

**The Complementarity of national and
Community interventions aimed at
reducing disparities in economic and
social development**

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Glossary of terms

Abbreviation	Full term
CAV	Community Added Value
Cohesion Countries	Countries revealing GDP levels below 90% of the EU average thus receiving contributions from the Cohesion Fund, i.e.: BG, CZ, CY, EE, ES, GR, LT, LV, HU, MT, PL, PT, SI, SK, RO
CF	Cohesion Fund
EfD	Expenditures for development
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	European Territorial Cooperation
LRA	Local and Regional Authorities
MA	Managing Authority
MS	Member State
NSRF	National Strategic Reference Framework
OP	Operational Programme
RCE	Regional Competitiveness and Employment
RDA	Regional Development Agency
ROP	Regional Operational Programme
SF	Structural Funds
SGEI	Services of General Economic Interest

1.Executive Summary

The Final Report of the Study “The Complementarity of national and Community interventions aimed at reducing disparities in economic and social development” examines the complementarities and synergies between EU Cohesion Policy and national as well as regional development strategies.

The preamble to Regulation (EC) 1083/2006 points out that: Action by the Community should be complementary to that carried out by the Member States or seek to contribute to it. Further guiding principles are additionality and partnership. The nature of EU Cohesion Policy also induced a debate on Added Value or Community Added Value, i.e. the value of additional policy elements caused by EU intervention.

The overarching idea of this paper is to capture the major aspects of good governance related to Cohesion Policy with a focus on aspects like Good Practices in policy coordination, key requirements and provisions to coordinate and manage policies, or challenges in case of incongruence between both policy systems. The conclusions are based on an examination of the coherence and relations between the objectives and differentiate between national approaches to implement Cohesion Policy and national/regional, also labelled as domestic, policy approaches. The inherent focus of this study is on the policy delivery mechanisms and the following points have been reviewed for a selection of EU Member States:

- Differences and synergies between the implementation systems for both Cohesion Policy and national/regional policy types; key aspects with a view to complementarity
- The role of the NSRF as a major effort to design and implement a coordinated approach for Cohesion Policy

Major issues and types of policy approaches will be illustrated with examples from Member States and regions.

Key Issues of Cohesion Policy

Cohesion Policy in general follows the objectives of economic, social and territorial cohesion. Though all three aspects represent features of equal importance, in financial terms economic cohesion is the dominant objective. EU spending levels for economic cohesion – which is most strongly represented by the Convergence objective – outweigh contributions to social cohesion. Data on public spending of Member States show that social policies are a dominant item

of national – and in a limited number of countries also of regional - public budgets.

Social cohesion includes the fight against poverty, inequality and social exclusion with the ESF being the main financial instrument of the EU. The ESF focuses on specific target groups and has a very weak territorial approach. The complementarity with economic cohesion should be addressed in the framework of NSRF.

Territorial cohesion is a specific objective aiming at a balanced distribution of economic and social resources among the European regions with the priority on the territorial dimension. It deals with the territorial integration of sectoral policies in specific territories (Barca addresses this as the “place-based approach”) and therefore has a strong multi-level governance aspect.

Generally speaking economic, social and territorial cohesion are perceived as complementary aspects and cohesion is rather used as a broad term subsuming a broad variety of sectoral approaches.

Other key issues in the field of Cohesion Policy are the examination of the financial weight of EU Cohesion Policy and national policies, the dominant intervention areas – the use of EU funds and possible conflicts between policy goals and/or policy frameworks.

Implementation Systems

History and the resulting differences in socio-cultural as well as socio-economic development paths of the Member States have led to a broad variety of political and administrative systems. Despite the differences in the systems there are two tiers of administration which are represented in all EU27 Member States:

- The **national level** with the sector competencies represented by line ministries
- The **local level** as the smallest administrative unit with a number of competencies which have direct impact on the everyday life of its citizens (water supply, waste, schools and local services etc.)

The broadest variety can be encountered at the intermediate or regional level(s). This is also most probably the level where most changes took place in the past two decades. The following categorisation underpins the diversity of administrative systems on LRA level:

- **Federal Systems** (AT, DE, BE): are characterized by a central government and sub-national self-governing states with elected parliaments, significant budgetary powers and own legislative and administrative competencies.
- **Regionalised systems** (ES or IT): have established an intermediate level of government with a wide set of competencies.
- All other countries are unitary states, which are, however, quite heterogeneous in terms of their specific features and between which a number of differentiations can be made:
 - In Northern countries (FI, DM, SE) the local governments have a wide range of responsibilities related to regional development.
 - Some countries (CZ, PL, SK, FR) have established **decentralised systems**, where regions may have elected parliaments and quite limited budgetary powers.
 - **Centralised system:** countries with a strongly centralised system such as BG (statistical regions), CY, EE, LV, LT, SI, MT and LU as very small countries or UK (statistical regions with the exception of Scotland, Ireland and Wales – which could be ranked under the category regionalised systems).

It becomes evident that the notion as well as the political concept of regional policy will differ widely depending on the type of administrative system and according to the self-governing capacities. The implementation of Cohesion Policy depends to a large extent on two factors:

- The weight of EU-funding in Cohesion Policy
- The administrative system

Finally, the coordination ranks among the most important factors for successful (efficient and effective) implementation of Cohesion Policy which is based on the interplay between several sector policies. But it is important to be aware of the fact that policy coordination can take various forms. A useful approach differentiates between the following types of coordination in order to highlight important aspects of policy-making:

- Strategic coordination, i.e. the coordination of policy areas as regards objectives and elaboration of programmes
- Operational coordination, i.e. the coordination of policy implementation
- Informal coordination, mostly understood as regular or irregular mechanisms for exchange and debates which do not lead to any binding agreement
- Formal coordination, based e.g. on Acts on Regional Development and leading to binding documents such as contracts.

The NSRF as key approach in the current period 2007-13

For the current period the instrument of the National Strategic Reference Framework was introduced as the key instrument for coordination of Cohesion Policy in the EU Regulation (EC) 1083/2006. The concept of the NSRF emphasises the role of coordination mechanisms between OPs, between the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), but also e.g. with the European Agricultural Fund for Rural Development (EAFRD). And as one of the cornerstones for effective and efficient policy outcomes, the NSRF also has to address the actions for administrative capacity-building in Convergence Regions.

In most countries the process of elaboration and – to some extent – also the regular reporting has broadened and deepened the cooperation among the sector administrations or it helped to trigger reforms of institutional arrangements:

- In SE, the EU requirement helped to initiate the *national strategy for regional competitiveness, entrepreneurship and employment* becoming a key element of the NSRF
- In AT, the process of setting-up the NSRF (strat.at) broadened the portfolio of the Austrian Conference of Regional Planning from its traditional role in vertical coordination (national-regional) to cross-sectoral coordination
- In IT, the National Strategic Document (NSD, i.e. the NSRF) represents the result of a new policy formation and close alignment of EU-funded and domestic regional policy – the latter being directed towards the lagging southern parts of the country.

Case Studies

This study presents ten brief policy portraits comprising a review of good practices. The case studies have a focus on those countries which already started to establish coordination mechanisms which are not completely driven by the mechanisms of EU policies. The following table includes an overview of policy mechanisms and issues presented in the case studies.

