project (Zonneveld *et al.*, 2004).

Both natural and historical reasons exist as to why Interreg and ESPON should have such close ties. As ESPON was set up in the wake of the ESDP process (Faludi, 2002) and because polycentric development was a cornerstone of that document, investigating the inter-relationship between the programme (Interreg) and the concept (polycentric development) is both logical and worthwhile in the endeavour to better understand both the spatial planning discourse and its content, and its connection to Interreg more broadly. This is exemplified even more when it comes to learning processes that can be promoted through its well-developed collaborative methodology. Indeed, Interreg IIIB areas are, in themselves, an attempt to put into practice the concept of polycentricity as their implementation aims to nurture and create larger integrated zones across the European territory.

As was noted in the previous section, polycentric development has been used at the Programme level for drafting the main priorities and measures in the Programme documents of the Interreg IIIB areas, which, in practice, means that a certain percentage of the approved projects will have to deal with this issue and will thus contribute to the implementation of polycentric development in European regions.

Moreover, polycentric development can also be understood as an attempt to remove the obstacles to co-operation, especially linked to planning practices, such as national boundaries for instance, and to create networks (Hague & Kirk, 2003). From that point of view, coupling Interreg with polycentric development makes sense as the programmes are designed specifically to foster co-operation on a transnational basis.

Mainly designed as a political concept, polycentric development is often perceived as an ambiguous and rather vague concept, allowing for multiple interpretations (Waterhout, 2002; Faludi, 2004). Because of its nature as a multi-layered “bridging concept” (Faludi, 2004), polycentric development constitutes a very interesting object of study when investigating transnational spatial planning practices, themselves deeply rooted in a multi-level methodology.

### **3.3.1 The 'embeddedness' of polycentricity in Interreg practices**

In their policy recommendations for the application of polycentric development in European countries, Zonneveld and his colleagues suggest that polycentricity should gradually become embedded in policy, without being doctrinal and not amenable to mutual learning (Zonneveld *et al.*, 2004). They also stress the importance for the practitioners to be able to use (European) spatial planning concepts in their daily practice. The aim of this section is thus to assess the 'embeddedness' of polycentricity in the practices of practitioners involved in the Interreg Community.

The work performed in the context of the ESPON 2.3.1 project, and the ESPON-INTERACT study on polycentricity and rural-urban partnership, has shown that polycentric development has been extensively used for the elaboration of the Interreg priorities and measures in most of the Interreg IIIB areas. A direct consequence of this is that the projects approved for these priorities should have polycentric development as a central theme.

Even if the application of the principles of polycentric development at the programme level is uncontested, the final step towards their full implementation on the project level may perhaps be less palpable (Stead & Waterhout, 2006). Indeed, if the term 'polycentric development' or its synonyms ('balanced', 'integrated'...) are also used by the projects in their project description, its 'embeddedness' in the project work needs to be assessed. Indeed, as discussed in the previous chapter, polycentric development, despite its strong focus at the programme level, is evaluated by Interreg LP as a much less relevant topic in the Interreg context than 'environmental hazards and risk management' or 'cross-border co-operation'.

Moreover, the ESPON-INTERACT study on polycentric development and rural-urban partnership study make the point that despite the fact that more than 150 projects have measures related to polycentric development, less than a third are deemed to be of direct relevance to the concept (Dubois *et al.* 2006). However, this study is mainly based on the analysis of Interreg projects' description and stated objectives, and not on the outcomes or actions of the projects *per se*.

In this light, one of the main questions of our research became that of being able to assess the 'embeddedness' of polycentric development in Interreg practices, simply by asking the Interreg IIIB Lead Partners if their project dealt 'explicitly', 'implicitly' or 'not at all' with the concept of polycentric development. Here 'explicitly' implies that polycentric development was clearly stated as a main theme of investigation or action in the project description, while 'implicitly' relates to its use in the project practices. The results are summarised in the figure 5 below.

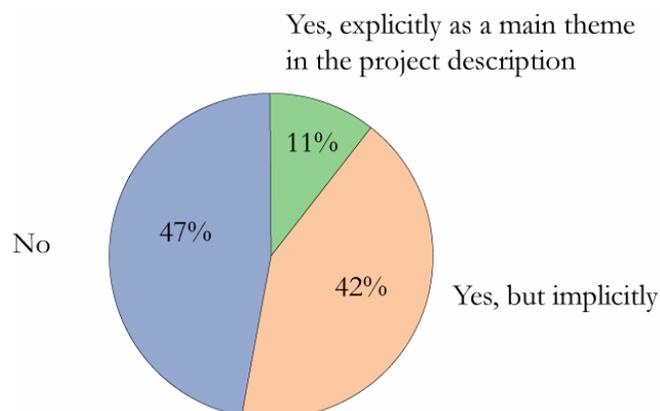


Figure 5: Polycentric development as a theme in Interreg projects

Figure 5 thus displays the distribution of the project between the three possible answers. The 'explicit' category represents only 11% of the answers (15 responses) whereas the implicit use seems to be the rule for projects dealing with polycentric development, corresponding to some 42% of the responding project leaders.

The ESPON 2.3.1 project and the ESPON-INTERACT study have already shown that measures related to polycentric development accounted for approximately 15% of the total funding available in the Interreg IIIB programme, considerably less than the themes of parity of access to infrastructure and knowledge, or wise management of cultural and natural heritage (Viehauser et al. 2006, 129). However, the answers above demonstrate that polycentric development is strongly embedded in the project practices, as more than 50% of the respondents admit that their project deals with polycentric development. In addition to this, the ESPON-INTERACT study on polycentric development and rural-urban partnership has already pointed out to the large variety of interpretations (of the concept) when put into practice in Interreg projects, covering different territorial scales (micro-meso-macro) and different themes (Economic development, spatial structure or governance) (Dubois et al., 2006).

Another point of interest here is the rather significant gap between the explicit use score (11%) and the implicit use score (42%) in relation to concept use.

Consequently, echoing the results presented by Waterhout and Stead, this implies that there is a gap between the application of the concept in Interreg IIIB programmes and its implementation in practice within the Interreg projects (Waterhout & Stead, 2006). Whereas the programme level embraces the discourse of the ESDP quite thoroughly, Interreg projects use the ESDP terminology rather more sparingly.

