Αρχείο
- Κοινοτικά Ταμεία Στήριξης.

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Θέμα: Κείμενα ΕΕ για Διαρθρωτικά Ταμεία και Ελλάδα

Υπόψη Γραφείου Προέδρου κ. Κ. Σημίτη:

Αποστέλλονται 2 πρόσφατα κείμενα ("non-binding") της Commission για τις επιπτώσεις της Πολιτικής Συνοχής στην ΕΕ και στα Κράτη-Μέλη.

1) Το πρώτο είναι κατά Κράτος Μέλος. Στη σελίδα 7 αναφέρεται αρκετά κολακευτικά στην Ελλάδα.

2) Το δεύτερο έχει μεγαλύτερο ενδιαφέρον. Είναι γενικό και αναφέρεται σε όλα τα Κράτη Μέλη.

Αντιγράφω:

> **"Over the period 1989-1999, the increase in the level of GDP due to structural interventions was near 10% in Greece and 8.5% in Portugal.**
>
> **The impact is less pronounced in Ireland and Spain (3.7% and 3.1%, respectively), the allocations of Structural and Cohesion Funds in terms of percentage of GDP being less significant.**
>
> **For 2000-2006, further gains in convergence are forecast, with a growth in the level of real GDP of about 6% for Greece and Portugal and 2.4% for Spain."**

Συμπέρασμα: Μύθος το ότι το "ιρλανδικό θαύμα" οφείλεται στα διαρθρωτικά ταμεία μας λέει η ίδια η ΕΕ!!!!

> **"Community interventions had a significant leverage effect on the level of investment in Portugal (+24%), Greece (+18%) and Ireland (+12%) during the 1994-1999 period."**
>
> **"it is important to emphasise that total public investment (less the Structural Funds) has clearly increased in Ireland (+66%), Greece**

(+24%) and in Portugal (+18%) during the two last programming periods."

Στο κείμενο αναφέρει επίσης αρκετά παραδείγματα επιτευγμάτων από την Ελλάδα, ενώ αναφέρεται αρκετά ήπια σε ορισμένους δείκτες στους οποίους υστερούμε.

Από το 1994 που ασχολούμαι με αυτά, είναι η πρώτη φορά που βλέπω σε κοινοτικό κείμενο για τα διαρθρωτικά ταμεία - όχι μόνο να μην γίνονται δυσμενείς συγκρίσεις εις βάρος μας όπως ήταν ο κανόνας-, αλλά να μας περιγράφουν ως ένα από τα success story της Πολιτικής Συνοχής της ΕΕ...

Με εκτίμηση,

Κώστας Θέος

European Commission
Directorate General for Regional Policy

The Impact and Added Value of Cohesion Policy

Belgium – Denmark – Germany – Spain – France – Ireland – Italy
Luxemburg –Netherlands – Austria – Portugal – Finland – Sweden –
Greece - United Kingdom

The Evaluation Unit

April 2005

The Impact and Added Value of Cohesion Policy

BELGIUM

The main economic indicators place **Belgium within the European average range**: in 2002, its GDP per capita was equivalent to 117% of the Community average (EU25).

In spite of Belgium's small territory (30,500 km²), **regional disparities are quite marked**. In terms of GDP per capita, Brussels-Capital (217.3% of the EUR15 community average in 2001) stood far ahead of Wallonia (77.3%). At the end of 2003, unemployment in Flanders was 5.7%, compared with 10.8% in Wallonia and 15.6% in the Brussels-Capital region.

Since 1989, Belgium has received **major financial assistance under the Community's regional policy (over 5 billion euros).** The Hainaut province has been the principal beneficiary of these contributions since 1994, accounting for 35% of the total. For the 2000-06 period, interventions include 11 regional programmes (including 1 Objective 1 transitional aid programme, 7 Objective 2 programmes and 3 Objective 3 programmes), 1 national Objective 3 programme, 3 URBAN II programmes and one INTERREG III programme.

Convergence and economic restructuring

A macro-econometric model, HELM 2, has been used to quantify the impact of the transitional aid programme for Hainaut. The impact on GDP growth rates is estimated at +0.17%, generating nearly **2 billion euros of additional investment between 2000 and 2006**. In employment terms, the programme envisaged the **creation of over 9,000 new jobs** (reducing the unemployment rate by 1.2 percentage points). Initial results reflect the difficulties encountered in boosting growth. Actual impacts on territorial equilibrium, the environment and urban regeneration could therefore be more limited than expected. Generally speaking, **convergence remains uncertain** (the per capita GDP index currently stands at 70, compared with 74 in 1995)**. However, divergence has been halted since 2000** and we are now seeing a slight improvement in the index.

Among the Objective 2 programmes, **the number of jobs created, saved or redistributed through the use of Structural Funds has been estimated at 48,000 over the 1994-99 period**. **The cost per job created is one of the lowest in the Europe of 15** (€3,100 per job).

In the future, initial results should be reinforced:

- The Objective 2 programme for **Brussels-Capital** is forecast to create 120 businesses, 175 self-employed activities and 40 innovating businesses. It is hoped that 350 jobs per year will be created. The mid-2003 assessment has not yet made it possible to confirm if these objectives have been achieved; this should be possible when it is updated in 2005;

- In **Flanders**, the strategy aims to diversify economic activity through assistance to SMEs, the promotion of innovation, training and workplace training in the job market. There are four programmes aiming to create over 7,000 jobs, mainly in tourism and leisure for East Flanders;

- In **Wallonia**, the strategy consists of **developing 5 clusters** which will make it possible to create 100 businesses in the Meuse-Vesdre area, 35 in the rural Namur-Luxembourg area and to develop 210 SMEs in total. Over 2,400 jobs should be created. The worsening of the socio-economic situation however has led to less ambitious targets being adopted.

Strategic priorities

Community programmes have made it possible to target regional problems in the Belgian economy: structural difficulties for the regions in industrial decline, exclusion of certain social groups from the employment market, difficulties of rural restructuring and a poor level of development in certain rural areas. Structural Funds have made it possible to support innovative efforts and communication and environmental infrastructure in order to promote competitiveness.

Several "themes" from the Lisbon and Gothenburg agendas are echoed in the defined priorities: improvement of research to promote businesses and poles of excellence; the use of new communication and information technologies; the promotion of sustained urban and rural development; the development of human capital through the lifelong acquisition of knowledge and the introduction of training related to new technologies. **The Brussels programmes prioritise the environmental dimension** (requalification of degraded industrial or urban sites, preservation of green areas or improvement in businesses' performance in environmental terms); this is also the case **in Flanders** (each project is subjected to a specific examination of its impact on the environment) **and Wallonia** (remediation of industrial wastelands in all of the eligible areas).

The promotion of NICTs and their use is a general concern in all the Belgian programmes. This is reflected by increased support for businesses, professional training centres, local multimedia poles and the promotion of electronic commerce. In Wallonia, programmes emphasise transport policy, notably through the improvement of urban mobility and public transport and the use of "gentle" modes of transport.

In terms of **equal opportunities**, the current programme in the Brussels-Capital region aims to introduce structures enabling women to reconcile their family and professional lives, and specific assistance for women who start businesses. In Flanders, each project is subjected to an impact assessment with regard to gender equality.

Improvement of governance

The implementation of programmes has been improved by the use of a **more efficient management model**, supported by the **gradual introduction of a monitoring and assessment culture**.

Thus in the Hainaut region, control in terms of project engineering has been reinforced by the **creation of a *Task Force* of independent experts,** who are responsible for the selection of projects. This has resulted in more rigorous assessment of projects and a significant improvement in the quality of the response to the programme's strategic objectives.

DENMARK

Denmark has been allocated €858 million in Structural Fund resources in 2000-2006, which compares to €529 million in 1994-99 and 430 million in 1989-1993. Danish Objective 2 areas have **a total population** of 537,718 (**10.2%** of the total population) compared to 8.8% of the population in 1994 - 1999. Eligible regions include vulnerable environments such as coastal zones or small islands. Structural Fund interventions aim to assist the creation of efficient framework conditions for companies by ensuring a match between demand and supply for a skilled labour force and assisting innovative investments in companies.

Cohesion and Economic Restructuring

Although, economic growth in Denmark has been slightly below the EU average since 1998, **GDP per capita is 122% of average EU 25** (2003), being the third highest after Luxembourg and Ireland. Labour market participation is among the highest in the EU. **Employment** rates (75.1% in 2003) are already high and well beyond the Lisbon targets for the EU. Lisbon targets for the participation of women and older workers are also exceeded. **Productivity** per person employed was still slightly bellow the EU average in 2002 although the gap has been declining in recent years (94% in 1994 and 97% in 2002 of the EU average). **Unemployment** declined from 12.2% in 1994 to 4.6% at the end of 2002 but rose again to reach 5,6% at the end of 2003.

Variation of GDP per capita at a regional level in Denmark is evident between the capital city and the more peripheral regions. Only three regions lie below the average EU 15 (Storstrøm (15% below), Vestsjælland (2%) and Bornholm (10%)). These regions can be distinguished from the other regions in Denmark by a variety of socio-economic factors, e.g. employment in the primary sector above the national average and employment in the service sector, income per capita, employment growth and education levels all below the national average.

Despite the structural problems of these regions the gap with the rest of the country has narrowed in the past 5-10 years. This indicates that the actions (partly financed by the Structural Funds) for developing these regions are achieving success. The average **unemployment rate** in Objective 2 regions was 8.1% in 1999 compared to a national average of 5.8%. Since 1994 the unemployment rate has decreased in these regions and most significantly in Nordjylland. During the 1994-99 period, the region achieved more **positive employment growth** than elsewhere and a **stronger growth within knowledge intensive and high-technology industries**. Between 1995 and 1997, the gap between the Objective 2 areas and national average in terms of **income** has also narrowed from 9.1% to 8.5%.

The most commonly used impact indicator for the success of Objective 2 programmes is the **creation of new jobs**. Structural funds supported 6,900 new jobs in the period 1994-1999. This was slightly above the target set out in the programme. The cost of a newly-created job was about €47,000 in North Jutland and approximately €61,000 in Lolland.

Expected effects for the 2000-2006 period are on course to be achieved. Approved projects are forecast to create 2,833 jobs, representing 143% of the target.

Strategic Priorities

In Denmark, community funding has a role to play in supporting sectors in structural difficulty. In these sectors, innovative approaches to supporting hard-to-employ groups are often easier to introduce as part of a European programme than in a purely national content. The support for innovation, provided by the Structural Funds is an important element of its added value.

The Community added value of Objective 2 funding in 1994-1999 can be exemplified in two ways - by the *leveraging of other investments* (e.g., the Novi Science Park and 'Lighthouse North Jutland'); and, secondly, by *attracting inward investment* (e.g., to the NorCom ICT Cluster). The major change in 2000-2006 programming period was the reduction in the role played by direct grant aid to individual firms: this has been Danish government policy for quite some time.

In relation to the development of **human resources**, structural fund interventions focus on assisting transition and increasing the competencies in companies and among employed and recently unemployed. The actions are concentrated on the core labour force as it is a priority to diminish the educational gap and to ensure readiness to transform.

During the 1997-99 period, there was shift in human resource development interventions in favour of developing the skills of the workforce. As regards unemployed participants on training during the 1990-1999 period, between 35% and 51% of the beneficiaries were placed into jobs. For the 1997-1999 period, training interventions exceeded the targets set: 1,408 persons benefited from training and 1,200 obtained jobs in North Jutland.

For 2000-2006, the **environment** is a horizontal priority and within all priorities and measures environmental actions can be initiated and priority will be given to such actions.

R&D, innovation and technology is supported also by the Structural Funds. Measures aim to promote development and application of new technologies through activities to develop/gain access to information, expertise or competence in particular areas.

Good Governance

Denmark is one of the most decentralised among the Member States. Local authorities have a wide range of competences in which they act independently of the central government. Institutional arrangements for managing EU regional policy have seen **growing regional and local involvement** over the past decade. The structure and the division of responsibility is largely a continuation of the 1994-1999 decentralised practice.

In Denmark, **partnership developments** have followed a steady course from 1984 to 1999 and have become a self-evident solution in the national context. Partnership has been institutionalised, giving the stability that enables programmes to be both efficient and certain for partners and project owners. The planning process for EU Structural Funds interventions in Denmark is based on a "bottom-up" process based on a wide partnership involving regional and local actors. Participation in the Structural Fund programmes has also strengthened the awareness of the regional development potential.

GERMANY

The current Structural Funds allocation for Objective 1 programmes in Germany is €20,7 billion for 2000-2006, making Germany the third largest recipient country of Objective 1 funds in the EU. Objective 1 interventions grew significantly during 1994-1999 and have stabilised at a high level for 2000-2006. In total, 14.1 million inhabitants live in the Objective 1 area of Eastern Germany (Eastern Berlin is Objective 1 phasing out).