1.1.1.1.1 Overview of the elaborated case studies

Country	Coordination aspect	Tool /mechanism
AT	Coordination between national and regional level in a federal system	Additionality programme Burgenland as key longer-term commitment of Bund (national) and Länder level to a national matching for the Phasing Out Convergence Programme of the Burgenland.
DE	Coordination between national and regional level in a federal system paired with a significant cohesion dimension	Solidarpakt for the Eastern Länder and OPs funded from EU, national and Länder level; example of Sachsen-Anhalt
CZ	Process of administrative decentralisation quite advanced among the EU12; coordination of Kraj (NUTS-3) along the ROPs (NUTS-II)	Regional Councils Act as Managing Authorities of the ROPs and seek to coordinate and compromise between the regional demands.
DK	Recent reform of Regions (2007) and innovative, partnership-based coordination approaches	Regional Growth Fora (RGF) (consisting of local and regional government representatives), annual partnership agreements between central government and the 6 RGFs
ES	Several intergovernmental coordination levels, also remarkable achievements in ETC (FR, ES)	Sectoral Conference, Fondo de Compensación Inter-Territorial (ICF) as budgetary mechanism to support infrastructure development in less developed regions since the 80ies which was aligned with EU policy map of Objective regions

FI	Reorganisation of competencies at national level (Ministry of Employment and the Economy) in 2008 has improved coordination; coordination being a challenge due to the numerous actors involved	According to the Regional Development Act sectoral ministries have to draft regional strategies (including goals, measures and regional spend!) – the provision covers 10 ministries Regional councils (associations of local authorities) have to draw up regional plans and regional strategic programmes (plus annual implementation plans) ALKU project (2010) for improved sectoral coordination – reduction of state agencies in charge of policy implementation from six to two; setting-up of one committee for regional and structural policies (replacing former separate committees for domestic and SF interventions) (see Bachtler, 2011, p. 32)
FR	Strong elements of alignment between domestic policy instrument and SF programmes	State-Region Project Contracts (CPER, contrats de projet état-région) CPER is the main policy intervention tool exceeding SF (since it includes e.g. also public transport and rail) – the interesting point is the operational alignment between domestic and EU Cohesion Policy through this instrument
IT	North-South divide, new comprehensive strategy for regional development in 2007; quite complex national approval procedures	Fund for Underutilised Areas (Fondo per le Aree Sottoutilizzate – FAS; established in 2003); regional and multi-regional FAS implementation programmes
PL	East-West divide, subsistence farming in Eastern Poland Ongoing process of decentralisation	National Regional Development Strategy 2007-2015 as overarching guidance National Spatial Concept (KPZK) bridging spatial development and regional policy issues under the heading of strategic development Framework agreements between central state and self-governing regions (voivodships)

RO	Large, centralised Member State with marked regional disparities; first steps from mere statistical regions towards discussion platforms at regional level	Regional coordination committees in 8 development regions; consisting of national SF coordination bodies, MAs of the OPs, RDAs and local authorities
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Findings

Cohesion Policy is implemented in a variety of contexts and with a large variation in terms of qualitative and quantitative weight. The most important differences for understanding the complementarity of national and community interventions aimed at reducing disparities in economic and social development are the following:

First, the financial weight of Cohesion Policy varies to a large degree. In the EU12 and some Convergence Countries (in particular the Baltic States, PL, SK, HU and PT) a majority of the Expenditures for Development¹ are co-financed by European funds. Here the funds constitute a considerable part of public investments. In most EU 15 (except the Convergence countries and CY) EU funds amount to small, if not insignificant parts of EfD.

Second, the role of the regional level – in terms of public investment and the possibilities and capacities for shaping policy decisions on regional development varies to a large extent. There are various models within the Member States how to coordinate and integrate sectoral and territorial policies, and how to achieve strategic and operational coordination.

As a consequence of the different weight and the different constitutional set-ups implementation models of Cohesion Policy may take various forms: either EU-funding is a guiding element, or EU funding is integrated in national and regional policy delivery – or there are mixed approaches. Not always are the most formal or institutionalized models of coordination the most effective or sustainable ones. An open dialogue and embedded forms of checks and balances might have at least equal qualities.

Accordingly, regions have a different scope of actions when designing and implementing policies to reduce economic and social disparities.

The findings are given in detail in section six of this study with a focus on the following headlines:

¹ EfD: these are public expenditures in categories that are eligible for Cohesion policy

- Coherence, integration and merging of EU Cohesion Policy and national/regional development policies.
- Comparing implementation systems between national/regional policies and European policies.
- The role of administrative systems ensuring complementarity of European and national/regional policies.
- Managing the relationship between the national/regional and the European level.
- Integrating European strategies and approaches such as Europe 2020 with national and regional policy approaches.

2.Introduction

This is the Final Report of the study on “The Complementarity of national and Community interventions aimed at reducing disparities in economic and social development”. The overall objective is to understand the complementarities and synergies between EU Cohesion policy and national as well as regional development strategies. The study contributes to the following questions:

- Are the objectives of EU Cohesion Policy and national/regional development policies coherent with each other and what are the specific relations? What is the interrelationship between domestic and EU approaches to regional policies?
- Are the implementation systems similar or different in terms of using comparable instruments (legal framework, measures, and indicators)?
- In which aspects do the institutional and administrative systems play a role in the complementarity of European and national/regional policies?
- How is the relationship between the national/regional and the European level being managed?
- What should be the relationship between European and national policy areas in terms of
 - Objectives and priorities
 - The territorial or thematic approach
 - The level of decision (national/regional/local)
- How European strategies and approaches such as Europe 2020 are integrated and merged with national policy approaches?

The study will include a review of relevant findings from various studies related to this subject and will be illustrated by examples from the Member States and regions. Given the time constraint and complexity of the subject, the case studies have been built upon existing material and complemented by interviews.

3. The approach

3.1 Cohesion Policy: the model approach and its implementation

In the preamble Regulation (EC) 1083/2006 stipulates that: (23) Action by the Community should be **complementary** to the ones carried out by Member States or seek to contribute to it.

Next to complementarity further guiding principles are **additionality** and **partnership**.

Furthermore the specificities of EU Cohesion Policy have led to an intense debate on **Added Value** or **Community Added Value (CAV)**, i.e. the value of additional policy elements induced by the EU (in particular such as multi-annual programming, cross-sector perspectives, partnership, evaluation and monitoring).

Based on these – and other - guiding principles the EU policy framework proposes a somewhat ideal approach which is confronted with limitations of the reality on the ground. Just to mention a few points which clearly limit the effectiveness of cohesion policy:

- Austerity budgets in the aftermath of the financial crisis,
- Political bargaining within and across sector policies counteracting integrated longer-term strategies and concepts,
- Threats to sound management and implementation practice due to lack of capacities and partly also lack of skills in public administration (e.g. due to quick turnover of staff following elections regularly eroding the experience and counteracting prudent knowledge management),
- Funds and capacities for project development at level of LRAs (and thus successful application for EU-funding) might outweigh actual priorities in terms of needs and risks at local and regional level.

As EU cohesion policy is implemented through national administrative systems, the national context will always shape and influence the policy delivery mechanisms and vice versa.

3.2 Scope of this policy review

The overarching idea of the study is to capture major aspects of good governance in cohesion policy. Conclusions and recommendations focus on the following aspects:

- Good Practices in policy coordination and their main preconditions in terms of the implementation systems, i.e. the institutional and administrative setting;
- Key requirements and provisions to coordinate and manage the broad choir of objectives stemming from the EU (e.g. EU 2020) and national objectives;
- Risks and loss respectively lack of synergies in case of major deficiencies in coordination;
- Challenges in case of congruence between both policy systems, i.e. that both Structural Funds and major national funds are channelled through the same implementation system.

The basis of the conclusions stem from an examination of the coherence and relations between objectives and approaches of

- national approaches to implement EU Cohesion Policy, i.e. based on Structural Funds and
- national and regional (also labelled as domestic) policy approaches

The inherent focus of the study is on the policy delivery mechanisms which are mostly shaped by the institutional arrangement and context in the Member States. Thus the following points will be reviewed for a selection of EU Member States:

- Differences and synergies between the implementation systems for both policy types; key aspects with a view to complementarity
- The role of NSRF as a major effort to design and implement a coordinated approach for Cohesion policies
- Major issues and types of policy approaches will be illustrated with examples from Member States and Regions.