The results displayed above have shown that polycentric development is rather well embedded in the project practices of the Interreg IIIB programme. This appropriation of the concept into the project practices can be witnessed by the great variety of its implementation in Interreg projects, covering different territorial scales and themes. In that sense, one can say that Interreg has created the modality for the operationalisation of polycentric development in planning practices throughout Europe.

Moreover, as discussed in the first sections of this study, Interreg projects provide the possibility for its participants to experience active collective learning and a beneficial exchange of experiences. In this regard, the experience of working in practice with the concept of polycentric development seems to have enabled a large majority of participants to improve their understanding of the concept. Indeed, 65% of the participants that belong to a trans-national project group dealing with polycentric development assess themselves as having improved their understanding of the concept, and especially its relevance for its application for trans-national regions. In that sense, participating in such projects might help European regions to perceive the relevance of the concept beyond the national framework.

### ***3.3.2 An actor-based approach to polycentricity***

The preceding sections sought to provide an analytical framework that would enable us to understand the relevance and usage of the notion of polycentric development within the context of Interreg projects. The concept has proven to be of high relevance in the projects. As such, it would be interesting at this stage to go one stage further and assess how the concept was understood by the Interreg community. Based on our analysis, we claim that public authorities and other stakeholders on the regional and local levels, as well as within the national authorities, where applicable, are the resource upon which the integration of spatial policy objectives and territorial policy instruments should further be based. As such, their perspective on spatial policy is necessarily one concentrating on actors, and in particular, their mobilisation and capacity-building abilities. As the European Commission has also emphasised in its Strategic Guidelines and in the general approach to the 2007-2013 programming period, the ownership of

programmes (and projects) is an essential prerequisite for successful cohesion policy, which needs additional attention.

One of the questions in our survey asked the Interreg IIIB Lead Partners to assess the aspect(s) of polycentricity that, were, for them, most relevant. In order to channel the answers into a manageable subset of responses, respondents were given four aspects, derived from the work done in the framework of the ESPON 1.1.1 project, from which to choose. Indeed, ESPON 1.1.1 defined polycentricity as been made up of two main components: morphological and relational.

The first component ('morphological') focuses on the distribution of urban areas and economic activities over a certain territory, and takes into consideration features such as the urban hierarchy, the size of the urban areas or their even distribution in space. This aspect refers to the urban areas as points in space. The second component explores the importance of relationships between urban entities for grasping the concept of polycentricity. Relationships are of mainly two kinds: co-operation and flows (either tangible or intangible). This second aspect interprets polycentricity as entities in interaction.

Departing from these two general aspects, the project team stressed four central aspects relating to polycentric development. The first takes into consideration the size of the urban areas, both in demographic and economic terms. The second emphasizes the role of the physical connections between urban areas, whereas the third focuses on the collaboration links as a constituent of polycentric development. Finally, the functional specialisation and potential complementarities between cities constitutes the fourth aspect identified.

In the survey, the respondents could choose any combination of answers, as they were not limited to only one aspect. The collected answers provide a very pertinent insight into the understanding that the Interreg community has on the issue of polycentric development.

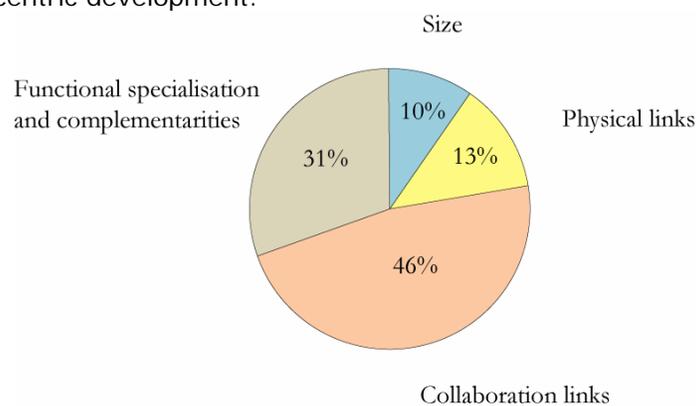
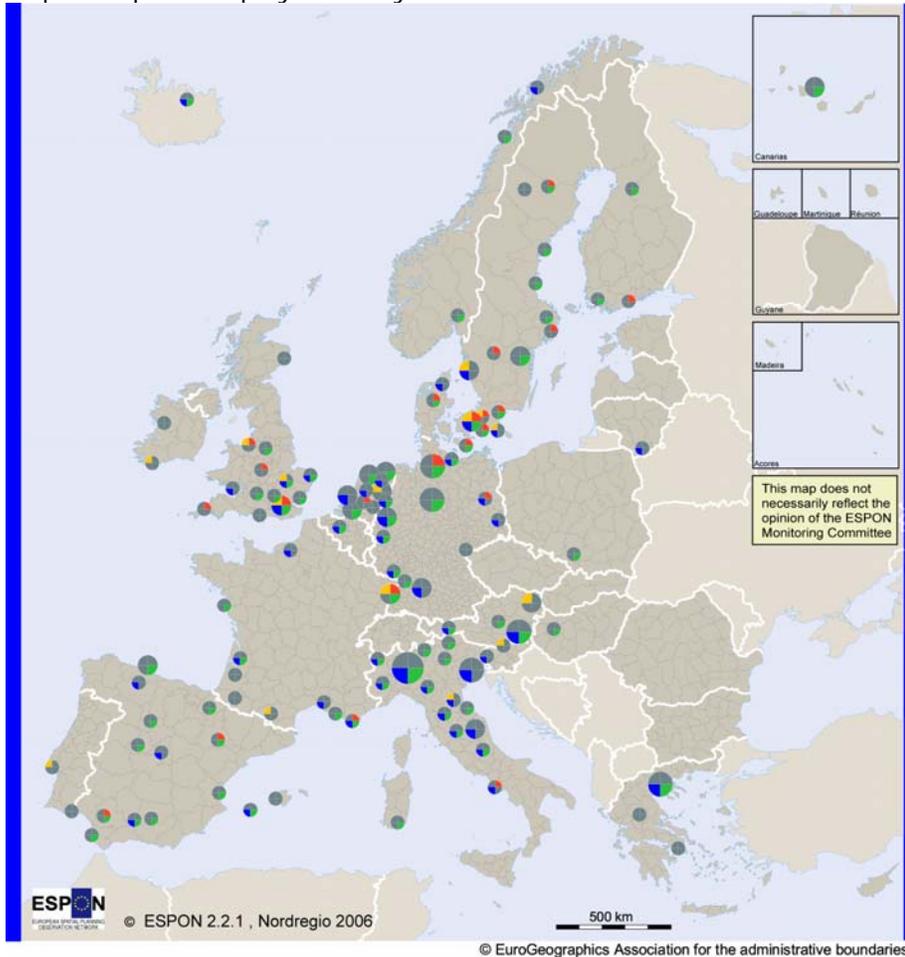