The Structural Funds budget for Objective 2 in 2000-2006 is €3.6 billion. Two of the eleven programmes (North Rhine-Westphalia and Lower Saxony) together account for 51% of the overall Structural Funds contribution. In total, 10.3 million inhabitants are covered.

Convergence and Economic Restructuring

As far as the **macroeconomic background** is concerned, a period of protracted sluggish growth and a three year stagnation from 2001 until 2003 has affected Europe's biggest economy. As a result, in 2003 German GDP per head in terms of purchasing power standards was 108% of the EU25 average. Major differences in economic performance between the eastern and the western parts of Germany result in significant **regional disparities**.

During the first years after reunification between 1990-1995 the Objective 1 regions enjoyed a relatively high GDP growth. Since then, the catching up process effectively came to a stand still. Disparities in GDP per capita between east and west persists; the eastern states reach a level of around 57% of the respective figure in the west. Industry in the Objective 1 area forms a positive exception, showing a stable higher growth than other sectors of the economy. High unemployment is still a major problem (average rate 20,7%) in Objective 1 regions together with a significant productivity gap between east and west.

Macroeconomic simulations carried out for the Objective 1 region estimated that the level of **GDP in 1999 was 3.9% higher** as a result of the Structural Fund investment. Structural Fund interventions lowered the **rate of unemployment in 1999 by approximately 1.3%**.

The German **Objective 2 regions** face a variety of challenges:

- Urban areas or densely populated areas with a restructuring industry (North Rhine Westphalia, Saarland, Berlin),

- Rural areas (Bavaria, Lower Saxony - a substantial part of these programmes cover areas bordering Eastern Germany, the Czech Republic and Poland.

- Conversion of former military areas and military industry (Rhineland–Palatinate).

Structural Funds supported the creation of **64,800 new jobs** in Objective 2 regions **in the 1994-1999** period; more than **31,000 new jobs were created between 2000 and 2003**. The restructuring of regions with "old" industries (coal, steel, ship yards) towards a more diversified and service oriented economy has made considerable progress in almost all regions concerned, i.e. North Rhine-Westphalia, Bremen, Saarland, and to a lesser extent Berlin.

Strategic priorities

Structural funds in Germany usually co-finance existing national funding schemes, the most important being the "Common Task Improvement of regional economic structure" (Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur").

In **Objective 1** regions the need to **modernise the capital stock** of enterprises led to the decision to allocate the highest share of the ERDF support to productive investment. Despite remarkable progress, the capital stock to date on average is still lagging behind the German average. Substantial efforts are being pursued in this area in the 2000-2006 programming period

The improvement of **business-related infrastructure** (business sites, vocational schools, etc.) has been the second most important field for ERDF support.

Environment was a key priority. Up to 1999 the ERDF supported around 2.400 projects with an overall investment volume of €4.7 billion (water and waste water treatment). Substantial progress has been made in these fields.

To a smaller extent, investment in larger scale **transport, energy, and communications** networks was supported in the first programming period. From 2000, a new sectoral Transport Operational Programme (around 7% of the total allocation) is being implemented. There is a general consensus that there are still substantial challenges for support in this area after 2006.

In **Objective 2 regions**, until 1999 direct investment support for enterprises and business-related infrastructure absorbed by far the largest share of the financial volume available. In the current programming period the scope is much broader, including more advanced policies such as co-operation between enterprises and research institutions. Regions develop more targeted and active strategies, such as the "cluster" approach in North Rhine Westphalia.

Good Governance

Better governance methods form a major part of the Community value added in Germany, especially in Objective 2 regions.

In a context of high public debt in Germany, the **strategic, multi-annual programming** of Structural Funds has become a **stabilising element** for longer term regional policy in Germany. Structural Funds co-finance virtually every important investment programme of Objective 1 regions and are at the core of regional structural policy outside Objective 1.

More mature partnerships. The partnership of the Structural Funds developed relatively slowly in the 1994 to 1999 programming period. A much more developed situation can be found since 2000. It has brought together a **wider range of partners** with more experience and commitment, participating early in the process, starting with the drafting of programmes.

Systematic monitoring: Physical objectives and indicators were used tentatively in 1994 to 1999. Their use in the 2000-2006 period has became **more systematic**, feeding through to more meaningful debate and decision making.

Evaluation culture: During 1994 - 1999 evaluation started to contribute to improve the quality of programmes, especially through systematic mid-term evaluation studies. The 2003 mid-term evaluations led in all regions to reports of good quality that have influenced the development of economic policy.

More effective project selection methods: Structural Funds promote rigorous selection methods on a competitive basis.

GREECE

Structural and Cohesion Fund transfers to Greece for the 1994 to 2006 period will be €41 billion. Between 2000 and 2006, they represent almost 3% of GDP and almost 8% of the total investment budget. In terms of aid intensity, Greece is the largest beneficiary of the Structural and Cohesion Funds.

Convergence and Economic Restructuring

After a long period of relative stagnation, economic growth in Greece has accelerated since the end of the last decade, and is now running at some two percentage points above the EU average. GDP per head of population stood at 77.7% of the EU25 average in 2002.

The improved performance can be attributed to reforms in macro-economic policy related to membership of the Economic and Monetary Union, and a more effective use of Structural and Cohesion funds in recent years. **Between 1996 and 2001, it is estimated that there was 18.5% cumulative GDP growth, 3% of which was attributable to EU funds**. Convergence with living standards elsewhere in the Union has begun to accelerate. Estimates for 2000-2006 forecast a stronger progress, with additional GDP growth of 6% over the period.

In recent years, under the impulsion of the deadlines imposed by the Olympic Games and with the support of the Structural and Cohesion Funds, the Athens metropolitan area has been transformed by major investments in transport communications, urban renewal and the restoration and improvement of cultural assets. **The quality of life of nearly half of the Greek population is greatly improved**.

Economic restructuring remains hesitant. Improvements in labour productivity were evident during 2001 and 2002 when it grew at 4% per annum, well above the EU average. Productivity growth slowed during 2003 and in 2004 but it is expected to improve again in 2005. The employment rate remains low at around 58% in 2003, one of the lowest employment rates in the Union, although it has registered an increase in recent years. Female employment levels are especially low. The employment statistics may be over-stated due to the importance of the informal economy and unregistered immigrant labour.

The productive sector is still over-dependant on cost competitive activities. The recent developments in university education and growth in research potential are encouraging signs, but are yet to be translated into significant foreign direct investment. The very high percentage of Structural Fund transfers into purchases of goods and services from elsewhere (around 43% of transfers) is another indicator of the challenges still to be addressed.

The education standards attained by young people leaving the school system are relatively high in Greece and have risen substantially in recent years. The percentage of young people aged 20-24 with at least upper secondary education increased from 71.2% in 1992 to 81.7% in 2003. Participation in tertiary education has not yet shown a similar increase and labour market services for those in employment already also need upgrading. Life-long learning is still in its infancy. It will be important to encourage a more flexible labour market, and to upgrade substantially the skills of the existing work-force, in order to facilitate the restructuring of the productive sector.

Internal regional disparities in Greece are not large compared to many other Member States. However accelerating growth tends to be focused in the Attiki region, central Greece and in some island regions benefiting from tourism, notably the South Aegean. It will be important to counterbalance an emerging disparity by renewed efforts to promote economic dynamism in the periphery and in Central Macedonia in particular, which is returning to its traditional role as the gateway to the Balkans.

Strategic Priorities

The Structural and Cohesion Funds have worked within the policy priorities established by the Greek government, taking account of EU priorities. Broadly speaking, these were to improve living standards in rural and other disadvantaged areas in a first period, in a second period to develop major infrastructure networks as the foundation for sustainable economic development, and now in the third period to shift the focus still further towards maintaining and developing business activity in the face of growing competition within the internal market. More attention is paid in recent plans to the renewal of the major conurbations, to ensuring the inclusion of Greece in the **information society**, and more broadly to expanding high value added activities, including **research capabilities**.

In relation to **transport**, two main road highways connecting the country from east to west and north to south are well advanced, and should be completed before the end of this decade. Between 1994 and 1999, 681 km were completed, with 851 km completed by 2003. Communications in the Athens area are transformed by the completion of a ring road (65km), by a new Airport, by a metro (24 out of 32 planned stations already in service including a connection to Athens International Airport) and by a new tramway system.

With the help of the Structural Funds, **natural gas** was introduced to Greece (1,300 km of pipeline and 20 natural gas stations) and renewable energies, especially wind energy has been promoted. The third Community Support Framework is preparing the ground for the integration of the gas network with transit through Greece from Turkey to Italy and markets elsewhere in the EU.

As regards investment in **human capital**, universities and research laboratories have been considerably developed, responding to the need to develop tertiary education. They can now offer competence centres to an international standard in several fields. School teachers have been retrained to support a modernised curriculum. A wide-ranging reform of labour market services is in progress, introducing individualised training schemes, life-long learning, and better adapting the offer of training to genuine market needs.

Regarding the **environment**, investment has helped Greece to comply with the provisions of European environmental directives. From a situation in the early 1980s where there were almost no environment facilities in place, by the end of 1999, 50% of the population was connected to sewers and 45% were serviced by waste water treatment plants. Further progress has been achieved since then and the target is to reach 75% of the population by the end of the current programming period

Good Governance

The impact of the Structural Fund planning and implementation procedures on Greek public administration has been significant. New institutional frameworks were introduced to implement the Structural Funds in Greece, in particular with a major reform in 2001. Amongst the most important reforms introduced, but still to be consolidated, are the legal frameworks for the production of public works, for environmental management, and in general for the audit and control of the integrity of public expenditure. Under the pressure of the requirements of the Structural Funds, **modern management methods** are being introduced progressively and will have positive spillover benefits across the entire Greek public administration.

A particular challenge has been to acquire the skills for the **long term planning** of major structural projects. A great deal of progress has been made in relation to transport infrastructures, especially road and rail, but challenges remain in relation to environmental investments, and "soft" investment in know-how capabilities. Nevertheless, there is a steady improvement in the capacity of the public administration to work for long term goals on a consistent and professional basis. The success of the organisation of the Olympic Games needs to be replicated in other areas.

Partnership skills are another area where improvement can be signalled. The Monitoring Committees in Greece are an effective vehicle to ensure the dissemination of information and participation of a wide range of stakeholders. However traditional attitudes to public-private partnership have still to evolve to reflect good practice elsewhere.

SPAIN

Spain is the principal beneficiary of Structural funding, accounting for 23.4% of total Structural Funds. This share increases to 26.6% of total funds allocated, if we take into account the Cohesion Fund, for which the amount allocated to Spain is 62% of the total.

A sustained effort towards convergence and employment

Between 1995 and 2002 (EU15), GDP per capita in Spain increased from 78.2% to 84.2%, i.e. a reduction in the discrepancy of six points. **In 2003, GDP per capita in Spain was about 98% of the European average (EU25), with certain major disparities**, such as for example the Madrid region (128.3%) whose level of wealth is twice that of the Extremadura region (61.5%).

Over the 1995-2003 period, the annual rate of increase in GDP per capita was 3.5%, i.e. on average 1% higher than the community average (2.4%) for the EU15. **The macro-economic impact of Structural Funds in Spain has been particularly significant: It is estimated that Spanish GDP has increased over this period by an annual average of 0.4 points above the level it would have achieved without community aid.**

During this period, several Objective 1 regions achieved an annual GDP average variation far higher than the national average, thereby reducing the discrepancy between the Spanish regions and the European average. This was the case for Murcia (4.6%), Canarias, (4.4%), and the Comunidad Valenciana (4%). Less developed regions also experienced positive growth to a lesser extent, as in the case of Andalucia (3.6%) and Extremadura (3.5%).

Some of the regions eligible for Objective 2 funding also had a higher average annual increase in GDP than the average for Spain, as was the case, for example in the Balearics (4.5%).

Improvement in the labour market with the presence of disparities

Owing notably to greater flexibility in the labour market, Spain has considerably reduced its unemployment rates over recent years, which fell from 17.5% in 1992 to 10.4% in 2004.

This is mainly explained by the high increase in the employment rate in Spain's Objective 1 regions (approximately +3% per year), i.e. higher than in the rest of the country.

Nevertheless, in spite of this progress, **Spain still has a higher unemployment rate than the European Union average EU25 (8.9% in 2004),** with very high levels in certain Objective 1 regions, 18.6% in Andalusia and 17.4% in Extremadura, i.e. three times higher than the level recorded in the Navarra region (5.5%).

For the 1994-1999 period, it is estimated that the number of jobs created through the FEDER was in the order of 300,000, i.e. a 1.5% increase at the end of the programming period, compared with a situation with no Structural Fund intervention.

According to regional data, between 1994 and 1999, the Objective 2 programmes have helped to create or maintain nearly 175,000 jobs and have enabled 600,000 people to benefit from professional training.

Investments made using Structural Funds have has a direct influence on competitiveness in the Objective 1 regions. It is estimated that investments have been 9.1% higher as a result of funding interventions.