4.Key issues of Cohesion Policy

4.1 Economic, Social and Territorial Cohesion

Cohesion policy is a broad theme which is being used in a broad variety of contexts. The term also summarises a significant range of policy aspects related to territorial and sectoral policies. Thus an initial clarification of the term cohesion policy and reflections on the underlying policy approaches are important for illustrating the scope of this policy review.

Cohesion policy follows the objectives of economic, social and territorial cohesion. Though all three aspects represent features of equal importance, in reality an implicit ranking is given to objectives based on perceptions and spending levels from the EU. Economic and social cohesion are usually referred to as “twin objectives” of regional policy - to achieve balanced socio-economic development throughout the EU and reduce disparities between regions and Member States – through ERDF, CF, and ESF. The concept behind is that through a reduction of disparities and an increase of per-capita incomes economic as well as social cohesion are achieved.

Barca (2009) calls this one of the “misconceptions” of Cohesion policy: Convergence of per capita income in Member States and regions “*is neither a necessary nor a sufficient condition for achieving thesocial inclusion objectives of Cohesion policy*”². First, a reduction of the regional income gap (measured by GDP levels) can go together with rising or falling social exclusion (measured by the number of people with low income levels). Second income levels do not tell too much about what is happening to other aspects of well-being (health, education etc.).

In reality **economic cohesion** is the dominant objective. EU spending levels for economic cohesion – which is most strongly represented by the convergence objective – outweigh contributions to social cohesion. Data on public spending of Member States show that social policies are a dominant item of national – and in a limited number of countries also of regional - public budgets.

Social cohesion includes the fight against poverty, inequality and social exclusion with ESF being the main financial instrument of the EU. ESF focuses on target groups of persons and has a very weak territorial approach. The complementarity with economic cohesion should be addressed in the framework of NSRF. To what extent this is grounded in operational terms still will be explored in the following chapters.

Territorial cohesion is a specific objective aiming at a balanced distribution of economic and social resources among the European regions with the priority on the territorial dimension. It deals with the territorial integration of sectoral

² Barca (2009): p XIV

policies in specific territories (Barca addresses this as the “place-based approach”) and therefore has a strong multi-level governance aspect.

Generally speaking economic, social and territorial cohesion are perceived as complementary aspects and cohesion is rather used as a broad term subsuming a broad variety of sector approaches.

Table 1 provides an overview of the definition, indicators and key issues within Cohesion policy.

4.1.1.1.1.1 *Table 1: The concept of cohesion policy*

Term	Definition	Key indicators	EU Funds	Key issues & sector policies addressed
Economic cohesion	Narrowing disparities in output and employment	GDP Employment & unemployment rates	Cohesion Fund (CF) European Regional Development Fund (ERDF) European Social Fund (ESF)	Infrastructure development (as a broad term, i.e. ranging from transport over waste, waste water, business zones to education) Support to entrepreneurship (human resource development, direct support to firms and businesses)
Social Cohesion	Reduction of interpersonal inequalities and in particular the reduction of poverty and social exclusion and the creation of employment opportunities for social strata put at risk	EU Laeken indicators (set of 21 indicators on income, employment, education, share of persons at risk of poverty literacy etc.)	ESF	Social commitment to reduce disparities and avoid polarisation, definition of acceptable thresholds (poverty line, ...) Social and health insurance, pension systems, active labour market policy, education system
Territorial cohesion	Sustainable and equitable spatial distribution of activities	GDP at NUTS II/ NUTS III Unemployment/ employment rates at regional level Travel times to economic centres	CF ERDF EAFRD (rural development) ESF - to some extent (as social cohesion should also be achieved in all EU territories)	Discussion focuses on role of cities (in particular polycentric development and accessibility of economic centres), functional geographies, macro-regional strategies, Key issue is the coordination of sector policies at sub-national (regional and local) level, cross-border, transnational

				development Sector policies same as those listed under Economic Cohesion In a very limited number of Member States spending levels for specific types of regions are important aspects of public spending (e.g. DE – so-called New Länder, i.e. former GDR).
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Source: EPRC 2010, *The Objective of Economic and Social Cohesion in the Economic Policies of Member States*, Study commissioned by DG Regio, own considerations

4.1.1.2 **Guiding principles of EU cohesion policy: additionality, complementarity and added value**

The framework of EU cohesion policy is subject to a broad debate on quality features: these discussions usually peak towards the end of one funding period with the transition to a new period ahead. To some extent the major point in discussion is to seek ways to overcome the weaknesses in the traditional implementation of sector or line policies.

In the context of EU cohesion policy the following guiding principles build the foundation. For obvious reasons the foundation rests on close cooperation of public and intermediary institutions at all state levels or – in other words – on sound multi-level governance.

4.1.1.2.1.1 *Table 2: Definition of key terms*

Term	Definition	Comment
Additionality	Regulation 1083/2006, Article 15 is quite clear on the principle of additionality: Contributions from the Structural Funds shall not replace public or equivalent structural expenditure by a Member State. For regions covered by the Convergence objective, the Commission and the Member State shall determine the level of public or equivalent structural expenditure which the Member State shall maintain in all the regions concerned during the programming period. The level of expenditure by a Member State shall be one of the items covered by the decision of the Commission on the national strategic reference framework. As a general rule, the level of the expenditure referred to in paragraph 2 shall be at least equal to the amount of average annual expenditure in real terms	Ex ante and mid-term (2011) assessment of additionality is compulsory according to Article 15, Reg. (EC) 1083/2006 The more EU-funds a country receives the more national money is tied to it (thus implicitly reducing options for purely nationally funded interventions) Current discussions point towards a reform of the verification of the principle of additionality: in future it could be linked to the economic surveillance process of the EU using indicators provided in the Stability and Convergence Programmes which are

Term	Definition	Comment
	attained during the previous programming period.	submitted on an annual basis by the Member States
Complementarity	<p>In the preamble Regulation (EC) 1083/2006 stipulates that:</p> <p>(23) Action by the Community should be complementary to that carried out by Member States or seek to contribute to it. The partnership should be strengthened through arrangements for the participation of various types of partner, in particular regional and local authorities, with full regard to the institutional arrangements of the Member States.</p> <p>This leads to the following questions and perspectives:</p> <ul style="list-style-type: none"> ▪ To which extent EU policy elements complement national approaches and vice versa (within one particular intervention area but also across different intervention areas); thus achieving synergies or reinforce the effects (and outcomes) ▪ Aspect of external coherence of EU Cohesion Policy, i.e. to which extent the key features of EU policy frameworks fit to national and subnational policy frameworks 	<p>No clear-cut definition – the term complementarity is used quite broadly.</p> <p>According to EPRC (2011) the implementation of EU Cohesion Policy in the Member States shows aspects of integration, coordination and complementarity:</p> <p>Integrated approach: EU cohesion policy sets the agenda for domestic policies (e.g. PL, ES) EU funds are subsumed in national system (AT, DE) Explicit effort to merge both policies into one framework (JNSRF) (IT, SE)</p> <p>Coordinated approach: Goals are mirrored or matched, cross-financing (e.g. FI, FR, NL)</p> <p>Complementary approach: EU cohesion funding is largely subsumed, objectives are synonymous but EU complements national policies in limited policy areas</p>
Partnership	<p>Broad partnerships with a wide range of actors are a guiding principle of EU Cohesion Policy: Mobilisation of the skills and the knowledge of the various partners has the potential to make both planning and implementation more effective³.</p> <p>In the next funding period local development approaches might become more important as partnership building issues (following the general ideas of a place-based approach⁴ but also the Leader approach with Local Action Groups.</p>	<p>The ex-post evaluation came to the conclusions that in the EU 15 the involvement of broad partnerships has been much stronger in programming than in implementation. In the EU 12 (NMS) partnership building posed a challenge for many countries due to the lack of established routines and also – in some cases – the lingering tensions between public bodies and the so-called Third Sector (mostly NGOs).</p>

³ EC, 5th Report on Economic, Social and Territorial Cohesion, p. 246.