Figure 6: Thematic aspects of polycentric development

Figure 6 displays the results for the whole sample of questionnaires collected. Here we can see that collaboration links are seen by Interreg LP as the most relevant aspect of polycentric development, representing nearly half of our respondents (46%). The second most important is the functional specialisation and complementarities corresponding to nearly one third of the answers. Size and physical links are considered as much less relevant aspects of polycentricity. Specialisation and complementarities and collaboration links are not only perceived as the two most relevant aspects, they are also perceived as being strongly connected to each other. Indeed, 31 respondents considered that both aspects were as relevant as each other, while only 12 saw physical and collaboration links as equally important. The other possible combinations of aspects were marginal and do not provide any additional insights.

We also charted the differences in terms of the geographic location of the respondents. This is summarised in the map 3 below.

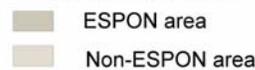
Map 3: Aspects of polycentricity



Relevant aspects of polycentricity



Geographical Location:



Number of respondents per city:



Map 3 illustrates the pattern of responses by location, and makes it possible to pinpoint some of the interesting differences in terms of how polycentricity is understood by the Interreg community throughout Europe. First of all, the participants who responded by checking 'collaboration links' (green on the map) seem to be located quite evenly across the continent's territory. This suggests that the relevance of 'collaboration' links is not influenced by the location of the participants in one area or another. However, the picture is quite different when looking at the 'physical links' (red) and 'functional specialisation' (blue). Indeed, the locations where 'physical links' were the dominant answer, seem to be mainly situated in the more peripheral areas of Europe (as viewed from the Pentgaon). This is particularly true of the regions around the Baltic Sea, and around the

Öresund, the sound separating Denmark from Sweden, where almost all the responding projects stated that the question of 'physical links' was a highly relevant aspect of polycentricity. As regards the 'functional specialisation' aspect, the pattern is somehow contrary, as respondents here seem to be concentrated in the region of the 'Blue Banana'. It is moreover worth emphasising that the responses here reflect more the content of projects and the learning that has taken place than what the respondents may view as the most dominant policy trends in their respective regions.

### **3.3.3 *Interreg-ESPON: Two complementary perspectives on polycentricity***

What the latter section illustrates is that Interreg IIIB participants do have an essentially actor-related understanding of what polycentric development is. Indeed, the two aspects of 'Collaboration links' and 'Functional specialisation and complementarities' provide a view of the territory not as first and foremost a spatial entity, but rather as a 'human' one. The complementarity of the approaches taken here is necessitated by the differences in their starting points and methodology, i.e. the interpretation of what the territory represents in each case. From the ESPON point of view, the analytical perspective is the one of the territory as a spatial or statistical entity (something to be studied, mapped and understood through analysis), whereas within Interreg it is viewed more as a sphere of action or as an institutional entity (a sphere of activity, identity and institutional adherence). In consequence, the aspects linked to the spatial dimensions of the territory, namely, 'Size' and 'Physical links' are assessed as being of much less importance in grasping the concept more generally. The latter provides an interesting alternative perspective to the work undertaken in ESPON 1.1.1, as, in its attempt to measure polycentricity, the project used parameters such as the rank-size rule or the connectivity of the urban system to assess the degree of polycentricity for each of the 29 ESPON countries.

However, instead of opposing these two perspectives on polycentric development, it seems more useful to perceive them as complementary, one taking the perspective of territory as a space, and the other taking the perspective of territory as being made up of interacting actors. Table 2 synthesizes how the two approaches are complementary.

	<i>Actors</i>	<i>Territory</i>
<i>Locational</i>	Functional specialisation and complementarities	Size
<i>Relational</i>	Collaboration links	Physical links (Connectivity)

Table 2: Typology of aspects of polycentric development

The tentative typology proposed is constituted by our four aspects of polycentric development as articulated in the survey. It also illustrates the two main dimensions of differentiation. The first dimension (vertical) distinguishes 'locational' and 'relational' aspects. The 'locational' aspects are linked to the characteristics of a place, while the 'relational' one stresses the potential interactions between places. The second dimension (horizontal) differentiates between actor-related aspects and spatially-related ones. In the figure, the understanding of polycentricity developed by the Interreg and ESPON communities would be differentiated vertically, respectively 'Actors' and 'Space', both of them containing a main 'locational' and a 'relational' aspect.

### **3.3.4 A multi-scalar learning process**

The previous section highlighted some of the main features of the understanding that the Interreg Community has of the polycentricity concept. These features were used, in the main, a static image (how they understand polycentric development) with a thematic perspective (the thematic dimensions). The geographical dimension has thus far however barely been touched upon. This section therefore examines the influence of the geographical dimension on the learning process in respect of polycentricity.

In the projects funded by the ESPON Programme, a three-level approach has been systematically used in order to differentiate the impacts that spatial policies have at different territorial scales. These scales represent the European level (Macro approach), the transnational or national level (Meso approach) and the regional and local levels (micro approach). The ESPON projects dedicated to the question of polycentricity are no exception to this rule, emphasising in their policy recommendations the different implications of the concept at these three different scales (see in the introduction of this chapter).

In the survey, the Interreg Lead Partners were asked to assess the combination of themes and geographical scales on which they felt they had improved their knowledge of polycentricity. However, instead of ESPON's analytical 'micro-meso-macro' division, we chose to express the geographical scales in more familiar

terms such as local, regional, national, cross-border and trans-national (each was also explained in the survey leaflet).

Figure 7 below synthesizes the results from the survey concerning the question related to the increase of knowledge on polycentric development, following the two main axes of our argumentation: thematic aspects and territorial dimensions.