Improvement in the accessibility of Spanish regions

Significant results have been obtained in the modernisation of transport infrastructures, which were originally identified as being the principal bottleneck for economic development. A very clear reduction can be observed in disparities in the area of road and motorway infrastructures, between Spain and the rest of the EU15 on the one hand, and between the Objective 1 regions and the Spanish average on the other. Thus over 14,000 km of roads and motorways have been built or improved using Structural and Cohesion funding.

Nevertheless, the remoteness of the country, natural handicaps and an unequally distributed population still constitute factors which obstruct the development of various modes of transport. Intermodal connections are still required within the national network, but also with the international network, as well as improved interoperability.

The fact of having focused community aid on key factors for growth potential, such as basic infrastructures, has made it possible to open up Spanish regions to one another and to promote better integration of the Spanish economy in the internal market.

Strategic priorities

A particular effort has been made **to improve transport and energy networks mainly in interconnection with trans-European networks.**

In spite of the progress achieved, R&D and innovation expenditure still remain poor (1% of GDP in 2003), compared with the community average (1.9%). The Spanish regions which exceed the national average are Madrid (1.7%), Euskadi (1.3%) and Catalunya (1.1%), whereas the Balearics and Castilla La Mancha achieved more mediocre scores. Furthermore, only 55% of investments in R&D in Spain are financed by the private sector, compared with 65% in the EU25.

This is now having direct consequences in terms of the competitiveness of the national economy, particularly for small and medium-sized enterprises, which form the main fabric of Spanish production.

Strategic choices under the Community Support Framework for Objective 1, over the 2000-2006 programming period, have taken this situation into account. Particular emphasis has thus been placed on the issues of knowledge society in relation to the 1994-1999 programming period (Innovation, Research and Development and the Information Society).

Under Objective 2, programming documents for the 2000-2006 period have also placed greater emphasis on innovation.

Strategic priorities have also included a greater integration of the environment in regional development policy. Resources allocated to the environment and sustainable development have increased significantly in two activity sectors, i.e. the environment and nature, but also integrated management of water resources.

Good governance

Structural Funds have made it possible to both improve coordination between the various national and regional administrations, but also to have an integrated vision of the regional development process. This situation has made it possible to achieve higher quality in the development as well as the implementation of programmes, **which is notably reflected in a satisfactory level in the utilisation of funding.**

Significant progress has been made in terms of the programme monitoring mechanism, with the help of the "Fondos 2000" integrated monitoring system, which has facilitated the precise collection of financial and physical indicators.

During recent years, we have witnessed an improvement in the operation of the partnership between the regions and the central state, but also a greater involvement of social partners, which is reflected by their greater presence in monitoring committees.

This development was highlighted in the context of mid-term assessments for the 2000-2006 programming, which incited active participation and clear interest from the regions, which enabled them to gain a more global and transparent vision of regional development policy in Spain.

Likewise, this joint learning process has been developed through regional innovation and information society strategies, RIS-RISI pilot actions which have encouraged the commitment of regional participants to place this area at the centre of their development strategy.

FRANCE

The GDP per capita figure for the whole of France - 113% of the EU 25 average (2002) – conceals long-term regional disparities not only between the overseas territories, where GDP per capita is only 62%, and metropolitan France, but also within the country (Corsica has a level approaching 87%, but this is half of the level in the Île de France region).

Excluding EIB loans, the total amount of Structural Funds allocated to France totalled: **6,941 M ECU** (at current prices) during the **1989-93** period, **14,939 M ECU** (at 1994 prices) during the **1994-99** period and **€15,669 M** (at 1999 prices) during the **2000-06** period. For the 2000-06 period there are 27 regional programmes, including four Objective 1 programmes, two Objective 1 transitional aid programmes, and 21 Objective 2 programmes; three national programmes including the Objective 3 programme, the national IT programme and the national technical assistance programme; 9 URBAN II programmes and 19 INTERREG III programmes.

Convergence and economic restructuring

In the **Objective 1** regions, during the 1995-2001 period, GDP per capita increased in all of the regions except Guyana. Furthermore, community funds made a significant contribution to **improving physical accessibility in these regions** (e.g. the airport in Guadeloupe). In the **Objective 2 regions**, Structural Funds contributed to **offsetting the consequences of industrial decline**. According to *ex post* evaluations, they made it possible to create or maintain 162,000 jobs during the 1989-1993 period and 402,000 during the 1994-1999 period.

Strategic priorities

Application of **Structural Funds has resulted in the establishment of truly territorial development strategies.** There has been a changeover from an initial situation in which the regional strategy was simply the regional administration's or Council's plan that did not cover all the regional actors, into a more multi-level planning situation, combining all the regional strategies and players (region, departments, municipalities, socio-professional categories, etc.).

The qualitative shift of structural policies The emphasis that Structural Funds place on the need to specifically target interventions to community priorities has in certain cases made it possible to move structural policies in new, innovative directions. The most notable example of this is that of applied research and the development of NICTs. In addition, it is worthwhile highlighting the concentration of interventions in areas connected with economic development based on knowledge, which amounts to 28% (20% of which in education) for Objective 1 and 31% (13% of which in education) for Objective 2.

The development of strong complementarities with other national programmes in terms of both instruments, such as State-region – CPER – plan contracts, which had been altered to accompany the 1982 decentralisation, and city contracts, as well as mobilised resources (leverage effect on public and private funding).

Improvement of governance

Decentralisation. Structural Funds have resulted in application of measures promoting decentralisation, such as:

- experimentation in Alsace, where as from 1st January 2003, the Alsace Regional Council became the Managing Authority and Paying Authority for the Objective 2 DOCUP;

- the global subsidies mechanism enabling certain Regional Councils to manage part of the Structural Funds. For example in the Auvergne, the Regional Council manages around 80% of the Objective 2 DOCUP.

Partnership. In all the programmes, partnership is an essential part of the management, monitoring and evaluation of public policies. At the regional level, the structural funding mechanism has enabled regional actors (State, Region), in a certain number of cases, to improve their capacity to introduce territorial programme partnerships. This interconnection of partners also extends beyond the management of Structural Funds to other areas of public action. However, participation of partners other than the institutional partners still remains limited.

Improvement of management systems. Based on management by objectives, the community method has helped administrations change from resource focus to a results focus. Structural Funds have financed the introduction of an IT network (**PRESAGE**) to manage, monitor and assess community programmes. Furthermore, Structural Funds have encouraged the establishment of control systems independent from Managing Authorities.

Contribution to assessment and improvement in the quality of interventions. Structural Funds have played a catalysing role in the development and consolidation of an assessment culture in the French administration. This has enabled the French authorities to undertake *ex ante* and mid-term assessments in accordance with quality standards, resulting in more focused objectives and indicators for the 2000-2006 period. The take-up of this approach in management of Structural Funds has gradually extended to other areas such as CPER and city contracts.

IRELAND

From 1989 to 1999, Ireland was the largest beneficiary of Structural Funds as measured by the amount of resources per head of population. Between 1989 and 1999, Ireland received €10.7 billion from the Structural and Cohesion Funds.

Structural and Cohesion Fund allocations to Ireland were reduced for the 2000-2006 period, given the extraordinary progress made in earlier years. EU transfers of nearly €4 billion represent an annual average of 0.6% of GDP. This is supplemented with considerable public resources being channelled through the National Development Plan, total structural expenditure amounting to 7% of GDP.

For 2000-2006, Ireland has been split into two regions. The Border, Midlands and West region maintains Objective 1 status for the 2000-2006 period, while the South and East region is Objective 1 phasing out.

Convergence and Economic Restructuring

Ireland's **high growth rates** between 1995 and 2001 are legendary at this stage. In 1988 Ireland's GDP per capita was 64% of the EU average. By 1994 the corresponding figure was 91% and the Irish economy had taken off. The most spectacular growth rates were seen in the 1994-2001 period at the end of which GDP per capita was 118% of the EU average. Ireland's GDP per capita was 133% of the EU25 average in 2002. Unemployment levels, above 16% in 1988, reduced steadily from 1994 to 4.5% in 2003. Average annual employment growth between 1995 and 2001 was 5% and average productivity growth in the same period was 4.2%. There was some slowdown in the economy since 2001, reflecting the global economic downturn, but the economy remains strong.

The impact of the first two Community Support Frameworks (EU funding alone 1989 to 1999) is estimated to have raised GNP by 3% to 4%. The current CSF will have an impact on the level of GDP estimated at 1.8% in 2006. Recent estimates provided by the mid term evaluation of the CSF (using the more detailed HERMES model) suggest that the beneficial long-term effects from the combined total public and EU investment are greater than was estimated previously. The initial impact on GNP of CSF expenditure between 2000 and 2002 is 1.4% in 2002. By 2015, this effect is halved to 0.7%. This relatively strong long-run effect is due to the concentration on infrastructure and human capital in the CSF, both of which sectors have high rates of return.

One of the most important elements of added value of the Structural and Cohesion Funds in Ireland was that they provided injection of resources at a time when public expenditure was at an all time low which **kick-started the growth** of the economy.

This is evident in particular in the **employment creation** figures. Across the 1994-1999 CSF, the target annual gross jobs created target of 20,000 was exceeded and 35,479 gross jobs were created per year. Net job creation as a result of the Industrial Development Operational Programme is estimated at 11,000 per annum over the 1994-1999 period, compared to an average annual net employment growth in the economy of 74,000.

Strategic Priorities

Despite the transformation in the economy, deficits persist and are being addressed in the current programming period in infrastructure (transport in particular) and in indigenous industry and in R&D capacity.

As regards **transport**, significant improvements have been achieved since 1989, starting from a low base of an inadequate stock of infrastructure. By 1999, time savings were evident on major road corridors (189 minutes on four key corridors) and significant increases in rail, air and sea passenger numbers had been achieved. The accelerated modernisation of basic infrastructure has stimulated indigenous economic development and attracted foreign direct investment. In spite of the positive developments, however, the growth in the economy has put further pressure on transport infrastructure.

Investment in **human capital** has been a long-term priority in Ireland and has been supported by the European Social Fund since accession in 1973. Throughout the three funding periods under consideration, investment in human resources has been accorded a high priority. Significant improvements have been achieved in the proportion of the population with upper secondary education (76% in 2001 compared to 42% in 1991) and the proportion with third level education (48% in 2001, up from 20% in 1991). Vocational training and development has also been supported and innovative programmes designed for special target groups, including early school leavers and the long term unemployed. Evaluation has shown that this investment, supported by the Structural Funds in addition to national resources, has brought about a very substantial increase in the total labour force, both skilled and unskilled.

As regards **R&D**, gross domestic expenditure as a percentage of GDP was 1.17% in 2001, up from 1.04% in 1992, but still significantly below the EU15 average of 1.98%. However, the increase in expenditure was substantial, given the very high growth in GDP during this period. A further important change, promoted by the Structural Funds, has been the shift in balance between government and business funding for R&D. While government supported 60% of R&D activities in 1982, it was industry which funded 60% of such expenditure in 2001.

Good Governance

Ireland has a background of a strongly centralised economy. Regional bodies have not had significant powers. Between 1989 and 1999 the entire country was treated as one region for Structural Fund purposes. For 2000-2006, the country has been split into two regions – the South and East is now Objective 1 in transition. A **spatial strategy** for the more balanced development of the economy has been announced and its implementation is an ongoing challenge.

Multi-annual programming has strengthened **macro economic stability** and facilitated long term investment transport and environmental infrastructure.

Social **partnership** formed the backdrop to Irish economic development since 1987. This partnership was strengthened through Structural Funds processes and was extended to include the community and voluntary sector as a result of their involvement in Structural Funds.

Evaluation capacity has developed through the Structural Funds. A strong evaluation culture now extends across public policies in general.

The management of the Structural Funds has enhanced **transparency and accountability** in Ireland. Detailed information on the implementation and impact of public programmes has been made public, which has allowed for more informed public debate on the development of the Irish economy.

ITALY

Italian GDP per capita of 109% of the EU25 (2002) average hides the North South divide. Some of the Northern regions are the richest in the EU (at levels of over 130%), while growth in the South, the Mezzogiorno, lags significantly behind at only 74% of the EU25 average. The economy of the South is still characterised by the persistence of the high unemployment, low activity rates and a large underground economy. In contrast, Centre-North regions have been characterised by a strong export-led economy.

From 1989 to 2006, Italy will receive over €60 billion from the Structural Funds, €10.5 billion between 1989 and 1993, €19 billion between 1994 and 1999. For 2000-2006, €30 billion has been allocated. The support is delivered through 14 programmes for Objective 1, 11 for Objective 2 and 15 for Objective 3, as well as Community Initiative programmes, INTERREG, URBAN and EQUAL.

Convergence and Economic Restructuring

From 1995 to 2001, GDP grew at a slightly higher rate for the Mezzogiorno than for Italy as a whole, leading to some convergence between the South and North. However, Italian growth lags somewhat behind the EU average and the euro area average.