⁴ Barca, (2009), see also 5th Report on Economic, Social and Territorial Cohesion , p. XXIX

Term	Definition	Comment
Added value	<p><u>Added Value</u> as defined by the European Commission⁵ is the “value resulting from the Community assistance that is additional to what would have been” secured by national and regional authorities and the private sector.</p> <p>One important aspect is the geographic perspective, i.e. whether effects are being considered from a local, regional or national perspective.</p> <p>The second important aspect is the distinction between various types of Added Value (AV), i.e. mainly the following ones:</p> <p><u>Operational AV:</u> Introduction of the partnership principle, the strong regime of accountability with monitoring, audit and control procedures</p> <p><u>Policy AV:</u> Strengthening the strategic dimension (multi-annual programming, coordination along the NSRF)</p> <p><u>Learning AV:</u> Learning processes linked to features such as partnership-building, programming, monitoring & evaluation etc.</p>	<p>The benefit of the concept of Added Value is that it tries to capture impacts and effects of structural policies at various levels. But there is clearly not one definition which is generally known and widely understood.</p> <p>The shortcomings are that this concept is self-referential and largely depends on the definition of “values”. Furthermore it provides a one-dimensional perspective, as impacts usually have a positive dimension, but are also associated with negative implications (project promoters and programme management will tend to see the success rather than the failure.</p> <p>But the AV of SF has become to some extent a label for policy analysis which takes a broader perspective and is interested in stimulating exchange of experiences across the EU.</p> <p>However, it is important to see that in any case a close analysis of the context is needed in order to understand the perception and underlying policy rationale. In turn the context will shape the focus of the analysis and its conclusions.</p>

Source: own considerations, EPRC 2011, *Complementarity or Conflict? The (In)Coherence of Cohesion Policy*,

⁵ Community Added Value: Definition and Evaluation Criteria, Unpublished paper. DG REGIO, quoted by Andrea Mairate (2006)

4.2 The financial weight of EU cohesion policies and national policies

Public spending levels differ to a significant extent across the EU Member States. Public (also labelled as government) expenditure as percentage of the GDP ranges from around 40% (e.g. LU and SK 38%) to a group of countries revealing shares of more than 50% (SE, FI, FR, BE).⁶

One of the major structural differences in public spending is represented by spending levels for social protection. On average 18.2% of GDP of Member States is being used for social protection but a wide range opens between countries such as Latvia (9.5%) and Denmark (22.4%). As a general tendency this marks a dividing line between different types of Member States related to income and wealth. EU 15 Member States use significantly higher shares of their public budgets for social protection compared to EU 12. As share of total public spending at country level DK and DE reveal highest shares (more than 40%) whereas e.g. LV and CY have shares of about 25%. This leads to the conclusion that EU 15 Member States can afford to invest significantly higher amounts in social protection (which is closely linked to some important aspects of social cohesion).

Public spending for the most prominent items of Cohesion Policy accounts for far smaller shares in GDP. But it is an important point since it shows another divide among the Member States with a view to the use of EU-Funds. Recent research work has made an effort to measure ERDF and Cohesion Funds spending levels with the concept of Expenditure for Development (EfD).⁷ A recent assessment of national EfD - as a bundle of public expenditures being by and large consistent with the major items implemented as part of EU cohesion policy - allows comparing and contrasting national efforts.⁸ The average share as percentage of GDP in EU amounts to 2.9%. The Member States are in a range between 1.5% (DK) up to 6.5% (CZ) with large Member States such as PL, FR, ES revealing shares of 2.5% to 4.5%.

⁶ Source: EC, 5th Report on Economic, Social and Territorial Cohesion as well as EPRC 2010, The Objective of Economic and Social Cohesion in the Economic Policies of Member States (*further on EPRC 2010*); When comparing per capita values differences become striking: BG 4,000 PPS per capita; SE 16,000 PPS; BG representing 45% of EU average, SE 120%, LU 280%.

⁷ EfD have been defined in Ismeri (2010) to allow a judgement of the relative weight of Cohesion policies: Public expenditures have been defined on the basis of statistical accounting systems that are in principle eligible for co-financing by structural funds. The encompass expenditures (defined on the 2-digit level of the international classification of the functions of government, including gross fixed capital formation and capital transfer) from various components like general public services, economic affairs, environmental protection, housing and community amenities, health, recreation and culture, education and social protection (Ismeri, 2010 page 90f). These expenditures have been calculated per capita and as shares of the central and sub-national governments. They have been split by components Furthermore the contribution of EU Cohesion policy (except ESF) have been calculated for the 2000 to 2006 period.

⁸ EPRC, 2010, pp.32-34

For obvious reasons it is interesting to look in more detail at the role of EU-funding in EfD: the weight of the EU contributions differs to an enormous extent across the EU Member States:

4.2.1.1.1 *Table 3: The financial weight of EU contributions in expenditure for development (2004-06)*

EU contributions of expenditure for development (in %)	Countries
Dominant 50% to 80%	6 countries - EE, LT, LV, PL, PT, SK - where EU funding is covering substantial parts of transport and energy expenditures (30% to 40% of total public spending for transport and energy): In EE, HU, PL, LV, LT EU funds cover the majority of environmental infrastructure expenses (50% to 90%! of expenses for environmental infrastructure): HU, RO, SK, PL, LV, LT, CY
Significant 30% to 50%	2 countries GR, HU
Important 10% to 20%	4 countries CZ, ES, MT, SI
Insignificant 1% to 10%	13 countries AT, BE, CY, DE, DK, FI, FR IE, IT, NL, UK, SE

Source: EPRC 2010, p. 33, estimates on the weight of transport and energy as well as environmental infrastructure taken from the 5th Report on Economic, Social and Territorial Cohesion (p. 154)

The role of EU contributions to Cohesion Countries is particularly marked in the areas of transport and energy as well as for environmental infrastructure (waste water treatment, waste management). In the Cohesion Countries the EU contributions have represented on average more than 55% of total public spending for EfD. In sharp contrast to this dominance of EU-funds in some countries, in others EU-funding plays no role in financing of basic infrastructure (e.g. AT).

However, it is important to note that one major part of public expenditures for development and investment to competitiveness - the sector of education - is only to a very limited extent eligible for EU funding: education represents on average 5% of GDP of Member States – the dominant part of expenditures not being eligible for support from Structural Funds.⁹

4.2.1.2 **Conclusion**

There is an obvious positive relation between the share of the EU contribution related to national public spending and the role of the EU cohesion policy regime across the EU. In countries with considerable shares of territories

⁹ Renovation and refurbishment of primary and secondary schools has been and is included in Operational Programmes co-funded from ERDF in many countries but major cost items in particular regular staff cost cannot be cofunded from SF.

covered by the Convergence Objective EU Cohesion Policy is the key driver and is setting the agenda for domestic regional policies.

However, as the policy delivery mechanism are shaped by national and regional administrations, the outcome and results of Cohesion policy (as well as national policies) is largely shaped by the performance of national and sub-national administrations and institutions and the cooperation at horizontal and vertical level.