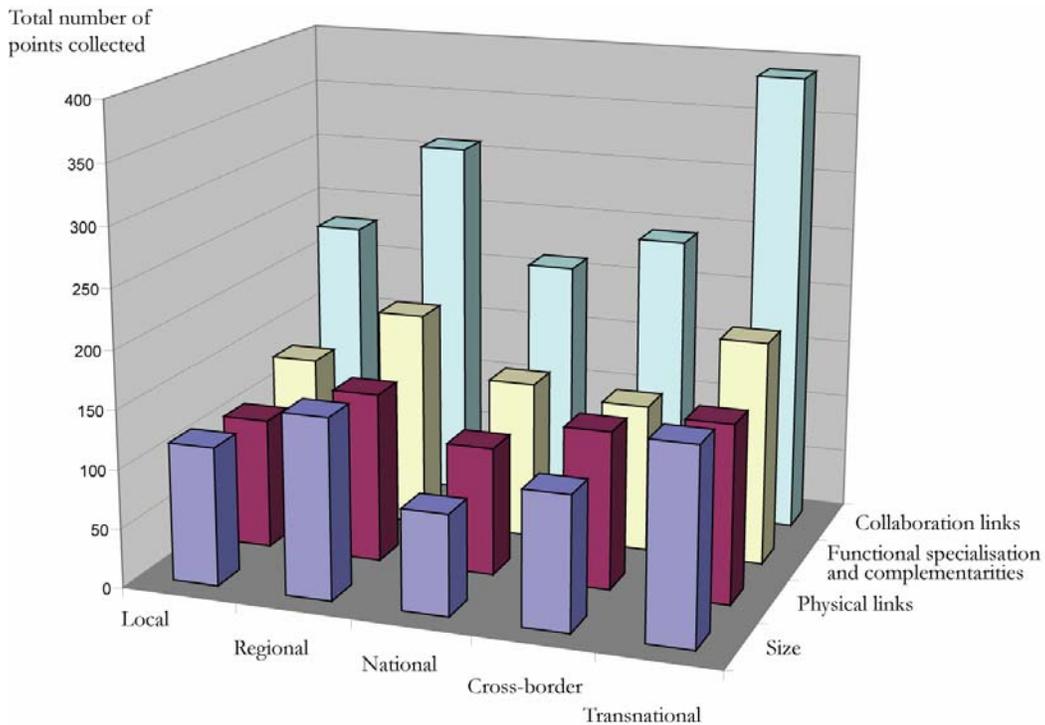


Figure 7: Improved understanding of polycentric development  
Crossing themes and geographical dimensions

For each of the five territorial dimensions proposed in our questionnaire (transnational, cross-border, national, regional and local), the collaboration aspect is seen as the one on which the participants assess themselves to have improved their knowledge to the greatest degree. As this aspect was already considered as the most important when dealing with polycentric development, its relevance in the Interreg context is now even more apparent.

Inversely, for each of the thematic aspects considered, the responses show a rather similar pattern, with a strong emphasis on the transnational and regional levels. The national level seems to be the territorial context on which the participants have increased their knowledge as regards polycentric development least.

**Text-Box 1: Improved collaboration networks**

Networking is also one of the main aims of the Interreg programme. Assessing how polycentric development is put into practice in this context can be achieved by evaluating the type of partners that Interreg participants are mostly networking with. Four types of partners were distinguished, following a territorial logic: European, transnational, national and regional.

	Regional partners	National partners	Transnational partners	European partners
<b>Improved collaboration links</b>	26,1%	20,2%	30,6%	23,1%

It appears that no clear pattern can be seen to emerge from the results. The percentages relative to the four types range from 20 to 30%. However, collaboration links with transnational partners seem to have been those that were most improved through participation in an Interreg project. This tends to emphasize the fact that such projects are used by local and regional actors to position their region in a wider co-operation network. Moreover, the fact that the improvement of collaboration links with regional partners shows that Interreg projects are also important in revitalising co-operation at the micro level, i.e. influencing the regional governance system. Linkages with national partners are the least improved of the four.

From the previous sections, we have learned that Interreg participants understand polycentric development mainly as being actor-related, relating in particular to the interaction of actors in networks (collaboration links). In addition, it has also been possible to assess whether these collaborative links, in practice, they are mostly improved with transnational or regional actors. If the previous sections have set the stage for assessing the importance of polycentric development in the Interreg context, the next section focuses on the learning process relating to polycentric development.

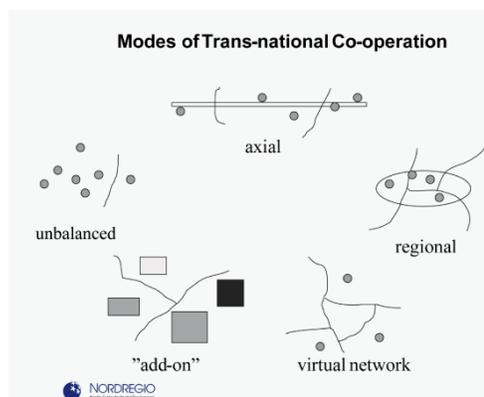
In that sense, it becomes clear that Interreg projects provide the framework for increasing regional consciousness across Europe on the issue of polycentric development. Thus, Interreg projects enable the practitioners to learn about polycentricity outside the national framework. The consequence for the regions is that they gain the ability to position themselves in the polycentric discourse both nationally (See Zonneveld et al., 2004) and trans-nationally.

**3.3.5 Regional and ‘virtual’ patterns of co-operation**

Analysing the geography of the projects provides an interesting insight into the logic of co-operation of the projects concerned, as assessed by the project leaders themselves.

In a previous project concerning “Transnational Nordic-Scottish co-operation”, *Nordregio* performed an analysis of the territorial context of Interreg IIC projects by emphasizing five main modes of geography for them (Böhme *et al.*, 2003). This ‘geography’ is not only about assessing the distribution in space of the project partners, but it also utilises the degree of involvement of the partners in order to assess the type of integration at stake. The five types display different degrees of transnational integration in the project (See Text-Box 2).

**Text-Box 2: Different types of INTERREG partnerships (Böhme *et al.*, 2003)**



**Axial**: corresponds to a project based on an existing or planned transport axis or natural corridors (waterway).

**(Trans-national) regional co-operation**: describes projects based on an existing or emerging functional region, or on a localised trans-national cluster of enterprises.

**Unbalanced co-operation**: describes any project in which the great majority of partners belong to the same country.

**"Add-on" projects**: refers to projects gathering already functioning regional networks.

**Virtual network**: refers to projects aiming at the sharing of experience, with partners often distant.

The modes of co-operation listed here present different patterns of transnational co-operation. The different modes differ from the locational (relative position of the partners) and a relational (involvement and integration of actors) points of view. Indeed, the *axial*, *transnational regional* and *add-on* types are based on a high degree of integration between the regions. The notion of integration is mainly expressed here by the strong functional or physical integration between them. The *virtual* mode is, to a certain extent, independent of the close territorial context, as it consists of distant regions that are not functionally integrated but

do share a certain interest in investigating specific issues. The unbalanced mode is an extension of the national processes of co-operation that might then be more focused on national issues, rather than on truly transnational ones.