Within the Mezzogiorno there is significant variation in performance between the eight regions. Abruzzo is no longer an Objective 1 region, while Molise is phasing out of Objective 1 status. Basilicata and Sardegna are making good progress during the current period and will phase out of Objective 1 during the next funding period. Of the four remaining regions, the most recent figures available show the strongest performance in Campania and Puglia (+4.1% and +1.9% growth respectively in GDP per capita between 1995 and 2002) with Calabria following closely behind (+1.8%).

Evaluations of previous funding periods have in general found effective use of Structural Fund allocations in the Centre-North. Overall, it is estimated that 57,000 jobs were created and 137,000 jobs were safeguarded with the support of the Structural Funds in the 11 Objective 2 regions over 1994-99. In the South, there has been a significant improvement in the infrastructure endowment and in the development of human capital. Evaluations conclude, however, that these widespread results had limited synergy and strategic direction and therefore they did not translate into significant growth and development.

Strategic Priorities

An integrated consistent strategy for development for Objective 1 regions has been implemented in the 2000-2006 programmes in contrast with the poor strategic dimension of 1994-99 programmes, following the centrally managed and sectorally and project based regional development policy inaugurated in the South in the 1950s. **A stronger strategic dimension** to planning has been introduced through the Structural Funds with the discipline of multi-annual planning.

Bottom-up strategy. An innovative approach is provided by the Integrated Territorial Projects, which were first developed during the 1994-1999 period. These projects are an example of bottom-up local development and involve the sharing of a development strategy and the co-ordination of actions between regions and local administrations.

Concentration on priorities. The current programming period has supported more integrated development which has led to a **greater concentration** of resources on targeted needs. In the current programming period, the Structural Funds have supported a greater focus on certain strategic priorities, thus modernising the policy agenda. In Objective 1, this has involved the development of specific strategies in relation to the environment, research and innovation, the information society and transport. These strategies were developed during the first 3 years of the current programming period and they will supply the over-arching structure which was missing in previous funding periods. In Objective 2 regions, an area where the Structural Funds have already had a strong impact is in the development of R&D actions, particularly in encouraging links between companies and research bodies.

Good Governance

Capacity building: The Structural Funds have had a direct impact on administrative capacity through the planning, design and management requirements which accompany the resources. The contribution of the Community to the development process in Italy has, therefore, been substantial in terms of enforcement of rules and raising the standards of management in the public administration and in developing better governance structures in Italy.

The Structural Funds have promoted a **dynamic of learning** leading to the development of **administrative capacity** in the regions which now have responsibility for 75% of funding. The development of capacity has been institutionalised in the programmes with clearer objectives, targets and resources set out and further financial rewards available for good performance.

Fostering evaluation. An evaluation culture is developing throughout Italy with the creation of evaluation units at central and regional level. This is feeding through into more targeted programmes and higher quality implementation systems. Greater **accountability and transparency** is achieved compared to the past.

Partnership. A new approach to partnership with local and regional social and economic partners is now institutionalised in the monitoring committees.

The **performance reserve** of the Structural Funds was supplemented by the Italian authorities with additional resources. It became a powerful incentive to support administrative and institutional reform.

LUXEMBOURG

The 450,000 inhabitants of Luxembourg **lead the European Union in terms of GDP per capita**: in 2002, it was 213% of the community average (EUR25).

If **unemployment is low there** compared with the community average, it has nevertheless risen slightly: 2.1% in 2001, 2.8% in 2002 and 3.7% in 2003.

Despite the small territory it is nevertheless possible to observe certain differences between the regions of the Grand Duchy. The south of the country is more industrial and urban, whereas the north and east are more rural and tourist-oriented. In employment terms, the balance between the regions remains marked by the highly contrasting position of Luxembourg city, the services employment centre, compared with the south of the country, the industrial employment centre.

Since 1989, financial aid from the Union allocated to Luxembourg through in accordance with regional policy has remained limited – **nearly €300 million**: €78 million for the 1989-1993 period, €103 million (i.e. and increase of over 30%) for the following period and €93 million for the current programming period.

Approximately one half of its territory is eligible for Objective 2 funding, and the Grand Duchy also benefits from an Objective 3 programme for the entire territory.

Cohesion and economic restructuring

The soundness of Luxembourg's national economy is the result of a **long restructuring effort which has mobilised community funds**, particularly in the context of the European Development Pole programme (cross-border project between the Grand Duchy, France and Belgium). This project resulted in the creation of 1,682 jobs in Luxembourg and the development of a 116 hectare site for knowledge based industries.

During the 1994-1999 period, 700 jobs were created through Objective 2 funding and nearly 4,800 people took part in actions co-funded by the European Social Fund. For the current programming period, the Objective 2 programme aims to improve the situation for businesses, particularly SMEs, by improving start-up rates, promoting the integration of new technologies and encouraging the development of a suitable environment (host infrastructures, services, etc.): **Some 1,000 businesses should be covered by these actions between now and 2006**. In employment terms, the aim is to maintain or create posts in essential sectors, whilst reducing the number of commuters and the amount of unfulfilled job demand, particularly for young people, women and the long-term unemployed.

Strategic priorities

In spite of the healthiness of the economy, certain problems persist and require particular attention: depopulation in rural regions, which can only be limited with support for and maintenance of economic activities and jobs, the difficulty of integration of certain socio-economic groups into the labour market , along with the problems of redevelopment and remediation which confront the steel-producing areas of the south.

For several years, structural intervention by the European Union has aimed to tackle these difficulties.

However, **for the 2000-2006 period, "horizontal" community priorities are also being taken into account:** research and development, the environment and equal opportunities have thus been integrated in the Objective 2 DOCUP (creation of an R&D centre and an environment centre and consideration of equal opportunities on a project by project basis).

Improvement of governance

The implementation of the last Objective 2 programme thus focused on a "bottom-up" approach in terms of the management of calls for projects, thus opening the way for **broader partnerships** incorporating local authorities.

Project selection is now more rigorous, owing to a mechanism which includes all of the technical ministries involved. **Mid-term assessment has thus made it possible to review and improve the system of indicators.**

THE NETHERLANDS

The Netherlands is **a wealthy country** with a strong economic performance despite recent difficulties. In 2002, GDP per head of population stood at 122% of the EU25 average. The Netherlands has been allocated **almost € 8.4 billion Structural Fund assistance since 1989**.

The current Structural Fund programmes consist of one Objective 1 programme (phasing out) for Flevoland and four Objective 2 programmes (the city programme, Oost-, Zuid-, and Noord Nederland) as well as one Objective 3 programme.

The planned expenditure 2000-2006 is mainly directed towards Objective 3 (51 % i.e. €1.7 billion) and Objective 2 (24 % and € 0.8 billion) with only 6% directed towards Objective 1. In most programmes, the Community and national contributions are balanced with differences in terms of private leverage effects. While the private contribution to the Objective 3 programme is close to zero, it is nearly 15% for Flevoland and nearly 20% for Objective 2.

The eligible population **is 2.7 million people i.e. 17% of the total population**: 290,000 live in the Objective 1 phasing out region; 2.4 million are covered by Objective 2.

Convergence and Economic Restructuring

The economy of the Netherlands is undergoing a difficult period following buoyant growth in the late 1990s. Rapid structural adjustments, strong reductions in unemployment and increased cohesion were achieved up to 1999. An export driven recovery is expected, in 2005, which will improve the context for Structural Fund programmes.

Regional disparities reveal **a clear trend towards internal convergence**. All regions except one experience an increase in GDP per head in terms of the EU15 average when comparing 2001 with the average 1999/2001. Flevoland, the only Objective 1 region (phasing out) recorded by far the highest average growth rates (5.8%) among all Dutch regions in the 1995-2001 period. With ratios between 71% and 76%, the employment rate in the Dutch regions stood substantially above the EU15 average (64%) in 2001. While unemployment of 3.8% in 2003 has deteriorated slightly, it is still only half of the rate for EU25.

The impact of Structural Fund interventions on the development of Flevoland is significant either in terms of income or in terms of employment. An increase in GDP per capita from 75% of the EU average to more than 82% was achieved in 2001. Employment grew at a rate that was between 2 and 3.5 points faster than the national average. The Objective 1 programme contributed to the **creation of 16,342 jobs** between 1994 and 1999. At mid-term in the current period, a continuation of the positive impacts for the last period can be observed, but at a slower pace and at a lower intensity, given the more difficult economic climate.

Unemployment in **Objective 2 regions** decreased sharply between 1994 and 1999, down at least four percentage points. A remarkable structural shift took place simultaneously, from the manufacturing to the service sector. An estimated **88,500 gross jobs were created or saved** and about 13,000 SMEs received assistance. As a result, Dutch Objective 2 regions started the new programming period with **substantially strengthened economic structures**, notably as regards the sectoral composition as well as in terms of innovation and cooperation. Latest data available reveal that all four Objective 2 programmes exceeded their performance targets. Between 1994 and 2003, **135,500 jobs have been created or saved** with Structural Fund support.

Strategic Priorities

An important impact of the Structural Funds lies in **stimulating private investment and innovation,** underlined by the frequently massive over-subscription of innovation related measures. A strong momentum is evident in RTDI measures with high absorption rates and high rates of private co-financing. The RTDI strand has grown in importance under Objective 2 in particular with strong performance starting in the second half of the 1994-1999 period and all targets achieved. This performance has been built on in the current programming period.

In Objective 1 for 1994-1999, transport was a priority, **contributing to enhanced accessibility of the region**. As planned, 18.5 km of road was constructed. In 2000, 45,000 vehicles per day used the new infrastructure.

Good Governance

Delivery systems are overall characterised by a strong participation and ownership in partnership structures, playing their role as motor and animator for the programmes. Financial management works well but there is room for improvement in reporting on effectiveness. Regarding the still frequent complaints by project developers concerning administrative over-burden, the introduction of a simplified system for small scale projects is under discussion.

Aspects of community added value which can be highlighted are:

- The Structural Fund programmes stimulate good practice in relation to **design, partnership and capacity building as well as networking** in all its different forms.
- The strengthened **common responsibility of project partners** has resulted in a good balance between the demand for quality of projects and the provision of supportive/facilitating structures.
- The **exchange of ideas and good practices** ranging from strategy design to single measures and actions has been positive.
- Improved **coverage, function and precision of management tools** are evident, notably for monitoring and evaluation. The Community approach emphasised the importance of mainstreaming the **horizontal themes**.

AUSTRIA

Austria is one of the more prosperous EU Member States, with GDP per capita at 123% of the EU25 average in 2002 and an unemployment rate of 4% in 2003 (below the EU average). However, considerable **socio-economic disparities** exist at the regional level, with Vienna's GDP per capita at 174% of the EU25 average in 2002 and two regions having GDP per capita below the EU25 average. In recent years, Austria experienced a significant slowdown of national GDP growth from 1.4% in 2002 to 0.7% in 2003. However, growth is projected to accelerate up to 1.8% in 2004 and to 2.5% in 2005.

As Austria joined the EU in 1995, financial assistance from the Structural Funds was guaranteed in the 1995-1999 period (€1,174 million in current prices) and continues during the current 2000-2006 programming period (€1,712 million – in current prices - allocated mainly to one Objective 1 and eight Objective 2 programmes):

- **Burgenland, covered by Objective 1**, is the least developed Austrian region with GDP per capita of 76.2% of the EU15 average in 2001 and internal discrepancies in economic growth. Because one third of the labour force works outside the region, the unemployment rate is lower than the Austrian average.

- The main challenges in the **eight Objective 2 regions** are low investment in research and innovation, a high unemployment rate affecting disadvantaged groups, as well as unbalanced economic development between rural and urban areas.

Interregional co-operation is an important factor in Austrian regional policy, because of its geographic location (borders with 8 countries) and the recent EU enlargement. The **INTERREG III Community Initiative** represents 10% of the total Structural Fund allocation.

Convergence and Economic Restructuring

Between **1995 and 1999**, the Burgenland **Objective 1** programme had a positive impact on regional GDP in relation to national GDP. The programme contributed approximately 5% to the average annual regional GDP of Burgenland. Without the Structural Funds, Burgenland's share in Austrian GDP would have been at 2.08% in 1997 (instead of 2.19%) and at 2.1% in 1999 (instead of 2.2%). The Structural Funds also had a positive impact on the labour market: **2,389 new jobs** were created due to the programme and the **unemployment rate was reduced by 0.5-0.6%**.

The socio-economic problems of the region are complex and deep-rooted to be comprehensively solved during a relatively short time period (only 8 years since accession) and with limited financial recourses. However, recent development trends show a further **increase in regional GDP** per capita in relation to the EU15 average: it rose from 68% of the EU average in 1995 to 76.2% in 2001. A further increase is forecast for the coming years. Structural Fund interventions continue to contribute to **job creation** (e.g., in the tourism sector, 206 new jobs were created by the end of 2003). They have also stimulated and attracted additional national and private resources. The **leverage effect on private expenditure** in Burgenland is the highest among EU Objective 1 regions - €1.76 per €1 from the Structural Funds.