High and visible spending levels at regional level are a characteristic feature of a small group of countries. According to the EC's 5th Report on Cohesion on EU average the subnational level accounts for 28% of public expenditures. Countries with highest shares are those where local and regional levels play a crucial role in the provision of public services and goods: Leading countries in the EU are DK (45%), ES and SE (about 40%) and DE (35%). AT, BE and FI also reveal shares above 30%. The number of countries with significant spending levels of a regional level (i.e. between local and national level) is even smaller: BE (regions), ES (comunidades autónomas), DE and AT (both Länder). Among the new Member States CZ, PL and LV show shares close to 25%. It is important to note that the mere focus on spending levels does not reflect the actual weight of the subnational level in policy making. This depends on a number of further factors, in particular the distribution of competencies and the budgets which in the end of the day represent the 'weight' of subnational levels in policy making. Subnational budgets are in a number of countries linked to mechanisms of financial equalisation based on the redistribution of tax revenues.

4.3 Dominant intervention areas of EU Cohesion Policy - use of EU funds

In the period 2007-2013 four broad intervention areas account for about 80% of the total of EU cohesion funding (i.e. funds from CF, ERDF and ESF): transport infrastructure, support to entrepreneurship, human resource development and environmental infrastructure and green energies.

The following table summarises the main categories of intervention for the current period.

4.3.1.1.1.1 *Table 4: Major intervention areas of EU cohesion policy 2007-2013*

4.3.1.1.2 Intervention area	% of total EU cohesion funding	4.3.1.1.3 Policies
Transport infrastructure	22.0	Construction of road and railway infrastructure
Human Resource development	19.8	Skills training, active labour market policies,
Environmental infrastructure (including green energy)	17.9	Waste water treatment, waste management, water supply, renewable energies etc.
Support to entrepreneurship	17.5	SME-support, RDTI
Tourism and culture (renovation)	6.5	Renovation of cultural heritage, upgrading and development of tourist facilities such as spas etc.
SME-support (except RTDI)	5.4	Less innovative forms of SME support
Technical Assistance	4.5	Staff cost, capacity building, external expertise for programme management and administration
Other	6.4	In particular social infrastructure, ITC infrastructure

Source: EC, 5th Report on Economic, Social and Territorial Cohesion, pp. 203-204

These broad intervention areas summarise very different types of policies. The table reflects the dominant weight of Cohesion Countries and regions falling under the convergence objective in the total spending of the EU for cohesion policy represented by the high shares of transport and environmental infrastructure. These are to a large extent typical sector policies. Cohesion Fund usually necessitates a clear-cut top-down approach, i.e. priorities and the concept being developed at the national level whereas smaller transport or environmental infrastructures funded from ERDF are parts of Operational Programmes. Prioritisation then has a much less significant role: funding to some extent follows a bottom-up approach. Just a few examples to outline the striking differences in the use of EU funds across the Member States:

- **Austria:** in total 1,460 MEUR; ETC accounts for 28% of total ERDF; 80% of ERDF as part of Regional Competitiveness and Employment (RCE) Programmes as well as Phasing Out Programme Burgenland goes to SME support

- **Portugal:** in total 21,500 MEUR); in Convergence Regions (accounting for 100% of CF and for 93% of ERDF) the bulk of funding is dedicated to enterprise environment (52%) as a broad sample of measures with a focus on business infrastructure – whereas transport and environmental infrastructure account for less than 10% each (an obvious consequence of the strong focus on these issues in the past decades)
- **Poland:** in total 67,200 MEUR) - 42% of funds is directed to transport and environmental infrastructure; further 17% is part of 16 Regional Operational Programmes (which again have a focus on infrastructure though more diversified and at local level), SME-support and RDTI account for 13%, human resource development for 15%

Conclusions:

4.3.1.2 Transport and environmental infrastructure prevail

Considerable parts of the EU-funds (and thus also national funds – in particular of Cohesion Countries – are being used for upgrading of transport and environmental infrastructure (about 40% of the total EU-funds for Cohesion Policy).

Cohesion Fund (approx. 20% of the total) ties the use rather to tight concepts developed at national level (i.e. developed top-down from the national level with a view to the requirements following EU Directives).

The remainder, i.e. those parts funded from ERDF are parts of various OPs (either thematic or regional ones) and projects are developed quite often bottom-up (which poses the challenge of consistency in strategic terms: capacity for project development at level of LRA might be more decisive than actual priorities in terms of mitigating e.g. road safety or environmental risks).

Both intervention areas represent established sector policies which are dominated by established players in administration, challenges are posed due to ongoing processes of decentralisation; mostly in EU12 and quite often revealing time lags between the political decision on the re-arrangement of competencies and the subsequent establishment of budgets

4.3.1.3 Support to entrepreneurship and Human Resource Development

Support to entrepreneurship and Human Resource Development: each of these broad intervention areas accounts for about 20% of the total EU funding (Human Resource Development mostly as part of policies related to ESF) are marked by a great variety of intervention types.

Compared to investment to transport and environmental infrastructure the policy delivery mechanisms are far more complex – often involving intermediaries such as Regional Development Agencies.

In these policy areas capacity-building at level of LRAs is a challenge – again mostly in EU12; programme implementation is often marked by a significant gap between the strategic approach and the implementation: mere bottom-up

development of projects often leads to fragmented or isolated interventions with low effectiveness.

4.4 Conflicts between policy goals respectively policy frameworks

From a strategic perspective the individual policies which are subsumed under Cohesion Policy will form a consistent framework. But it is important to note that there are inherent conflicts between these policy frameworks and their implicit or explicit goals. Quite prominent examples of such lingering conflicts are:

Competitiveness versus convergence: though both are objectives of cohesion policy the political reality will be a continuous compromising in directing investment either towards the thriving business locations and high-grade RDTI infrastructure in pursuit of competitiveness or to maintenance and upgrading of (basic) infrastructure in lagging regions in order to support convergence. Academic discussion on the issue is polarised – partly it is claimed that spatial equity and economic competitiveness reinforce each other, partly research points at a growing trade-off between these two competing goals: in particular with a view to the constraints in public budgets for capital investment.¹⁰ These polarised opinions point at the decisive role of the socio-economic and geographical contexts of regions and Member States.

Development and diversification of rural areas: The EU policy frameworks include certain fields where the demarcation lines between Structural Funds are not that clearly set. Sector perspectives might dominate the discussion and result in losses of effectiveness and efficiency: one prominent example is rural development which is an increasingly important policy objective of EARDF and at the same time it is one of the implicit crucial target areas for ERDF interventions. EARDF interventions are anchored in agriculture throughout Europe whereas ERDF interventions usually include several sectors.

Agricultural policies versus rural development: Agricultural policy is a sectoral policy targeting – among others – to protect production and employment within agriculture. One of the examples is Poland: an overly generous taxation system and social benefits for farmers (including KRUS¹¹ for pensions) lead to social protection for subsistence farming and pensioners in rural areas; in the end these incentives ties people to agriculture with low productivity and tends to make regional income gradients more persistent, costs estimated at 1.2% of GDP. Incentives from CAP plus the domestic policies tend to petrify the structures in rural areas and to counteract other efforts towards economic diversification.

Transport policies versus regional development: Transport infrastructure contributes to the process of spatial concentration (which leads to out-migration

¹⁰ See Bachtler, 2011, p. 43

¹¹ Agricultural Social Insurance Fund

from peripheral regions) if the upgrading or expansion of networks is not paired with other development policies in the more remote areas – this is a policy issue which can be quite challenging for large Member States and Member States with a high share of transport investment funded by CF and ERDF (and it represents one of the recurrent issues for perspectives on territorial cohesion)

Innovative projects versus complex control and financial management requirements: In some countries – in particular in those Member States where EU funding represents a minor to marginal share of public investment for development (e.g. Austria or Netherlands) – EU funding tends to be a less attractive option for beneficiaries due to demanding control requirements (which are usually more strict than for national funds since e.g. recoveries are extremely time consuming for the administration). This supports the tendency to place in programmes co-funded from EU those projects or intervention types where routines, beneficiaries and outcomes are well-known in advance and thus implementations risks are small.