From the answers provided by the Lead Partners, it seems that there are two main logics of co-operation taking place in the Interreg projects. These are summarised in figure 8 below. The main territorial dynamic relates to the 'virtual' mode of co-operation (46% of the responses), i.e. of distant regions sharing a strong common interest and thus collaborating. The second main logic of co-operation emphasizes strong regional integration across a border, as 31% of the respondents chose the 'regional' answer.

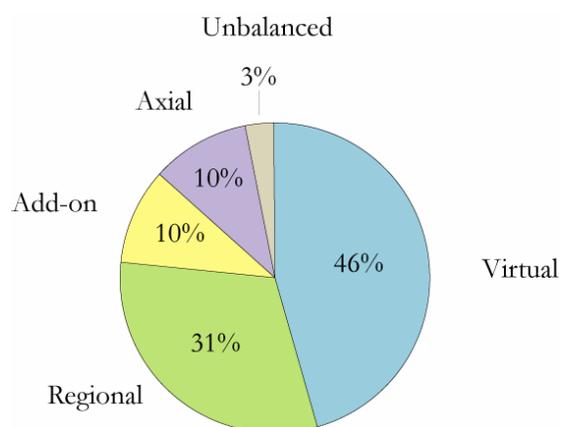


Figure 8: Modes of co-operation in responding Interreg IIIB projects

These two logics of co-operation can potentially be seen as both *centrifugal* and *centripetal* forces: *Centrifugal*, because Interreg type co-operation clearly enables the regions to position themselves in a wider European context, in an effort to develop active partnerships with similar but non-adjacent regions; *Centripetal*, because it also creates the conditions to strengthen the collaborative links with its close regional neighbourhood, even across the border, thus increasing overall regional coherence. The results also seem to suggest that the potential that the Interreg type activity provides for virtual learning communities is important, while, at least in the light of our survey, the potential for axial co-operation that would seem to fit nicely with many of the themes for the 2007-2013 programming period (e.g. connected to risk prevention and other issues in relation to waterways and other similar natural areas) still needs further attention.

## 4 Conclusions

As outlined above, we have proposed an analysis concentrating on the 'embeddedness' of the spatial objectives and concepts within the broader transnational policy sphere. We have identified the dual focus of ESPON on spatiality (the analytical, cartographical and statistical notion of territories and spatiality) and the more institutional and actor-based perspective of spatiality and territoriality, more clearly pronounced within the sphere of Interreg. ESPON seeks to bridge these two perspectives and knowledge interests. Actors and stakeholders are the key to integrating spatial themes into territorial policies. At the same time, the experiences of policy learning from the spatial policy sphere, as exemplified in particular in relation to the ESDP process, can help us to understand more clearly policy learning and discursive integration.

Through the case of polycentric development, this study has investigated the features of how spatial development concepts are implemented in regional and local planning practices, in particularly pinpointing the 'embeddedness' of the use of such concepts in planning practices, as a result of enhanced transnational co-operation. Moreover, the understanding that the practitioners have developed is essentially based on interacting agents, rather than interacting places. Finally, the related learning processes can be characterised as multi-scalar, occurring essentially at the regional and transnational levels. The work on spatial development issues performed in the framework of Interreg projects has enabled the related concepts to gain more relevance for the regional or local actors, further enabling them to embrace and interpret them as they wish.

Based on our analysis, we claim that the epistemic community that Interreg has gradually formed (in particular authorities and stakeholders on the regional and local levels, as well as within the national authorities), now constitute the resource upon which the integration of spatial policy objectives and territorial policy instruments should be based. Clearly, Interreg type co-operation enables the spatial development issues to nurture the regional development dynamics. The survey responses do moreover suggest that Interreg projects provide the framework for an increased regional consciousness across Europe on the issue of spatial development, as illustrated by the example of polycentric development. In that sense, Interreg projects enable the practitioners to improve their knowledge on spatial policy issues outside their own particular national frameworks.

There is clearly some ambiguity as to the role of spatial policy objectives within the territorial policy *palette* of the EU, and a certain dominance of territorial/regional policy objectives at the expense of spatial ones is to be perceived. Yet there remains room for policy innovation and learning that can help bridge the gap between the two. Spatial concepts and objectives can also contribute to our improved understanding of territorial development matters.

Here the role of ESPON will also need further elaboration, in order to avoid the risk that the previously fruitful interactions between Interreg and ESDP are lost.

Indeed, thus far, ESPON and Interreg have reflected two distinct types of the 'operationalisation' of the same spatial development concepts: while ESPON investigates the territorial development trends across Europe and the potentials for achieving the ESDP's goals, Interreg focuses on the regional dynamics, essentially linked to collaboration and capacity-building. Both perspectives fuel the spatial development debate and increase the relevance of its concepts in planning policy practices. A major result emerging from the present study then is the significant potential for developing further actor-territory synergies, aiming at the further convergence of regional development and spatial development interests.

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Attachment 1:  
List of respondents