As regards **Objective 2**, in 1995 the unemployment rate in three of the four Objective 2 regions (Styria, Upper Austria and Vorarlberg) was 1 percentage point higher than the national average. In 1999, the unemployment rate in these regions was just 0.1 percentage point above the Austrian average. **6,700 new jobs were created** by 1999, concentrated in industry and tourism. By the end of 2003, in Carinthia, an additional 825 new jobs had been created– 75% of the target for 2006. These positive results must be viewed in a wider context and in a long-term perspective. More important that the number of jobs created is the **quality, sustainability and dynamism** of this process in Austria in pursuing strategic priorities, such as SME development, innovation, and research and development. This perspective represents a potential for continuous and sustainable socio-economic development in the future.

Strategic Priorities

A **stable financial framework** has supported long-term policies in favour of the regions affected. The possibility of a medium-term planning framework has facilitated **a strategic approach** compared to resources planned on an annual basis.

Structural Fund interventions have contributed to the fulfilment of strategic priorities in the Objective 1 and 2 regions. One of the priorities was **re-orientation of national industrial structures to more technology and innovation oriented sectors** by supporting development of business infrastructure, technology centres and innovation clusters. Positive results have been achieved by financing cooperation and networking projects between research institutes, universities and businesses. Between 1995 and 1999, 300 R&D projects were supported (for example, a regional network of technology centres in Styria and a network of internationally oriented Technopols in Lower Austria). By the end of 2003 in Lower Austria, 18 co-operation projects between research institutes and universities were established (e.g., the Regional Innovation Centre – RIZ, with a special focus on biotechnology) and 60% of the business networks planned for the 2000-2006 period were already in operation. Some examples of successful projects are the Co-operation Network "Clusterland" or the Hagenberg Software Park in Upper Austria, Business Incubator Vorarlberg, Technology Centre in Eisenstadt and the Energy Competence Centre in Güssing.

SME development in the Objective 1 and 2 regions plays a crucial role in building a competitive economic structure based on innovation, research and development. In the 1995-1999 period ERDF interventions focused on direct support to start-up businesses. Over 1,000 businesses, mainly SMEs, received support (200 in the tourism sector) as well as 26 SMEs incentive centres (mainly in Styria) and 11 industrial parks (mainly in Lower Austria) were established. Around 85% of the total ERDF allocation of the current programming period is targeted at SME development and, compared to 1995-1999, there is a shift from direct to indirect support (e.g. ERDF support to a wide network of technology and economy-science centres in Upper Austria or Burgenland).

Human resources development measures in Objective 1 and 2 regions have played an important role in improving qualifications of the labour force. Between 1995 and 1999, 19,000 training programmes were organised for unemployed people and 11,600 for people employed in 2,300 companies; 692 student places were supported. The support continues during the current programming period with a focus on lifelong learning and qualification projects for entrepreneurs and employees as well as for unemployed and disabled persons.

As regards the **interregional co-operation** financed by INTERREG, the main results were achieved in the field of **tourism development** and **protection of the environment** (e.g. the Habitalp project, EcoBusinessPlan project).

Good Governance

While the 1995-1999 programming period was considered in Austria as a learning process, a clear shift to a more **strategic approach** was evident in preparation for the current programming period. The **partnership principle** has been extended by involving socio-economic partners and external experts in developing programmes and monitoring implementation. **Institutional networking** and **co-operation** between federal and regional governments (especially via ÖROK – the Austrian Conference for Spatial Planning) has been strengthened. Management issues common for the supported regions (evaluation, monitoring) are centrally co-ordinated, which enhances exchange of experience and best practice. A common minimum set of indicators used at each programming level allows for comparison of progress in different regional programmes.

The Community Initiative INTERREG played an important role in the **creation of institutional co-operation across the borders**, e.g. by the establishment of EUROREGIOs, opening up new areas of intervention for Regional Development Agencies and co-operation within a network for environmental friendly mobility in the Alps. Geographical and multisectoral development of co-operation networks along the borders with the new member states where cross-border co-operation barely existed before would not have evolved, or at least not to such an extent without the EU support. While co-operation with administrative stakeholders from the new member states was sometimes hampered by financial and procedural incompatibilities between INTERREG and the PHARE CBC Programme, the experience gained so far can now be built upon in the enlarged EU.

PORTUGAL

According to the principal economic indicators, **Portugal falls below the community average**. In 2002, its GDP per capita amounted to 75% of the Community average (EU25).

Portugal is one of three countries entirely eligible for assistance under Objective 1, although the Lisbon region and the Vale do Tejo only receive transitional aid. Between 1989 and 2006, Portugal will receive nearly €50 billion of Structural and Cohesion Funds: €9.4 billion between 1989 and 1993, €17.6 billion between 1994 and 1999 and €22.8 billion during the current period. **Community transfers account for an annual average of 3% of GDP and 7% of the country's total investment**.

Convergence under way but still fragile

A sustained convergence effort: over the past fifteen years, GDP in Portugal has increased at a higher rate than the community average. From 1995 to 2001, its annual average growth rate was +3.5%, enabling it to reduce its GDP per capita discrepancy by five points (71% in 2001 compared with 66% in 1995, EU15).

However, **convergence remains fragile**: in 2003**,** after several years of progress, the GDP per capita index returned to its 1998 level. Likewise, differences appeared between regions of the country. Whereas Lisbon and Vale do Tejo have now surpassed the community average (at 112%), Madeira (with 90%) and Algarve (81%) remain far behind it, in spite of having made progress. Of the 4 other regions (Açores, Alentejo, Centro and Norte), only the Azores has a growth rate which exceeds the community average (+3.9% from 1995 to 2001).

Community interventions had a significant impact in terms of growth : over the 1994-1999 period, **the impact of the Community Support Framework is reflected by an increase of 4.7% in GDP and 25% in national investment**. The physical capital stock increased by 15% whilst the human capital stock (measured by the number of trained workers) increased by 20%. Research by the Department for Planning and Prospective Studies demonstrated that from 1994 to 1999, growth in the volume of employment made it possible to **create 77,000 jobs**.
An ex-post assessment report has made it possible to establish that between 1993 and 2002, the Cohesion Fund alone had an impact of +0.4 to +0.5% on GDP and between +1.7 and +2.1% on national investment. Its contribution to trans-European transport network projects has been estimated at 12% for motorways and 78% for railways.

However, the **educational levels attained by the Portuguese population remain inadequate,** in terms of the objectives of the Lisbon strategy: only 9.3% of the population have higher education qualifications (compared with 21.8% for the EU15).

Growth remains limited owing to structural handicaps such as an inadequate scientific and technological base (in spite of undeniable progress) and poorly qualified labour.

Strategic priorities

The introduction of the concept of programming has enabled Portugal to **clarify its strategic choices and improve the integration of its national policies.**

As a result, **it has been possible to focus Community aid on key factors for growth** such as transport, energy and telecommunications infrastructures (which receive over half the funding). The economic geography of the country has radically changed, making previously extremely isolated areas accessible.

The road and motorway networks have developed considerably over the 2nd programming period (1994-1999). **The Portuguese motorway network,** whose density was around 40% of the community average in 1991, **is now denser than anywhere in the EU,** thus reducing average journey times by over 20%. Over the same time, the electrification of railways increased from 14.7% to 32.1%. Substantial progress has been made in the area of telecommunications, where the number of lines per 100 inhabitants increased from 33.1% in 1994 to 43.1% in 1999, whilst digitisation forged ahead (100% compared with 59%).

Community funding also constitutes a powerful lever in the implementation of environmental directives: the situation has greatly improved in the country owing to the massive construction of waste and water treatment systems. The proportion of the population connected to the drinking water network has thus increased from 83% to 95% between 1993 and 1999, and 100% of the population should be supplied between now and 2006.

Improvement of governance

The methods used for implementing structural funds have made it possible to initiate a modernisation process in public administrations, which has had positive consequences on the national economy. The implementation of certain major projects has been facilitated by the search for innovative organisational solutions.

Effective management of Community funding made it possible to achieve an implementation rate of over 70% at the end of 2003. The principle of additionality has been respected: public investment expenditure (excluding Structural Funds) has increased by 18% over the 1994-1999 period and by 2.4% from 2000 to 2003. Likewise, **the leverage effect is significant, with €0.46 of private funding for €0.60 of public funds invested**.

An active partnership has been established between the national authorities and the European Commission, initiating a process of decentralisation of skills to the regional level. For the island regions of Azores and Madeira, a model approaching regional autonomy has even been established.

Structural Funds have also facilitated the introduction of rigorous administrative management systems, in both the central and regional administrations:

- **the monitoring system has been consolidated** through increased use of quantified objectives and performance indicators;

- **the assessment culture has been extended to all administrative levels**, even if it still has to be followed up by a wider diffusion of practices for all national policies;

- **reinforced control systems have been established,** notably through the creation of specialist auditing units.

FINLAND

Finland is among the richest and most developed countries of the European Union. Its well functioning, abundant infrastructure, carefully protected environment, world class education and scientific training, places it high among the members of the EU. Its relative wealth, however, coincides with **challenges** stemming from its specific territorial setting and demographics. The country is seventh in the EU in terms of surface (338,000 km2) and it is only inhabited by 5.1 million people. Impediments related to large sparsely populated areas, the small size and isolation of communities, as well as their limited development opportunities and unemployment have been at the core of Structural Funds interventions in the country.

Finland's eligibility for Structural Funds assistance has been limited compared to other member states, and their **contribution** in GDP terms has been relatively small. Around €2,090 million has been allocated for 2000 -2006 and circa €1,650 million in 1994 -1999, which translated into around 0.2% and 0.4% of GDP respectively.

Current Structural Funds assistance is channelled through five regional **programmes**, two Objective 1 programmes in Northern and Eastern Finland, three Objective 2 programmes in Southern and Western Finland, and in the self-governing region of Åland Islands. There is one non-regional Objective 3 programme in 2000-2006. The five regional programmes cover areas inhabited by around 2 millions Finns.

Convergence and Economic Restructuring

Since joining the EU in 1995, Finland has been one of the best performing member states. Growing at an average of 3.4% during 1995-2003, it outpaced the EU average by 1.2%, and continues to fare well as the global economy picks up. Finnish growth over the past ten years translated into strong GDP per capita, at 104% of the EU15 average in 2002 (113% of EU25 average in 2003), and important job creation. Finland's employment rate of 67.7% (2003) is one of the highest in the EU. It is also quite equitable; the difference between the male and female employment rate is just 4% against nearly 16% at the European level. Unemployment remains high by EU standards, at 8.8%, but has been reduced by 6.6% since Finland joined the Union.

The overall strong socio-economic data, however, does not reflect significant regional disparities. In Objective 1 regions of Northern and Eastern Finland the GDP growth and employment rates are below the country's average, and unemployment is close to the highest in the EU, currently standing at over 14%.

All but one Finnish regions grew at between 0.5 and 1.8% faster than the rest of the Union in 1995-2001. And although only some of this accelerated growth in regions can be attributed to Structural Funds interventions only, **incentives provided by EU funded projects, especially in small isolated communities and the private investment they induced, triggered economic activity and contributed to quicker development**.

Since 1995, the EU funds, even if relatively small in GDP terms, levered important financing from private sources. During the first programming period 1995-1999, Structural Funds projects attracted €1,380 million, and a further €2,770 million is expected from non-public sources in 2000-2006.

The assessment of Structural Funds impact in Finland requires specific approach due to the particularity of Finnish regional development issues, and the design of programmes. The highlights of Finnish achievements in regional policy, supported by the Structural Funds, therefore, lie in the myriad of very successful, locally run projects with quantifiable and non-quantifiable outputs, results and impacts, which are best appreciated in a micro perspective.

Among the most tangible and visible large scale **results**, are the newly created companies and jobs. The gross employment effect of the first Structural Funds programming period 1995-1999 was 50,000 newly created jobs. During the same period 6,000 enterprises were launched. In the first three years of the current programming period, the job creation pace has accelerated by around 50%. **To date, nearly 50,000 people were hired since the launch of the 2000-2006 Structural Funds programmes, and 7,200 new enterprises were created. This compares to the target for the entire period of 78,000 new jobs and 19,000 new enterprises**.

Strategic priorities

In 2000-2006 **strategic priorities** set for Objective 1 programmes revolve around three main themes: increasing economic growth, jobs and entrepreneurship. These main objectives are to be achieved through improving the conditions for growth and establishment of business activity, diversifying business in growing sectors, and supporting existing successful companies. Healthy competitive enterprises are to create jobs and prevent social exclusion. In Objective 2 the overarching priorities are improved competitiveness, and job creation. To attain these two conditions the programmes are focused on enhancing the international standing of local companies, creating strong clusters of expertise, and generally improving conditions for entrepreneurship. Among other priorities, reinforcing the main strategic ones, is the strengthening of labour capabilities with technology expertise, developing rural areas, and improving the attractiveness of living environment.