5.Implementation Systems

5.1 National and local level as common elements

History and the resulting differences in socio-cultural as well as socio-economic development paths of the Member States have led to a broad variety of political and administrative systems. Despite the differences in the systems there are two tiers of administration which are represented in all EU27 Member States:

- The **national level** with the sector competencies represented by line ministries
- The **local level** as the smallest administrative unit with a number of competencies which have rather direct impact on everyday life of its citizens (water supply, waste, schools and personal care etc.)

At **national level** the programming and implementation of Cohesion Policy represents a challenge because of the multi-sector approach. The involvement of the national level in Cohesion Policy varies to significant extent. In EU12 there is a tendency towards comparable patterns whereas in EU15 differences are quite substantial. Looking at the dimension of economic cohesion (CF and ERDF) in particular in EU12 (NMS) some countries have established Ministries of Regional Development¹² though their actual competencies and budgets vary to a significant extent. Due to the dominance and actual use of EU-funds in Cohesion Countries also Ministries in charge of Transport and Environment have a dominant role (with a view to CF). ESF is usually in hands of Ministry of Labour and Social Affairs. These Ministries usually act as Managing Authorities (MA) of their respective OPs. Their role is crucial since these Ministries provide the national co-funding. And finally in particular in EU12 (NMS) the Ministry of Finance is usually in a dominant position since it has a strong say in budgetary planning and exerts the audit function for EU-funded Cohesion Policy.

In EU15 a broad variety of patterns exist since the political-administrative systems show a wide range between federal systems (AT, BE and DE) and quite centralised systems (e.g. GR or PT). In the first group of countries the national level has in the field of EU co-funded cohesion policy a quite limited role, i.e. strategic coordination and providing additional funding next to regional funds. The MA of OPs is mostly in hands of regions. In the latter group the national level is dominant: e.g. in PT the Ministry of Environment and Spatial Planning is in charge of regional policy, its regional branch are 5 Regional Coordination and Development Commissions. In GR the Ministry of Economy,

¹² E.g. BG, CZ, RO,

Competitiveness and Shipping is an important player, coordination is done in several interministerial committees in various policy fields.

At **local level** the match between competencies and budgets is decisive for the role of municipalities as investors in Cohesion Policy. This is usually directly linked to the tax systems respectively the existence or non-existence of mechanisms for fiscal equalisation. Important aspects in terms of policy-making are:

- **Large cities:** only those in Cohesion Countries will have significant direct and indirect gains from EU co-funded Cohesion Policy – these are benefits mostly from CF - be it waste-water treatment or high-grade road or railway infrastructure (which must not even be on the territory of the city but economic benefits due to better accessibility are quite obvious); also policies related to social cohesion (ESF) play a certain role for cities due to their specific situation as regards marginalised groups
- **Smaller municipalities in remote areas:** these deserve particular attention since the risk of uncoupling is particularly high due to a combination of factors (aging population and outmigration, lack of work places, deteriorating basic infrastructure); an aggravating factor is also the lack of capacities to develop projects – the establishment of RDAs as intermediaries between local and regional or national levels has been a frequent approach to address this challenge

■ It is evident that there are many other types of municipalities and these are the ones drawing major benefits from Cohesion Policies. One small example to illustrate the importance of EU-cofunded policies: in particular in EU12 (NMS) even smaller cities (with about 20,000 inhabitants) have established departments for EU-funded projects. The main aim of the departments is project acquisition and management. Drafting and managing EU-projects has helped to develop a quite broad service industry in these countries.

5.2 LRAs – the variety at the regional level

The broadest variety as regards the range of competencies and administrative approaches can be encountered at the intermediate or regional level(s). This is also most probably the level where most changes took place in the past two decades. Some examples to underpin the diversity (which is also meant as a ranking):¹³

- **Federal Systems** (AT, DE, BE) are characterized by a central government and sub-national self-governing states with elected parliaments, significant budgetary powers and own legislative and administrative competencies recognized by the constitution. These states are at NUTS-I (DE) or NUTS-II (AT, BE)-level.
- **Regionalised systems:** ES or IT have established an intermediate level of government with a wide set of competencies, with elected councils and selected budgetary powers - may it be in autonomous regions like in ES or in regions like in IT.
- All other countries are unitary states, which are quite heterogeneous in terms of the specific features and where a number of differentiations can be made:
 - In Northern countries (FI, DM, SE) the local governments have a wide range of responsibilities related to regional development.
 - Some countries have established **decentralised systems**, where regions may have elected parliaments and quite limited budgetary powers (quite often the result of a rather recent decentralisation process such as in CZ (starting in the late 90ies) or in SK (in 2001) or PL; also FR could be considered as part of this category but also DK.
 - **Centralised system:** countries with a strongly centralised system such as BG (statistical regions), CY, EE, LV, LT, SI, MT and LU as very small countries or UK (statistical regions with the exception of Scotland, Ireland and Wales – which could be ranked under the category regionalised systems)

It becomes evident that the notion as well as the political concept of regional policy will differ to a large extent along this ranking according to the self-governing capacities.

¹³ See also EPRC 2010, p. 64

5.3 The diverse approaches to the implementation of Cohesion Policies

The implementation of Cohesion Policy to a large extent depends on two factors:

- The weight of EU-funding in Cohesion Policy (as outlined in section 1)
- The administrative system

5.3.1.1 Systems with EU-funding as guiding element

It is evident that in countries where EU-funding of Cohesion Policy has a dominant weight the implementation system will be shaped by the requirements for an efficient and effective implementation of CF, ERDF and ESF. This is particularly true in the EU12 (NMS). The national level is marked by strong capacities in the key line ministries. One crucial point is which body or Ministry is in charge of the overall coordination. Some examples in order to illustrate this point:

- In CZ the Ministry of Regional Development is in charge of coordination and supports the work of the Monitoring and Coordination Committee as the broader platform involving all major implementing bodies.
- In RO the Authority for Coordination of Structural Instruments is located at the Ministry of Economy and Finance.
- In SK former Ministry of Construction and Regional Development was in charge of coordination; following the elections some of the functions related to ERDF have become part of the portfolio of the Ministry of Agriculture and Rural Development, part of coordination is now in hands of the Ministry of Transport and Regional Development.

Again, the broadest variety of approaches lies at the regional level. Depending on the degree of decentralisation the structure of SF-programmes will vary. One characteristic factor is the weight of so-called Regional Operational Programmes (ROPs), i.e. ERDF and ESF funded programmes for regions.

- In CZ such programmes play an important role: the country has 8 programmes at NUTS-II level representing about 20% of funding in the 2007-2013 period, Since the NUTS-III level has the elected parliaments the ROPs serve also as a regional coordination platform.
- The approach in PL with 16 ROPs – accounting for 25% of total funding in the current period - is quite similar.
- SK – where the process of decentralisation started later – has only one ROP for Bratislava region (owing to the fact that this NUTS-III region is no more eligible under the Convergence Objective).

The majority of EU12 (NMS) does not finance ROPs. In some countries regions do not exist (BG, CY, MT, LV), in some countries a regional level exist but their role in the process of policy formulation and implementation is neglectable (EE, HU, LT, RO).

5.3.1.2 **Systems where EU-funding is integrated in the national policy delivery**

A totally different approach to Cohesion Policy characterizes those countries where EU-funding plays a minor role. Many of these countries integrate the EU-funding into existing support schemes at national or regional level. Prime examples of this approach are AT and DE, both also representing federal systems, i.e. regions (Länder) with strong self-governing powers.