<b>Area</b>	<b>Project</b>	<b>Country</b>	<b>City</b>	<b>Name of respondent</b>
Alpine Space	Via Nova	Austria	Graz	Claus Köllinger
	AlpNaTour	Austria	Vienna	Ulrike Probstl
	MONITRAF	Austria	Innsbruck	Julia Porcham
	E-Motion	France	Strasbourg	Elisabeth Eschenlor
	WOMEN-ALPnet	Italy	Lecco	Barbara Funghini
	Via Claudia Augusta	Italy	Trento	Giovanna Fambri
	CULTURALP	Italy	Milan	Luisa Pedrazzini
	NEPROVALTER	Italy	Udine	Francesco Minlussi
	ALPCITY	Italy	Torino	Daniela Sena
	WALSER ALPS	Italy	Aosta	Raffaele Rocco
	LexALP	Italy	Bolzano	Elena Chiocchetti
Catchrisk	Italy	Milan	Enrico Sciesa	
Atlantic Area	VALBIOMAR	France	La Rochelle	Jean-Marie Piot
	Medachs	France	Talence	Alain Baudou
	CastaneaREG	France	Villeneuve d'Ornon	Teresa Barreneche
	ECAS	Portugal	Lisboa	Jorge Gominho
	Atlantic-Net	Spain	Gijon	Isabel de la Huerga
	SAL	Spain	Cádiz	Francisco Hortas
	ATLANTECH	Spain	San Juan de Aznalfarache	Rosario Zozaya
	Red TELECEM	Spain	Valladolid	Pablo Sanchez
	AtlantisBPnet	Spain	Pamplona	Estefania Nicolas
	BIORREG-FLORESTA	Spain	Avila	Luisa Martin
	COAST ATLANTIC	Spain	Figaredo	César Moreno
	DEPURANAT	Spain	Santa Lucia	Gilberto Martel Rodriguez
	PREMI	United Kingdom	Cardiff	Richard Barton
	PARTNER	United Kingdom	Liverpool	Stephen Leonard
Baltic Sea	STRING II	Denmark	Nykobing	Lisette P. Kragh Pihl
	MECIBS	Denmark	Falster	Niels Boje Groth
	Baltic Cruise Project	Denmark	Copenhagen	Mette Holdt
	BSR Eagle	Finland	Copenhagen	Päivi Töyli
	SEAREG / ASTRA	Finland	Turku	Philipp Schmidt-Thomé
	EuRoB II	Germany	Espoo	Christoph Pienkoss
	COMMon MINdscapes	Germany	Berlin	Dennis Ehm
	B-SME	Germany	Hannover	Max Hogeforster
	Baltic Sea Virtual Campus	Germany	Hamburg	Rolf Granow
	Innovation Circle	Germany	Lübeck	Odeta Spudiene
	CONNECT Baltic SEA	Lithuania	Alytus	
	Region+	Norway	Oslo	Maria Komendantova
	BERAS	Sweden	Uppsala	Hans Von Essen
	Advantage Hardwood	Sweden	Linköping	Madeleine Söderstedt
	Destination Vikings Living History	Sweden	Linköping	Sjöberg
	PROMIDMORD	Sweden	Höllviken	Björn M Jakobsen
	South Baltic Four Corners	Sweden	Härnösand	Christer Nylén
	Defris	Sweden	Ystad	Malin Ullman
	Baltic Palette	Sweden	Linköping	Per Sandström
BIRD	Sweden	Stockholm	Hans Hede	
ABC II	Sweden	Skara	Jan Lundegrén	
RANE	Sweden	Malmö	Lars Brattberg	
Baltic+	Sweden	Göteborg	Jan Magnusson	
		Sweden	Kristianstad	Carina Johnsson
CADSES	DonauHanse	Austria	Vienna	Gerhard Jakisch
	SURE	Austria	Irdning	Bernhard Krautzer
	Matriosca-AAP	Austria	Graz	Maria Elßer-Eibel
	TECNOMAN perspectives	Austria	Graz	Rainer Opl
	CONSPACE	Austria	Klagenfurt	Peter Fercher
	PROSIDE	Germany	Stuttgart	Thomas Ertel
	REKULA	Germany	Großbräschen	Frank Poppe
	READY	Germany	Oelsnitz	Carsten Debes



	Spatial Metro SAUL POLYNET	United Kingdom United Kingdom United Kingdom	Norwich London London	Clarisse Forgues Martin Jones Kathy Pain
Northern Periphery	Rural Business Women Coping With the Socio Economic Effects of Mega Projects in the Northern Periphery Based Tourism Sustainable rural health care networks Cultural Community Business ELAV PNASTINA	Finland  Iceland Norway  Norway  Sweden Sweden Sweden	Kajaani  Akureyri Bodo  Finnsnes  Storuman Soderhamn Malå	Marit Karppinen  Björk Sigurgeirsdóttir Tommy Nielsen  Toini Lovseth  Duncan Kemp Marcus Larsson Olof Forslund
South West Europe	BIOFEP ATI TECNOEMPRENDE Admitron PIRENE II TERRA OLEA PLACA 4S  ISNOVA	France France Spain Spain Spain Spain Spain  Spain	Foix Pau Madrid Jaén Zaragoza Baena Gijon Palma De Mallorca	Isabelle Guichard Adeline Deshayes Gonzalo Arevalo Angel Cid Salazar Natalia Blázquez Antonio Zafra Romero Humberto Moyano  Jaime Bagur
Western Mediterranean	INTERNUM MED DIET NET and MYTILOS Réseau Optique Méditerranéen  RECOFORME Enplan MedCypre WERMED BLUe Macimed  Sete Sóis Sete Luas RITMO AQUAMAC Aquatex	France France France  Italy Italy Italy Italy Italy Italy  Portugal Spain Spain Spain	Arles  Toulon  Marseille San Sebastiano al Vesuvio Milan Florence Camerino Milan Cagliari Vila Real de Santo Antonio Ibiza Santa Lucia Valencia	Stephane Ipert  Charlotte Blottiere  Serge Ungar  Carlo Bifulco Piero Garbelli Paolo Raddi Alessandro Delitala Renata Meazza Andrea Gardu  Elisabete Fortes Georgina Andreu Gilberto Martel Rodriguez Hermenegildo Garcia



Attachment 2  
Questionnaire



**NORDREGIO**  
Nordic Centre for Spatial Development



## ESPON 2.2.1 - Territorial Effects of the Structural Funds ESPON - INTERACT Study on Cross-border co-operation

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### Survey on

### The contribution of INTERREG Programmes to trans-national co-operation and polycentric development

Dear Sir or Madam,

As the current Structural Funds programming period is drawing to a close, the European spatial planning community is promoting all available means in an effort to distil our conclusions on the successes and lessons of the current period. As part of the ESPON (European Spatial Planning Observation Network) network, Nordregio (Nordic Centre for Spatial Development) is responsible for the research project on the territorial effects of the Structural Funds, where among other things, they sought to investigate the learning experiences of INTERREG activities, relating specifically to European co-operation and the development of greater awareness of spatial dimensions in this context. Moreover, KTH, the Royal Institute of Technology, in Stockholm has been recently granted the task to perform the ESPON-INTERACT study on Cross-Border Co-operation, more specifically intending to examine the special role of border regions in Europe and what the preconditions are for effective cooperation within the INTERREG III framework. Both institutes have collaborated for the elaboration of this survey, which will serve as a basis for their respective studies. The basic question informing the survey is, to what degree INTERREG contributes to the awareness concerning the idea of polycentric development in Europe, as advocated in the European Spatial Development Perspective (ESDP). Moreover, the questionnaire can be an important contribution for the design of future Interreg programmes and projects, and to improve the conditions for better transnational and cross border co-operation.