An important non-quantifiable achievement of two programming periods of Structural Funds in Finland, in line with strategic priorities of encouraging entrepreneurship and improving international standing of businesses, has been the reinforcement of institutional **linkages between research institutions and industry**, which fostered innovation and competitiveness of the Finnish economy.

Good Governance

The introduction of Structural Funds method at all stages of regional policy design and implementation revolutionised the traditional Finnish national set up for regional development. The most important innovation was institutionalised **partnership,** which has been established between different levels of public administration (central, regional, local) and a variety of social actors. With Structural Funds, it has become an indispensable element of design and management of regional development.

The new Community approach to planning and implementation of regional policy in Finland also increased the **role of the regions** in the Finnish centralised administrative system, fostering regional identity and responsibility for local prosperity and well being. The adoption of the Community method in regional development programming introduced multi-annual, strategic, and widely consultative processes in the national context, improving the targeting of policy and the quality of interventions.

With the arrival of Structural Funds, the **evaluation culture** in Finland has been strengthened and fully embraced as an essential element of public interventions. As a result, accountability and responsibility of local actors has been enhanced and the quality of programmes and projects generally improved.

SWEDEN

Sweden has a population of nearly 9 million and one of the **lowest population densities** in Europe.

The **northern** part of the country has an extremely low population density (in the northern most areas - 3 persons per km^2). As a result, regional markets are very small and it is difficult to attract new investments. This leads to unemployment which is now higher than the national average and, subsequently, to out-migration. Some regions located in the more **central and southern** parts are dependent on traditional manufacturing industries and are undergoing social and economic conversion. Despite intensive efforts to support these areas, there is a continuing need for new know-how and policies that stimulate job creation, innovation and development of entrepreneurship. One third of the population lives in the well-developed **urban areas** of Stockholm, Göteborg and Malmö but old industrial parts and peripheries of these cities suffer high long-term unemployment, a shortage of labour force potential and increasing crime.

Sweden joined the EU in 1995. First financial assistance from the Structural Funds was provided in 1995-1999 period with an amount of €1.072 million, excluding Interreg funds. The current allocation (€2.115 million) represents an increase of approximately 40% of annual average amounts. Support is targeted on the most important challenges faced by the Swedish regions in terms of cohesion and convergence:

- diminishing the structural peripheriality of the sparsely populated northern areas,
- creating durable jobs and
- developing a competitive business sector.

Convergence and Economic Restructuring

In recent years, growth in the Swedish economy held up well relative to the rest of Europe (annual average growth of 2.9% in Sweden and 2.5% in the EU15 in the 1995-2001 period). GDP per capita is higher than the EU25 average (115% in 2002). The unemployment rate was 5.6% in 2003 - lower than the EU25 average of 8.9%. In the northern regions the unemployment rate is higher than the national average (more than 6% in 2002).

Studies show that the negative population trends in the northern areas have begun to gradually decrease and this reflects a positive long-term development perspective. However, the main socio-economic problems of these areas are too deeply rooted to be cured during a relatively short time period (only 8 years since accession) and with limited financial resources.

Strategic Priorities

Since the intervention of the Structural Funds in Sweden, more than **54,000 jobs** have been created or maintained and nearly **10,000 companies** have been established with the support of the Funds (1995 – June 2003). However, the effects of Structural Funds in Sweden have to be seen in a wider context and in a longer-term perspective. More important than the number of jobs or companies created is the quality, sustainability and dynamism of this process, as well as the potential for continuous positive developments in the future which is the focus of Structural Funds support. Structural interventions in Sweden increasingly bring a substantial added value through **developing the knowledge based economy, stimulating trade and industrial development, activating local initiatives and investing in competence building**.

A massive **expansion of Internet connections** and other IT solutions is, to a considerable extent, counteracting the problems of long distances, both within the regions and to external markets as well as attracting dynamic development of business clusters and research centres and, therefore, bringing tangible economic benefits (in terms, for example, of jobs and enterprise creation) to remote regions now and into the future (e.g. EIS-Embedded Internet System Project, Campus Arvika Project, Fiber Optic Valey Project).

The Structural Funds in Sweden reflect substantial portions of the Lisbon agenda such as an emphasis on the knowledge based economy and a focus on innovation and R&D. The continued investment by the Structural Funds in the information society and IT infrastructure supports the Lisbon priorities and the e-Europe initiative. For example, by 2003, the Objective 1 programmes were financing 80 projects, which successfully apply research and innovation in the area of technology, mainly in co-operation with trade and industry (e.g. Research Station Eastern Norrbotten, Centre for Distance Spanning Technology). Moreover, in the areas covered by Objective 1, broadband connection networks (more than 2Mb/s) have been extended to private households and SMEs (e.g. to 2950 households within the Norra Norrland programme).

The positive economic developments gain in significance from the fact that they occur in the framework of gender equality and with respect for the environment. Sweden has a long tradition of promoting equal opportunities and good environmental practice in all policy areas.

Good Governance

The Structural Funds in Sweden between 1995 and 1999 stimulated an intensive learning process which led to significant added value in terms of governance. The dynamics of this process continue during the current programming period and are expected to have a profound influence on the way regional policy in Sweden is carried out in the future.

A **stable financial framework** has supported long-term policies in favour of the regions affected. The possibility of a medium-term planning framework has facilitated strategic thinking compared to resources planned on an annual basis.

Structural Funds methodologies and practices have had a profound effect on the **decentralisation process** in Sweden. Management has been increasingly decentralised, which in turn has enhanced administrative capacity and coordination at the regional and local levels and has brought long-term benefits reaching beyond Structural Funds policy. For example, the Structural Funds method has been used for developing Regional Growth Agreements at county level for the 1998-1999 and 2000-2003 periods which complement EU programmes. Transparency and **intensive dialogue with social, regional and local partners** during the programming and implementation processes have resulted in the creation of various networks and public interest groups as well as increased the sense of participation and responsibility for the programmes among broad sectors of society. This has resulted in a mobilisation of resources (human and financial) at regional and local level and an active involvement of the private sector. Moreover, the Structural Funds have helped to break down administrative barriers within the Swedish public administration, thus enhancing its effectiveness and leading to new and intensive co-operation and networking across administrative and national borders.

Apart from increasing the sense of responsibility within the country itself, the existence of Structural Funds in Sweden has significantly helped to raise awareness at the European level about the **Northern Periphery of the EU**. This also has to be seen in the wider context of Sweden as an integral part of the group of Northern countries, with whom it is intertwined in a number of transnational and interregional programmes. Long-term benefits are expected to flow from this co-operation.

UNITED KINGDOM

The United Kingdom has been allocated a very substantial amount of Structural Fund resources in 2000-2006 - **€16**.4 billion – the sixth largest amount in the EU, which compares to €11.04 billion in 1994-1999. Current Structural Funds assistance is channelled through six Objective 1 programmes (including two phasing-out), 14 Objective 2 programmes and Community Initiative programmes. In 2000-2006, there is a shift towards concentrating available Structural Fund resources on regions most in need (Objective 1) which are allocated substantially above comparable figures for the previous period. Although each programme addresses a specific regional or local situation, development of priorities and measures of all programmes address similar issues such as competitiveness of small and medium-sized enterprises, strategic development opportunities and Community Economic Development.

Cohesion and Economic Restructuring

The UK demonstrates strong performance in terms of growth, employment and budgetary balance. UK **GDP growth** was relatively robust throughout 1995 to 2003, growing at an average annual rate of 3% per annum compared to 2.2% in the EU15. As consequence **GDP per head** (in PPS) is now the highest among the large Member States, and 6^{th} highest overall, almost **118%** of the EU25 average in 2002. **Employment** rates (72% in 2003) are among the highest in the EU and exceed the Lisbon targets for the EU. The employment targets for women and older persons have also been achieved. **Unemployment** declined from 9.8% in 1994 to 5% at the end of 2003, well below the EU25 average of 9%.

The **regional income disparities** in the United Kingdom in 2002 ranged between 73% of the EU25 average for Cornwall and Scilly Islands and 189% for Greater London. **Almost all regions experienced an improvement** of their income position against the EU average when comparing 2002 with the average 2000-2002.

Regional disparities remain marked, but some success is evident in improving the relative position to the EU average. **Objective 1** regions recently **grew much faster** than the EU average, although still slower than the national average. Objective 2 regions present a more mixed picture, with some growing exceptionally fast.

The primary policy effect of the Structural Funds has been in strengthening domestic policy priorities in designated areas, such as active **labour market** policies and the **promotion of enterprise and entrepreneurship**. **The additional growth and employment effects in Objective 1 regions as a result of Structural Funds support evident, with an estimated job effect in the 6 regions concerned of 34,000 for the period from 2000 to 2003**. In Objective 1 regions, longer term investment in infrastructural and human capital elements will lead to longer term growth and employment effects. **With about 68,000 jobs created up to the end of 2003 in Objective 2 regions, the immediate employment effects are even stronger than in Objective 1 regions**. Between 1994-1999 a **total of 275,500 jobs** created or saved were attributed to the Objective 2 interventions.

Strategic priorities

There is strong evidence that Structural Fund investments have helped to create the conditions for **attracting and inducing new investments**. This applies notably to the long-term availability of critical resources (innovative ideas and specific elements of human and physical capital) for businesses and entrepreneurs and the improvement of capacity of investment support at the local level. Structural Funds provide long-term certainty in terms of the seven year programming period and are an important mechanism for risk sharing which is essential for successful innovation. This is particularly important in priority areas such as Information and

Communication Technologies (ICT). All programmes include specific measures in relation to the efficient utilisation of ICT, transfer of new technology to business, adaptation to changing market or socio-economic conditions, as well as the development of clusters. Objective 2 interventions to promote R&D, technology transfer and innovation became an increasingly prominent feature of the 1994-1999 programmes in the UK with the share of total allocation rising from some 7% during the 1994-1996 phase to over 9% in the 1997-1999 period.

The total ERDF funding to SME finance during the 2000-2006 period is in excess of €600 million much of which is channelled through Venture Capital Funds and other forms of risk capital. In **Objective 1** regions **four Venture Capital Funds** are investing a cumulative capital in excess of €320 million. Expected results from these funds include over 18,000 new jobs and over £1 billion in additional sales. Objective 2 regions have been following in setting up their own Venture Capital schemes. The Scottish-Co-investment Fund and the North West Business Investment Scheme are two funds already operating in Objective 2 regions with an expected leverage of private sector funding in excess of €147 million. The ERDF is the sole source of public funding to a number of these funds.

The financial contribution made by the Structural Funds therefore provides added value by providing funds that are additional to domestic resources and that help to lever other funds.

Community Economic Development (CED) was introduced as a new theme in the 1994-1999 UK Objective 2 programmes. It was funded from the ESF, ERDF and national resources and used to support integrated projects to regenerate disadvantaged urban areas and address the multiple and inter-related problems arising in these areas. During the 1994-1999 period, CED accounted for around 5% of total Structural Fund allocations. The Pathways to Employment initiative in Merseyside's 1994-1999 Objective 1 programme is identified as a national model of good practice and played an important role in the development of subsequent initiatives promoted by the Government addressing social exclusion and neighbourhood renewal.

The Community approach has supported the **mainstreaming of the horizontal themes** - the environment, information society and equal opportunities. Through evaluation of mainstreaming mechanisms, the Structural Funds have provided support for effective implementation of these themes.

An aspect of strong added value of the Structural Funds is the **trans-national and cross-border networking** of the Community Initiatives and Innovative Actions such as INTERREG, EQUAL, LEADER, PEACE and RISI. The Community Initiatives are especially valuable in terms of developing new policy responses to addressing barriers to employment among disadvantage groups. In addition, regions find the cross-fertilization of ideas from other regions in the EU an important contribution to their own regional development.

The **EU PEACE** Programme has made a contribution to strengthening progress towards a peaceful and stable society in Northern Ireland and in co-operation with the border regions of Ireland. The quantitative benefits of PEACE are perhaps less important that the building of co-operation and trust between divided communities and regenerating areas long neglected through years of conflict. Quantitative impacts are evident also, however. Total net job creation from PEACE I is estimated to have been in the region of 7,000 to 8,000 jobs. Between 60-70% of participants in training and development projects achieved a positive outcome, measured by progression to employment, further/higher education or training. The delivery of the Peace I programme was innovative, using regional, sectoral and local decentralised funding bodies. This resulted in the creation of a delivery infrastructure that has carried through to Peace II, which represents a further opportunity to add value to Peace and Reconciliation in Northern Ireland with the support of €531 million available from the European Communities.

Good Governance

The multi-annual programming approach of the Structural funds set out the priorities over time. They provide an overall strategy and an associated financial plan that requires common agreement amongst a wide range of partners. In this way the European Community **shares risk with the regions**.