- Established administrations implement those policy elements (stemming from national / regional policy frameworks) which have been subsumed in the EU co-funded programmes; ERDF and ESF are perceived rather as financing instruments next to national and regional funds and the funding mix of the single intervention is frequently the decisive point for coordination
- The impact of multi-annual programming as joint exercise between national and regional level, improved transparency and monitoring rank among the aspects which are marked as major added value of EU co-funded Cohesion Policy.

5.3.1.3 **Mixed systems**

Next to these poles also a number of countries exist which reveal a mix of both approaches, i.e. certain parts of administration reveal distinct features connected to EU-funding but – mainly due to the limited importance of EU-funds compared to national funds – a significant role of national approaches has to be stated.

- In FR with a decentralised approach – though with a strong centralised element - the state agency DATAR (linked to the Ministry for Rural Areas and Territorial Development) is in charge of coordination – covering both policy preparation as well as implementation - and supports the work of the Interministerial Study and Monitoring Group (GESPER). The contracts between state and regions (CPER) are aligned with the OPs under EU Cohesion Policy.
- In FI reorganisation of administrative structures related to regional development has been started in 2008; the ALKU project launched in 2010 for reform of overly complex implementation structures has inter alia led to the set-up of one committee for regional and structural policy replacing former separate negotiation committees for SF and domestic interventions

5.3.1.4 **Impact of different management and implementation systems on complementarity between Cohesion and domestic policies**

The ex post evaluation of management and implementation systems (EPRC/Metis 2009) found several interesting trends on the impact of the implementation system and policy coordination with domestic policies.

- One was on the relation between **decentralisation and complexity**: “*One of the main factors to influence the approaches to Cohesion policy*”

management and implementation was the degree to which decision-making powers for domestic policies were centralised. In line with ongoing decentralisation trends in several countries, the 2000-06 period was notable for more management tasks being shared with sub-national levels of government and partnerships. Where competences were shared among large numbers of bodies, coordination mechanisms were introduced or improved. In cases where numerous bodies were involved in operational aspects of programme implementation, systems became internally fragmented and overly complex”.

- Another was on the **domestic policy approach and coordination**: In Member States with a strong, territorially-focused domestic regional policy, there was usually greater EU/domestic policy coordination in the management and implementation of Cohesion policy.
- For EU 15 with a longer experience related to Cohesion policy the empirical evidence pointed to a considerable degree of **influence of Cohesion policy management and implementation on the domestic policies**, substantiated by the specific changes to domestic institutional assets, procedures and culture. The influence varied significantly in terms of scale (the range of policy processes affected) and type. In all cases took time for Cohesion policy to influence domestic management and implementation systems, and it usually takes more than one programming period. Influence took place in the form of: *transfer*, involving the more-or-less wholesale adoption of Cohesion policy practices; pragmatic *adaptation* of EU procedures within domestic policy MIS; and *re-interpretation* of EU requirements, in the light of pre-existing domestic practice. Pragmatic adaptation was the most common administrative response of domestic systems to the influence of Cohesion policy.
- **As regards the positive effects of Cohesion Policy** it has led to more transparent, professional and targeted resource allocation systems. They have also strengthened knowledge on policy outcomes and, during policy implementation, the progress with delivery, through improved monitoring, reporting and evaluation arrangements. The perceived benefits of applying the Cohesion policy partnership principle and procedures in 2000-06 were considerable. Not all the effects detected were positive or durable; those changes introduced for predominantly pragmatic reasons were least likely to be permanent. Overall, it appears that influence and positive effects have been strongest where driven by committed élites or policy entrepreneurs, where political commitment to change was high (e.g. because of contextual domestic reform agendas) and/or where the status and weight of Cohesion policy (especially relative to other domestic policies) were high.

5.4 Coordination as one of the key issues

Coordination ranks among the most important success-factors for successful (efficient and effective) implementation of Cohesion Policy which is based on the interplay between several sector policies. But it is important to be aware of the fact that policy coordination can take various forms. A useful approach differentiates between the following types of coordination in order to highlight important aspects of policy-making:

5.4.1.1.1.1 *Table 5: Types of coordination*

Type of coordination	Comment / example
Strategic coordination, i.e. the coordination of policy areas as regards objectives and elaboration of programmes	E.g. the elaboration of the European Spatial Development Plan (ESDP) as a guidance document for spatial planning (and territorial cohesion)
Operational coordination, i.e. the coordination of policy implementation	E.g. the attempts of the Region North-Rhine Westphalia (DE) to set-up a measure for the rehabilitation of urban areas cross-financed from ESF and ERDF in the period 2000-2006
Informal coordination, mostly understood as regular or irregular mechanisms for exchange and debates which do not lead to any binding agreement	E.g. the Austrian coordination platform for regional policies of the Länder or the elaboration process for NSRF in many countries (which did not lead to the step of operational coordination)
Formal coordination, based e.g. on Acts on Regional Development and leading to binding documents such as contracts	E.g. the state-region contracts as applied in FR or PL or the additionality programme (national programme parallel to the Phasing-Out Convergence programme for the Land Burgenland)

One might argue that the highest stage of coordination is achieved when mechanism of formal operational coordination are in place. In case of Cohesion Policy it would mean that a binding legal framework enforces the various sectors and tiers of administration to actively coordinate the implementation of interventions. Solutions such as state-region contracts strengthen responsibility and might have a positive impact on regional capacity building – on the other hand such mechanisms entail high transaction costs due to lengthy negotiation phases and administrative proceedings. Finally it is important to see that also elaborate systems might be toppled over in a short time in case of political changes or economic crisis (e.g. the abolishment of RDAs in UK in 2010 or the changes following the new government in IT and resulting in significant cuts of investment programmes due to the economic crisis).

In most cases strategic coordination is the first step. A positive example is SE, where the impetus of strategic coordination stemming from the elaboration of NSRF has been used to further the process of cross-sectoral coordination: 20 authorities were grouped along the NSRF priorities and took part in a facilitated exchange and discussion. After two years significant improvements in terms of mutual understanding have been reported.

Practice shows that also informal strategic coordination might have its merits if it builds on open dialogue and is embedded in political systems with established mechanisms of checks and balances.

5.5 The NSRF as key approach to strategic coordination in 2007-2013

For the current period the instrument of the National Strategic Reference Framework was introduced as the key instrument for coordination of Cohesion Policies in the EU Regulation (EC) 1083/2006. The concept for the NSRF emphasises the role of coordination mechanisms between OPs, between ERDF and CF, but also e.g. with EAFRD. And as one of the cornerstones for effective and efficient policy outcomes the NSRF has to address also the actions for administrative capacity-building in Convergence Regions.

In most countries the process of elaboration – and to some extent – also the regular reporting has broadened and deepened the cooperation among the sector administrations or it helped to trigger off reforms of institutional arrangements:

- In SE the EU-requirement helped to initiate the *national strategy for regional competitiveness, entrepreneurship and employment* being key element of the NSRF
- In AT the process of setting-up the NSRF (strat.at) broadened the portfolio of the Austrian Conference of Regional Planning from its traditional role as in vertical coordination (national-regional) to cross-sectoral coordination
- In IT the National Strategic Document (NSD i.e. the NSRF) represents the result of a new policy formation and close alignment of EU-funded and domestic regional policy – the latter being directed towards the lagging southern parts of the country

However, it is important to be aware that the major achievement during the elaboration of the NSRF in most countries has been an improved strategic coordination. There is the inherent risk that the NSRF is understood as final output and subsequent annual reporting is done as compliance exercise instead of using the momentum to intensify operational coordination. Policy coordination is a continuous process and the achievements in operational coordination are decisive.