In order to take a progressive approach in the survey, it has been divided in three parts focusing on different aspects of trans-national and cross-border co-operation: the **methodology**, by focusing on the collective learning processes; the **project environment**, dealing more specifically with the challenges of working in a trans-national group; and finally, the **scientific context**, focusing on the understanding and handling of the notion of Polycentric development in the context of your INTERREG project.

You have been selected by our research team to participate in this survey in your quality of Lead Partner, and your response will be taken as representative of your project as a whole.

It is also worth emphasising here that this investigation is part of a research project investigating the effects of Structural Funds' activity more broadly, and therefore **not an evaluation** of your project.

We do hope that you can provide the research team with your assistance in their investigation by responding to the survey sent and by providing them with the information needed.

Yours sincerely,

Dr Kaisa Lähteenmäki-Smith  
Senior Research Fellow  
Nordregio, Stockholm

Lisa Van Well  
Research Fellow  
KTH Royal Institute of Technology, Stockholm

## NOTICE ON THE SURVEY

For validating an answer, you just have to 'click' one time on the appropriate box.

After you have filled all the questions, you can easily submit the questionnaire by 'clicking' on the 'Submit by email' button, and your questionnaire will be directly sent to us!

Thank you for your co-operation!

If you have any question, please contact:  
Alexandre Dubois  
Research Fellow  
NORDREGIO

E-mail: [alexandre.dubois@nordregio.se](mailto:alexandre.dubois@nordregio.se)  
Phone: +46 8 463 54 27 (direct)  
Phone: +46 8 463 54 00 (standard)  
Fax: +46 8 463 54 01

Nordregio  
P.O. Box 1658,  
SE-111 86 Stockholm  
SWEDEN

Submit by Email

Print Form

**Please submit your filled questionnaire before the 24th of March, 2006**

## BASIC INFORMATION ON YOUR PROJECT

Name of your INTERREG IIIB area:	<input type="text" value="Northern periphery"/>
Name of your INTERREG project:	<input type="text"/>
Name of the respondent:	<input type="text"/>
Name of the respondent's organization:	<input type="text"/>
Where is your organization located?	
Country:	<input type="text"/>
Region:	<input type="text"/>
City:	<input type="text"/>

## COLLECTIVE LEARNING PROCESSES

In this first section of the questionnaire, we intend to focus specifically on the learning processes that occurred in the framework of your INTERREG project.

The learning process is often described as one of the main expected outcomes of the INTERREG projects. Learning is a dynamic process that is based on the interaction of different actors and the exchanges of knowledge and know-how.

1. How would you assess your contribution to the exchange of knowledge in your project?

- Mainly by transmitting knowledge (learning to the others)
- Mainly by receiving knowledge (learning from the others)
- Mainly as a catalyser for the creation of new collective knowledge within the project group

2. The learning process can occur at different levels, which can be complementary to one another. In the framework of INTERREG projects, we could summarize them as 4 distinct levels: individual, organizational, regional and trans-national. From your experience of this INTERREG project, for which level has the learning process been the most positive: (0: not relevant; 1: only slightly positive;...; 5: very much positive)

	0	1	2	3	4	5
Yourself (individual)	<input type="radio"/>					
Your institution (organizational)	<input type="radio"/>					
Your region and its actors involved in the project (regional)	<input type="radio"/>					
Your country (national)	<input type="radio"/>					
The whole project group (Trans-national)	<input type="radio"/>					

3. Do you perceive that the Interreg project in which you have been involved is/was considered as a good learning experience by the other partners?

- Yes, to all partners
- Yes, to some partners
- Yes, but to one or two partners
- No

4. Would you say that, in your case, the output of the learning process consisted in:
- Adopting in your region solutions that were successful in other regions?
  - Importing but also adapting external solutions to your own regional context?
  - Generating entirely new solutions through collaboration?
  - Generating further research in a collaborative approach?
  - Other: \_\_\_\_\_

5. What are/were the most significant communication challenges you experienced in your project?

- Leadership/management challenges
- Language challenges
- Technical challenges
- Cultural challenges (different understanding of the same notions)
- Methodological challenges (different ways to organize work)
- Professional differences (e.g. differences in administrative, political or professional cultures)
- None of the above

6. In your project, which language was the most commonly used by the partners when exchanging (oral or written) information?

- English
- German
- French
- Spanish
- Other: \_\_\_\_\_

Is this your own native language?

- Yes
- No

7. Would you say that participating in a trans-national project has improved or confused your understanding of the following notions:

	Improved	Confused	Not made a difference
Polycentric development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainable development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regional Competitiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Territorial cohesion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Need for active cross-border co-operation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. As the Lead partner representative of your project, do you feel that all of the partners possessed the knowledge and resources needed to cooperate in a transnational framework?

- Yes, all partners possessed the knowledge and resource capability for cooperation
- Most of the partners possessed this knowledge and resources
- Many of the partners
- Only a few

9. As Lead Partner of the project, what factor seemed to be most important for implementing the exchange of ideas between partners?

- Expertise about the issues or themes of the project
- Good network contacts
- Expertise in implementing ideas for concrete results
- None of the above

10. In your view as Lead Partner of the project what seemed to present the greatest challenge to the processes of cooperation and learning?

- Lack of knowledge or unrealistic expectations of INTERREG projects
- Lack of political commitment within the partners' organisations to the project
- Difficulties in implementing knowledge and learning
- Problems with project coordination
- None of the above
- Other:

## ASPECTS OF TRANS-NATIONAL CO-OPERATION

In this second section, we will more specifically address the process and outcomes achieved in the framework of your INTERREG project.

The good implementation of a trans-national project is often determined by its very first steps, i.e. how it has been conceived from the beginning. The involvement of the partners is closely connected to their own motivation for collaborating.