In terms of delivery mechanisms, the effects linked to the devolved administrations stand out, contributing to substantial reforms of management systems and redistribution of powers. Structural Fund programmes have had an impact on the development of **more decentralised structures** in supporting the role and capacities of the devolved administrations for Northern Ireland, Scotland and Wales.

A common trend is for programme delivery to be **subcontracted increasingly to partner organisations**, allowing the programme management secretariats to concentrate more on managing and monitoring the programme. Partners have been also involved in the monitoring process at an earlier stage. Partnership working began during the 1989-1993 programme period when local authorities became members of the monitoring committees. In the 1997-1999 period, the structure of the partnership was extended to included the private sector, voluntary organisations, equal opportunities groups and environment groups.

The emphasis on the **partnership principle** has acted as a catalyst for improved partnership structures at regional and local level and has contributed positive effects in terms of capacity building. The Structural Funds have supported practice as well as policy. Positive effects of partnership approaches include the building of more democratic and inclusive settings, sharing intelligence to target resources to meet local needs and introducing new organisations to regional/sub-regional programmes. While there are costs in relation to partnership working, only a part can be attributed to EU rules, while others stem from national regulations.

While there is a common and frequently expressed concern about the factual and/or perceived net additional **administrative burden** of the Structural Funds there remains scope for considerable simplification. This applies notably to project selection and implementation procedures, which represent a mixture of burdens that stem from EU regulations and those that are developed and applied on the basis of national and/or regional needs.

The Added Value of Cohesion Policy

1. Introduction

The justification of community intervention in assisted regions leads to consideration of the question of community added value. The basic proposition is that such justification exists when the actions of member States are not sufficient (the criterion of need) and when benefits are generated for the entire Union (effectiveness criterion).

Cohesion policy aims to promote the development and structural adjustment of regions. It is based on a sharing of competences between the European Union, member States and regions. The method of distribution on which the policy is based concentrates more than two thirds of resources available – which are limited to 0.41% of EU GDP – on regions whose structural development is lagging behind, comprising about a quarter of the European population.

Where the Union intervenes in regions in difficulty, through the Structural and Cohesion Funds, it is to act upon the causes of regional disparities. In other words, this policy has not only a redistributive character, in that it transfers resources from the richest States and regions of the Union to the poorest ones. It also performs an allocative function, permitting less favoured States and regions to maintain high levels of investment in physical and human capital in order to improve their competitiveness and their growth potential and to promote sustainable development.

To identify the principal elements of added value, the following questions need to be addressed:

- Has cohesion policy produced direct economic benefits of a sufficient scale for the member States and regions supported and for the entire Union, with regard to the objectives sought and the methods implemented?
- To what extent has it supported greater integration of these member States and regions into the internal market?
- To what extent is community intervention necessary for the durability of methods initiated in 1989 - notably multi-annual programming and partnership?
- Has cohesion policy been sufficiently visible and close to citizens?

This note provides precise elements drawn from experience of value added generated in member States and regions supported, and indicates how these could be strengthened in future programmes over the 2007-2013 period.

2. Added Value in Terms of Cohesion

Because of the differences in content and the scale of assistance, it is necessary to distinguish clearly the question of the added value of interventions in less developed regions and those in regions having structural problems of economic conversion and competitiveness.

Less Developed Regions

The Structural Funds have been a driving force in the process of growth and economic convergence in the countries and regions which are the principal beneficiaries.

In the three cohesion countries (Spain, Greece, Portugal), GDP per head expressed in PPS has grown to 81% of the community average in 2001. Ireland had seen its GDP per head practically double during the same period, from 64% in 1988 (the same level as Calabria) to 117% in 2001.

Since 1994, growth in GDP per head has been one point higher than the community average in Spain, Greece and Portugal, and four times higher in Ireland. This performance is all the more important since it takes place in a context of macro economic stablility, linked to the constraints of Economic and Monetary Union.

In Objective 1 regions, the gap in revenue per inhabitant compared to the community average has been reduced by a sixth between 1988 and 2001. GDP per inhabitant has grown from 63% to 70% of the average of the EU15. Certain member States and regions, particularly Ireland, the eastern German Länder and Lisbon have registered economic performance in terms of productivity[1] much higher than the general trend. Overall, Objective 1 regions have converged three times faster than the rest of Europe.

Over the period 1989-1999, the increase in the level of GDP due to structural interventions was near 10% in Greece and 8.5% in Portugal. The impact is less pronounced in Ireland and Spain (3.7% and 3.1%, respectively), the allocations of Structural and Cohesion Funds in terms of percentage of GDP being less significant. For 2000-2006, further gains in convergence are forecast, with a growth in the level of real GDP of about 6% for Greece and Portugal and 2.4% for Spain. In the German Länder, simulations suggest an increase in the level of GDP of 4% 2006. In all cases, long term improvements are expected in the level of GDP, because of the growth induced by increased supply, a tendency which should continue beyond the programming period.

Community interventions had a significant leverage effect on the **level of investment** in Portugal (+24%), Greece (+18%) and Ireland (+12%) during the 1994-1999 period. This effect has taken the form of an increase in the stock of physical capital (infrastructure) of the order of 15% in Portugal and 6% in Greece. The stock of human capital has grown by 20% in Portugal and 12% in Ireland.

Although structural policies have a tendency to be judged on the basis of their effects in terms of growth and convergence, it is equally important to consider their impact on the key factors determining the competitiveness of the economies concerned. Substantial progress has been achieved in the area of basic infrastructure as well as in other sectors where territorial imbalances are particularly pronounced, such as research and development, access to the information society and continuing education and training opportunities.

Certain impacts are more marked than others, as the following examples demonstrate:

Actions with a high community added value

- In relation to **transport**, a closing of the gap has been achieved in upgrading the motorway system, notably as regards transeuropean networks. In cohesion countries, the density of the motorway network has increased from

[1] Productivity gains have also been higher in Objective 1 regions than in other parts of the EU, with a growth of 1.5% on average between 1994 and 2001 compared to 1% in the entire EU. (Third Report on Economic and Social Cohesion, 2004)

about 80% of the EU average in 1991 to 110% in 2001, with gains in journey times of the order of 20-30%. The modernisation of the rail network has been slower, but with notable progress in terms of electrification: the proportion of electrified lines has moved from 48% to 56% in Spain and doubled in Portugal to exceed 30% in 2001. Public-private partnerships have increasingly been put in place in the transport sector (for example, the Vasco de Gama bridge, the Drogheda motorway in Ireland).

Examples: In **Spain,** construction of 2,400 km of motorways and 3,400 km of primary routes during the 1994-1999 period and 2,500 km and 700 km respectively for the 2000-2006 period; extension of the high speed rail network (from 623 km to 1,140 km) notably with the Madrid-Barcelona-French frontier link. In **Portugal**, construction of road links to the transeuropean network and modernisation of the rail network (Lisbon-Porto). In **Greece**, construction of two major motorways linking the east and west and north and south (completion is foreseen before 2010). Decongestion of metropolitan areas with the construction of metros in Lisbon, Porto and Athens; development of a number of ports and airports (e.g., Athens-Spata).

- **Support for the productive sector** represents more than a third of the volume of resources, of which near 20% is in the form of aids to industry. The mechanisms of support have been diversified towards financial engineering measures, giving rise to an increased leverage effect on private investment. Complementarity and co-operation with the EIB have also been strengthened.

  Examples: Special investment funds in the UK (Merseyside and South Yorkshire)

- The **environment** is an essential area for community intervention and it absorbs approximately 10% of Structural Fund investments made in Objective 1 regions (to which nearly €15 billion is added from the Cohesion Fund). Progress is notable in terms of the upgrading of equipment, particularly in the cohesion countries. Between 1989 and 1999, the population connected to water supply systems increased from 69% to 95% in Portugal and reached 50% in Greece (75% in 2006); the population connected to waste water treatment plants increased from 50% to 90% in Portugal and from 44% to 80% in Ireland and reached 53% in Greece.

  Examples: construction of the Alqueva dam in Portugal; development of large river basins in Spain; development of renewable energies (wind energy centres along the Portuguese coast), Tolvaddon in Cornwall (UK), waste water systems in Dublin and Athens co-financed by the Cohesion Fund and the ETAR de Madalena (in accordance with the strategic plan for the treatment of waste water).

- As regards **research and development** and the **information society**, the stronger emphasis placed on integrated strategies for innovation and the interaction of university research centres with the world of business has promoted the improvement of competitiveness and has facilitated integration in an international context. Likewise, the greater diffusion of services and applications of the information society towards SMEs (for example, 15% of SMEs in Greece will engage in electronic commerce by 2006) will contribute to the achievement of this objective. The objective of stimulating the competitiveness of regions is in line with the community policy to establish a European research area including an important role for the regional dimension in research policies.

  Examples: creation of scientific and technological poles ("Forth" Centre in Heraklion for biotechnology, TagusPark in Lisbon, biotechnology centre in Leipzig); networking of schools in Greece (e-learning); "digital towns" in Portugal; broadband networks in Scotland (Atlas project), Sweden and France.

- Finally, the contribution to the **European Employment Strategy** through the European Social Fund has dynamised the development of human resources and facilitated a better response to local labour market needs and employment possibilities. It will become easier to enhance productive capacity in the regions and to implement active employment policies, in accordance with the objectives established in Lisbon and Stockholm[2].

  Examples: In Germany, the ESF co-financed nearly 20% of enterprise start-ups, in particular in the eastern Länder. In Denmark, the ESF supports the adaptation of workers and the introduction of new forms of work organisation. In the UK, the Merseyside programme has financed the establishment of "pathways to integration".

In conclusion, cohesion policy has strengthened the overall level of investment, growth and convergence to an extent which would not have occurred without community transfers. This has had the effect of strengthening the long term growth potential of the Union, since less favoured regions are using the factors of production more efficiently.

Regions in Economic Conversion

Apart from the aid allocated to Objective 1 regions, the Structural Funds contribute to support economic development in other regions of the Union which face structural problems of competitiveness. Evaluations demonstrate that community interventions have helped to alleviate the economic decline of industrial and rural regions. Unemployment decreased by 1% more than in the rest of the Union during the 1995-2000 period; the reduction was particularly evident in the areas with a strong presence of transitional industries – which represented 40% of employment – demonstrating that employment losses in these industries was more than compensated by the creation of new jobs, particularly in services. Growth was slightly weaker than in the entire Union (2.1% as compared to 2.4%), which suggests that the decline was checked to a certain extent. On the other hand, the combination of weaker growth and a stronger increase in employment implies that productivity has grown less in Objective 2 areas than in other parts of the Union.

For the 1994-1999 period, aid[3] was concentrated on measures to support enterprises (approximately a quarter of the total), economic infrastructure, particularly the development of industrial sites (approximately 27%), training and re qualification of workers (approximately 20%) and research and new technologies (nearly 10%). These investments had important effects in terms of restructuring and diversification of economic activity.

Evaluations estimate that nearly **500,000 net jobs** were created or safeguarded in the assisted areas; most of these were durable, due to the small and medium sized

[2] The Guidelines for employment were simplified in 2003 on the basis of three major strategic objectives: full employment, the quality and productivity of work, cohesion and regional and social inclusion. In addition, a greater emphasis is placed on the involvement of social partners and on the need for member States to implement the European Employment Strategy at the regional and local level.

[3] For the 1994-1999 period, structural assistance represented an amount of €2.8 billion per year (€3.2 billion for the 2000-2006 period), with an aid intensity of €44 (currently €41). 82 regions with a population of 62 million inhabitants (representing 17% of the population of the EU15) benefited from support under Objective 2.

enterprises supported – about 300,000 – to improve methods of production, to have better access to services and to research new opportunities. As a result, the **leverage effect** of the Structural Funds on the private sector was in general significant, representing 40% of total resources mobilised (as compared to 18% in Objective 1 programmes).

The qualifications of those in employment have been improved and extended, which has accelerated the process of restructuring and has slowed the pace of job loss. Training programmes have been put in place to tackle the lack of qualifications and their obsolescence in the context of rapid technological change. Specific measures have been supported, notably in the UK, to assist disadvantaged groups to access training and to find employment. Overall, it is estimated that 3.6 million people – 5% of the total population living in supported regions – benefited from training between 1994 and 1999.

Substantial efforts took place with the support of the Structural Funds to clean up abandoned industrial sites, to convert old sites and buildings (approximately 115 m^2 of industrial land converted), and to improve the urban landscape. This has radically changed the aspect of numerous industrial areas and has helped their development for new productive uses such as leisure parks and other cultural activities.

Finally, support for **research, innovation and the transfer of technology** has been particularly effective in the creation and maintenance of employment. In certain regions the Structural Funds have supported the creation of poles of excellence and the promotion of "clusters" of innovation – Rhineland-Westphalia, North West England, Sweden, Finland (Oulu), Denmark (NOVI science park at Aalborg. However, apart from these notable exceptions, the innovation capacity of most Objective 2 regions remains less developed than in the more competitive regions of the Union and their potential for research is often not well adapted to the regional productive sector. A major challenge is to concentrate a greater share of the available resources on the support for innovation and the knowledge economy in the regions in order to strengthen their position at the hear of the European research area.

In conclusion, interventions in favour of Objective 2 have produced demonstrable positive effects, but the constraints which have limited their effectiveness should also be considered. The small scale of many eligible areas made the pursuit of integrated strategies difficult, leading to a <u>dispersion</u> of resources on a myriad of operations rather than concentrating on fewer well chosen projects. Because of the small size of the operations financed, it was often difficult to obtain sufficient amounts to finance projects which could have a decisive effect on regional development, all the more since the Structural Funds represent in most cases, the principal source of financing or at least an essential additional source for regional and local investment policies. The challenge for the future will therefore be to promote <u>greater concentration</u> of interventions on the key factors of competitiveness (for example, innovation) and to develop a <u>strategic approach</u> which responds to the needs of the regions (see §4 on the importance of the community method which brings greater stability and coherence for interventions at regional level).

3. Strengthening Economic Integration

European economies are ever more integrated through exchanges and flows of direct investment. Community policies have contributed significantly to the achievement of the **internal market** and the introduction of the single currency. Cohesion policy has stimulated trade flows and has influenced the choice of location for economic activities, contributing thus to reduce the development gaps between economies.

Trade between the cohesion countries and the rest of the Union has more than doubled over the course of the last decade. Part of this growth reflects the gains which other countries have drawn from the structural support allocated to the less favoured regions. Estimates suggest that about a quarter of expenditures return in the form of imports, notably of machinery and other equipment, because of higher investment and growth generated. This "leakage" effect is particularly important in Greece (42%) and Portugal (35%).

An essential part of support (more than 40%) is directed towards the financing of basic <u>infrastructure</u>. Between 1994 and 2001, more than €40 billion of Structural Funds support were invested in transport infrastructure in Objective 1 regions, as well as nearly €14 billion in **transeuropean networks**. These infrastructures have an influence on the location of economic activities through reinforcing the attractiveness of the regions concerned. They stimulate economic activity through a reduction of transport costs and, in the long term, an increase in productivity. For example, the combined effect of the motorway projects of Egnathia and Pathe will raise the real income of Eastern Macedonia by about 9%[4].

The Structural Funds encourage the location of **intensive R&D acitivities**, through investment in research and electronic communication networks (broadband), thus encouraging a long term more balanced spread of activities across European territories. These investments – which represent nearly 10% of total aid – are targeted at raising the scientific and technological level as well as creating sources of economic activity in the weakest regions. In this sense, they contribute to the Lisbon objectives (for example, the action plan for 3% investment in research, high speed connection coverage, etc.,). They can also promote territorial re-balancing: in regions where research and innovation can develop, opportunities are created to produce a "snowball effect" in new economic activities.

In regions hit by industrial decline, support for the **restructuring process** and the management of change promotes a better response to the asymmetric shocks created by the euro. The weak specialisation of these regions makes them more vulnerable to these shocks. In acting on the structural factors of competitiveness, the Structural Funds strengthen their capacity for adaptation to change.

The **environment** is a domain of community intervention which has an important leverage effect in terms of respect of community legislation and the introduction of the polluter pays principle.

INTERREG programmes have also assisted in opening up border regions (for example, the Spanish-Portuguese border with the bridge over the Guadiana and the Huelva-Lagos motorway; the Oresund bridge between Copenhagen and Malmö). They have initiated processes of co-operation between regions which could only be organised at a transnational level. Interreg has thus contributed to greater cohesion and reduced the impact of national, economic and cultural barriers.

In conclusion, cohesion policy contributes directly to strengthen the economic integration of Europe, in acting as a lever for community policies. It supports the reconciliation of citizens and promotes co-operation and innovation on a trans-

[4] London School of Economics, *The economic impact of the Cohesion Fund,* Report to the European Commission, 2000

national scale. This last aspect will be even more important in the light of the changes arising from enlargement of the Union to 25 and then 27.

4. Contribution to Better Governance

Since their creation, the Structural Funds have been based on a system of new governance which brings together strategic programming, concentration, additionality, partnership and effectiveness.

The multi-annual **programming method** requires rigour of the main beneficiary countries and regions in their medium term strategic planning which effects their future development. Development plans reduce uncertainty in a context of economic instability. They introduce a greater stability in terms of availability of financial resources compared to member States' annual budgets. This aspect is particularly relevant in the case of large scale infrastructure investments, the completion of which requires a relatively long period, and more generally development and conversion policies. The case of the Mezzogiorno is enlightening in this regard, in the extent to which the Structural Funds have influenced strategic objectives towards a logic of structural adjustment and growth, rather than as a simple compensation for structural handicaps.

In many Objective 2 regions, this strategic approach has proved to be effective in targeting investments on the key factors of development, particularly research and innovation actions which are often vulnerable to the hazards of annual budgeting, as well as forging a better sharing of risk. This also leads to greater rigour in the selection of projects and improved coherence of projects. The quality of programming has continued to improve throughout successive periods of implementation of the Structural Funds.

Examples: Rhineland-Westphalia, Bremen, Scotland, Wales, Northern Sweden, Western Finland, North Jutland (Denmark), Lower Austria, Steiermark (Austria), Limburg (Netherlands), Tuscany, Basque Country.

The Union plays an irreplaceable role in providing support to public investment for economic development. While public budgets represent between 30% and 60% of GDP according to the country concerned, only 2% of available resources are directed towards investment in physical and human capital. However, the **leverage effect** of European support is that much greater when this support is not substituted for the financial effort of the member States and regions and when it is not merely added to the credits which are allocated for operations which would have taken place in any case. In this regard, it is important to emphasise that total public investment (less the Structural Funds) has clearly increased in Ireland (+66%), Greece (+24%) and in Portugal (+18%) during the two last programming periods.

In certain more developed member States, the availability of Structural Funds has influenced the level of national public expenditure. In Austria and Sweden, regional policy has acquired a higher profile and the public contribution for regional policy has grown significantly – by 36% and 14%, respectively.

The need to provide national co-financing has “protected” expenditure for economic development from budgetary pressures which might aim to limit them. This leverage effect is particularly significant in key areas for economic development such as R&D, where expenditure is concentrated in more developed regions.

Over the last 15 years, **partnership** has been widened and deepened and, in certain cases, has developed beyond the Structural Funds. This principle, when it functions effectively, produces a strong added value in terms of better targeting of interventions on regional needs, greater participation of the partners, stimulation of development projects and the exchange of information and experience.

Example: In the UK, community interventions have enlarged partnership to new organisations previously little involved in economic development programmes. Opportunities have thus been created to guarantee resources additional to existing budgets to local authorities and other voluntary organisations to respond to particular development needs.

Partnership working methods have activated dynamic processes which can lead to the stimulation of local investment and, in the long term, the creation of sustainable employment. The case of the Regional Innovation Strategies (RIS) is significant in this regard: the establishment of these strategies has led to the integration of many actions into programmes (for example, Wales, Scotland, Nord-Pas de Calais, Castilla-y-Leon). The networking of these initiatives under the aegis of the Commission has contributed a value added through the learning processes and the co-operation which take place.

Several member States – Sweden, the Netherlands, Denmark (for the ESF), Austria, France, Spain, UK – have established horizontal networks, which bring together programme managers operating at a regional level with a view to promoting **exchanges of experience** and **good practice**. These forms co-operation would not have taken place in the absence of community intervention. In Spain and Italy, thematic networks (networks of environmental authorities) have been put in place. The European Commission has also supported networks of exchange of experience at a European level (for example, the IQ-Net network comprises 22 European regions).

In the last generation of programmes (2000-2006), the implementation of regional development strategies is based on more rigorous systems of **management, monitoring** and **evaluation.** These have been strengthened by incentive mechanisms (the N+2 rule, the performance reserve) which have played an important role in relation to transparency and effectiveness. A greater institutionalisation of evaluation can be observed in Italy (creation of specialised evaluation units), Ireland and Austria (Kap-Eva), a practice which often extends to national policies (France). Another important aspect concerns the strengthening of **control** and **audit** systems in the member States and regions.

5. Visibility of Community Action

An intangible effect of the Structural Funds, difficult to measure but nonetheless essential, is the contribution towards making the Union more visible to citizens, enterprises and local authorities. Among the benefits frequently cited is greater support for European integration. Citizens who perceive an improvement in their quality of life – for example in more efficient public transport or a better natural environment – acquire a more accurate view of community action. The Interreg, Urban, Equal and Leader programmes have contributed in this regard, to varying extents, in acting as a catalyst for new initiatives, which would not have occurred without community intervention.

The Structural Funds have also contributed to the promotion of peace and stability in regions where there have been sustained conflicts (Peace Programme in Northern

Ireland) as well as solidarity with regions effected by natural catastrophes (floods in eastern German and in the Czech Republic).

6. Strengthening Community Added Value

In accordance with the provisions of the Treaty, the main challenge for economic and social cohesion after 2006 is to maintain European solidarity and to promote balanced development across the enlarged Union, in order to reduce economic and social imbalances. Cohesion policy must therefore tackle the causes of these structural disparities, through increased possibilities for economic and social development and reinforced competitiveness in the supported regions.

The reform proposed by the Commission aims to strengthen the added value of cohesion policy through a combination of renewed policy and financial instruments and a simplified and effective implementation system.

Policy Instruments: A New Strategic Framework

Value added will be enhanced by the strategic dimension of cohesion policy, which will strengthen the link between financial instruments and the policy priorities of the Union, through a more active contribution of the Funds to sustainable growth, competitiveness and employment.

The policy objective is, on the one hand, to concentrate interventions in the member States and regions on the basis of **strategic guidelines** defined at community level and, on the other, to bring cohesion policy and its financial instruments in line with the implementation process of the Lisbon Strategy. In this regard, the annual debate at the Council on the basis of a report by the Commission will help to enhance the transparency of the implementation of cohesion policy.

Priority must be given to the least developed member States and regions of the Union, where the added value of community interventions is generally acknowledged, given of the significant advances achieved during the last 15 years. Investment should be more concentrated on well defined priorities which will ensure maximum impact in terms of progress in growth and well-being in the regions concerned. The first estimations undertaken of the impact of the 2007-2013 financial package (based on Commission proposals) suggest an increase in the level of GDP by the end of the period of about 10% in most member States. Part of these gains will be sustained beyond the end of the programme, declining steadily thereafter, the structural element transforming into additional growth. This, which represents from 40% to 60% of the GDP gain in most countries, demonstrates the supply side effects, which result in large part from the increase in global factor productivity. Particular attention will be given to good governance and strengthened administrative capacity to the extent that these factors determine the effectiveness of interventions.

Maintaining the community character of intervention outside these regions involves value added of a different nature. To a growing extent, these regions are facing problems arising from economic and social restructuring, globalisation and demographic changes, which often result in losses of competitiveness, employment and social cohesion. It is important to help these regions, which, although they are generally well endowed with physical infrastructure and an urban environment, need support to use better their potential for growth. In these regions, community support – even if it is financially limited – provides a real added value to national and regional policies and financing, due to a greater concentration on the promotion of new approaches and the reorientation of public and private investment towards priorities of community interest (particularly innovation and the knowledge economy). Moreover, community financing has a leverage effect which is unique in the Union, in that it favours mutual learning and the diffusion of good practices across a diversity of national and regional contexts.

Finally, the future objective of **territorial co-operation** will aim – building on the experience of the past – to support joint initiatives to network on a trans-border and trans-national basis. The Commission has proposed the creation of legal entities, “European Groups for Trans-border Co-operation” (EGTC), which will oversee the implementation of trans-border programmes on the basis of an agreement between national, regional and local administrations.

The Implementation System

Experience has shown that the added value of the Structural Funds could be further improved by a **more flexible and effective implementation system.**

The implementation system will be simplified through a more transparent sharing of responsibilities between the Commission and the member States. The Commission wishes to apply more strictly than in the past the principles of subsidiarity and proportionality in the implementation of cohesion policy. This simplification will be facilitated by the reduction in the number of funds and the stages of programming, the abandoning of “micro-zoning” in regions outside Objective 1, clarification of financial management rules, and the introduction of proportionality in the areas of control and evaluation of interventions. A community performance reserve has also been proposed by the Commission which will provide a further an incentive to contribute to the achievement of the priorities of the Union.

In conclusion, the experience of cohesion policy throughout the last 15 years has demonstrated its capacity to enrich national and regional policies and its effectiveness in supporting economic and social development throughout the Union. The strengthened coherence between the intervention of the Funds and the objectives established at European level in the framework of the Lisbon Strategy gives it a further strategic dimension and will support and guide actions on the ground and facilitate the sharing of experience.