11. As regards your project, what was your main motivation for entering the partnership?

- Search for new solutions to the same problem affecting the entire programme area (e.g. pollution in the sea)
- Search for new solutions for similar problems existing in all areas (e.g. regions co-operating in tourism or urban regeneration)
- Exchange of experiences or benchmarking
- Establishment of transnational networks on (the following issues):

12. What were the criteria chosen when building the partnership in your case?
- Personal contacts
  - Institutional contacts
  - Geographical proximity to your institution
  - Professional expertise based on the project idea/concept
13. What are the main benefits of the project?
- Improved information about the region and its role in the broader European context
  - Extended communication network
  - Identification of innovative ideas / new solutions
  - Transfer of 'best practices'
  - Building of trust between actors
  - Establishment of more permanent forms of co-operation for the future
  - Being able to extend or solidify previously existing forms of co-operation
14. Of the partners in your project, which ones would your or your institution like to cooperate with after this project, whether in a future INTERREG project or in another research framework:
- National Partners?
  - Regional Partners?
  - Partners that share your specific thematic interest?
  - Partners with whom you have a good working relationship?
  - None of the partners
15. Do you think the interactions between partners *in your project* were most relevant on a:
- Trans-national level (all or most partners in the project)
  - Bilateral level (special relationships developed between two partners)
  - National level (increased understanding or cooperation between regions or partners within the same country, e.g. other regions or national authorities)
  - None of the above
16. Often there are great differences in the degree of regional development among the various partners. Have regional disparities
- A positive effect creating the preconditions for cooperation and mutual learning
  - A negative effect hampering cooperation and learning
  - Neither positive nor negative

17. Has your project enabled to increase your understanding of the following trans-national aspects: (0: Not relevant; then 1 low to 5 high)

	0	1	2	3	4	5
Revitalising small and medium size cities	<input type="radio"/>					
Strengthening entrepreneurial and local/regional employment initiatives	<input type="radio"/>					
Encouraging a greater sharing of human resources, especially when related to research and development, education, culture	<input type="radio"/>					
Improving transport, information and communication networks and services, water and energy systems	<input type="radio"/>					
Increasing human and institutional potential and capacities for cross-border cooperation	<input type="radio"/>					
Other: <input type="text"/>	<input type="radio"/>					

18. What has been the most important outcome of your project?

- The scientific and/or policy-related findings
- Networking with partners from other countries/regions
- Networking with partners from other sectors
- Other:

19. Would you say that the heterogeneity of actors has been:

- Positive: increasing knowledge and expanding perspectives
- Negative: requiring too much coordination efforts and resulting in inferior outcomes
- Not particularly relevant

20. Do you or your organisation envisage participating in an INTERREG project in the next Programming period?

- Yes
- No
- Maybe, it depends on the programme



## AN EXAMPLE:

### LEARNING ON POLYCENTRIC DEVELOPMENT

In this final section of the questionnaire, we will more focus on the learning process directly connected to the notion of *polycentric development*.

*Polycentricity has two complementary aspects. The first relates to morphology, i.e. the distribution of urban areas in a given territory (number of cities, hierarchy, distribution). The second concerns the relations between urban areas, i.e. the networks of flows and cooperation. These flows are generally related to proximity, though networks can also be independent of distance.*

*Polycentricity appears in two different situations. Looking at an urban system from a continental or national perspective, polycentricity occurs when the system is characterized by several cities at different levels rather than just being dominated by one city. At this level, polycentric policies stimulate the growth of centres and regions outside the core. At the regional or local scale, polycentricity occurs when two or more cities have functions that complement each other and even more so, if the cities co-operate with each other in order to be able to act jointly as a larger city. At this level, policies for polycentricity stimulate the functional division of labour, as well as the flows and the level of co-operation between neighboring cities. The two situations are interlinked when e.g. polycentric integration at the regional level contributes to counterbalance the dominance of the national centre. (Extract from ESPON 1.1.1.)*

In the context of this survey, polycentricity is understood as a function of size, physical links, collaboration and the degree of specialisation of a functional urban area.

25. First of all, is/was your project directly dealing with *polycentric development*?

- Yes, explicitly as a main theme stated in the project description
- Yes, but implicitly
- No

26. Do you think that participating in your project has improved your understanding of the concept of *polycentric development*

- Yes
- No

Especially its applications to trans-national regions:

- Yes
- No

27. From what you understand of the concept, what are its most relevant aspects?

- Size of the territorial units (in economic or demographic terms)
- Physical links
- Collaboration links
- Functional or institutional specialisation and complementarities

28. Please try to assess the degree to which, through the project, you have been able to improve permanent co-operative links between your organisation and: (0: not relevant; 1: very little;... 5: Strongly)

	0	1	2	3	4	5
Regional co-operation partners	<input type="radio"/>					
National co-operation partners	<input type="radio"/>					
Trans-national co-operation partners	<input type="radio"/>					
European co-operation partners	<input type="radio"/>					

29. From the literature, it is possible to distinguish different types of 'geography' of the trans-national projects. The geography of the project is intending to assess the proximity of the project partners in terms of 'geographical proximity', but also in terms of 'collaboration proximity' (Böhme, 2003). Five cases can be highlighted:

From your own perception of the geography of your project, to which type of co-operation is your project the most similar?

**Axial:** corresponds to a project based on an existing or planned transport axis or natural corridors (waterway).

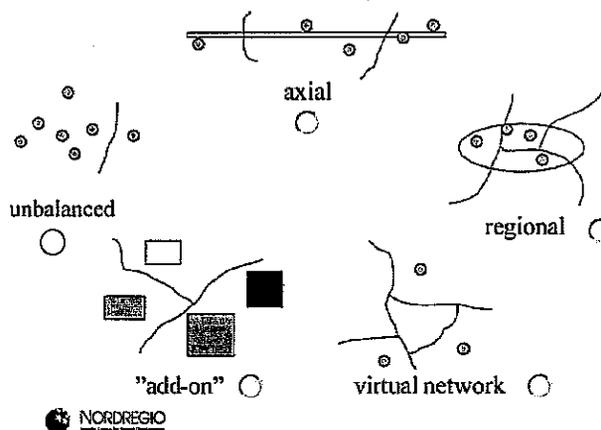
**(Transnational) regional co-operation:** describes projects based on an existing or emerging functional region, or on a localised trans-national cluster of enterprises.

**Unbalanced co-operation:** describes any project in which the great majority of partners belong to the same country.

**"Add-on" projects:** refers to projects gathering already functioning regional networks.

**Virtual network:** refers to projects aiming at the sharing of experience, with partners often distant.

#### Modes of Trans-national Co-operation



30. Do you think that the geography of your project has had an impact on your understanding of polycentric development?

Yes      How? \_\_\_\_\_

No



## COMMENTS ON THE SURVEY

In the following space, you have the opportunity, if you wish, to give us some comments on the content of the survey:

Submit by Email

Print Form

**Please submit your filled questionnaire before the 24th of March, 2006**