6. Case Study methodology

Case studies will cover

- different types of alignment between national and EU policies
- regions from EU 12 and EU 15
- regions with high and low levels of EU funding (Cohesion and competitive regions),
- regional and national programmes

The brief policy portraits and review of good practices will be structured as follows:

	Context	
	Summary	
<i>Institutional background</i>	Tiers of administration and government	
	Role of the regional level	
<i>Regional development</i>	Key issues of regional development	
<i>Policies</i>	Main domestic policy measures - national and regional	
	Are European strategies integrated?	
	Main features of EU cohesion policy in the regions	
<i>Assessment</i>	Relationship and coherence between national and EU policy	
	Related to objectives, territorial and thematic approach	
<i>Implementation</i>	National policies	
	Regional policies	
	Cohesion policy	
<i>Assessment of the Implementation</i>	Differences and similarities	
	Major coordination mechanisms	
	Synergies and aspects of complementarity	
	Major challenges for cohesion policy making	

The information sources of the case studies will be based on existing sources like

- ISMERI (2010): Distribution of Competences in relation to Regional Development Policies in the Member States of the European Union
- EPRC (2010): The Objective of Economic and Social Cohesion in the Economic Policies of Member States. Commissioned by DG REGIO
- Applica (2010) Evaluation network delivering policy analysis on the performance of Cohesion Policy 2007 – 2013 – country reports

The Case Studies will have a focus on those countries which already started to establish coordination mechanisms which are not completely driven by the mechanisms of EU policies.

The following table includes an overview on policy mechanisms and issues presented in the case studies.

6.1.1.1.1.1 *Table 6: Overview of the elaborated case studies*

Country	Coordination aspect	Tool /mechanism
AT	Coordination between national and regional level in a federal system	Additionality programme Burgenland as key longer-term commitment of Bund (national) and Länder level to a national matching for the Phasing Out Convergence Programme of the Burgenland.
DE	Coordination between national and regional level in a federal system paired with a significant cohesion dimension	Solidarpakt for the Eastern Länder and OPs funded from EU, national and Länder level; example of Sachsen-Anhalt
CZ	Process of administrative decentralisation quite advanced among the EU12; coordination of Kraj (NUTS-3) along the ROPs (NUTS-II)	Regional Councils Act as Managing Authorities of the ROPs and seek to coordinate and compromise between the regional demands.
DK	Recent reform of Regions (2007) and innovative, partnership-based coordination approaches	Regional Growth For a (RGF) (consisting of local and regional government representatives), annual partnership agreements between central government and the 6 RGFs
ES	Several intergovernmental coordination levels, also remarkable achievements in ETC (FR, ES)	Sectoral Conference, Fondo de Compensación Inter-Territorial (ICF) as budgetary mechanism to support infrastructure development in less developed regions since the 80ies which was aligned with EU policy map of Objective regions

FI	Reorganisation of competencies at national level (Ministry of Employment and the Economy) in 2008 has improved coordination; coordination being a challenge due to the numerous actors involved	According to the Regional Development Act sectoral ministries have to draft regional strategies (including goals, measures and regional spend!) – the provision covers 10 ministries Regional councils (associations of local authorities) have to draw up regional plans and regional strategic programmes (plus annual implementation plans) ALKU project (2010) for improved sectoral coordination – reduction of state agencies in charge of policy implementation from six to 2; set-up of one committee for regional and structural policies (replacing former separate committees for domestic and SF interventions (see Bachtler, 2011, p. 32)
FR	Strong elements of alignment between domestic policy instrument and SF programmes	State-Region Project Contracts (CPER, contrats de project Etat-région) CPER is the main policy intervention tool exceeding SF (since it includes e.g. also public transport and rail) – the interesting point is the operational alignment between domestic and EU Cohesion Policy through this instrument
IT	North-South divide, new comprehensive strategy for regional development in 2007; quite complex national approval procedures	Fund for Underutilised Areas (Fondo per le Aree Sottoutilizzate – FAS; established in 2003); regional and multi-regional FAS implementation programmes
PL	East-West divide, subsistence farming in Eastern Poland Ongoing process of decentralisation	National Regional Development Strategy 2007-2015 as overarching guidance National Spatial Concept (KPZK) bridging spatial development and regional policy issues under the heading of strategic development Framework agreements between central state and self-governing regions (voivodships)
RO	Large, centralised Member State with marked regional disparities; first steps from mere statistical regions towards discussion platforms at regional level	Regional coordination committees in 8 development regions; consisting of national SF coordination bodies, MAs of the OPs, RDAs and local authorities

6.2 Case Study Austria (AT)

Nr.	Operational programmes	Funds	MA	Level	Volume/EU Contribution	Source
8	Länder OP RCE	ERDF	Land institution	national	1.027 mio Euro	Website DG REGIO
1	Land OP - Phasing out	ERDF	Land institution	national	177 mio Euro	

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,029	
EfD	2,228	
Social protection	27,1	only 2007
Cohesion policy	0,082	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:		in % GDP
SME support	national	0,0821
Economic development	Land	0,3609
Sectoral policies with Cohesion orientation		
Active LM policies		0,3357
RTDI support		0,1805

Context		
	Summary	The dominant players in implementing Cohesion Policy in Austria - as related to ERDF - are the Länder. Complementarity with European strategies and policies is safeguarded at strategic level, through coordination mechanism between the Länder and the Federal State. This has been in place since the 1970ies, and expanded successively to Cohesion policy. ERDF is fully integrated in domestic systems and at operational level very little visibility is given. The strength of this integrated approach is somehow weakened by a highly fragmented institutional setting throughout 9 Länder and a lack of integration of various European policies at local level.

<i>Institutional background</i>	Tiers of administration and government	Austria is a federal state with two tiers of sub-national government, where the principle of subsidiarity applies: Länder and local authorities. The Länder (states) have a long-standing role in legislative and executive power. All government activities not explicitly attributed to the federal level lie within the Länder-competencies, among them economic and regional policies. However, competencies - and also financing - of different governmental tasks are highly interrelated between the national and state level. A strong fiscal equalization between all three levels is the major source for distributing public funds from the federal to the Land and local authority level. A number of coordination mechanisms exist - among that the mechanism of the Article 15a of the Austrian constitution about Federal and Land-cooperations, the ÖROK - Austrian Conference for Spatial Planning - which is a joint activity between the Federal and Land level, mainly used for coordination of Cohesion policy activities and spatial planning. Cohesion policy plays an important role as financing instrument for economic development at regional level. Operational programmes for ERDF are drawn up and implemented by the Länder. The Federal state has the role of providing co-finance.
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	No major regional disparities occur at an aggregated level, though the southern part of Austria still faces problems in keeping pace with the development in other regions. Only at a small scale more pronounced disparities occur. The major challenge for regional development is the high importance of border regions with high differences in income level, which is alleviated by the rapid growth in the new Member States. Thus over all the main issue of regional development policy in Austria is to maintain good economic performance and quality of life throughout all regions and develop cross-border relations.

<i>Policies</i>	Main domestic policy measures - national and regional	There is no overarching domestic policy framework related to Cohesion. The Austrian Spatial Development Concept set up every 10 years provides some basic orientation, but is not binding. All Länder have developed strategies for regional development setting out integrated sectoral or cross-sectoral policies, which are usually backed by political decisions. These constitute guidelines for sectoral policies and spatial development. Regional strategies are implemented through a large portfolio of sectoral policies (innovation, energy, infrastructure...), where in some cases such sectoral strategies exist besides the regional development strategies - in a more or less coordinated way. Since EU accession the Länder have gained substantial importance in implementing regional development strategies, as Cohesion policy has endowed them with own funds. Operational programmes summarize existing development strategies and integrate priorities from the Land level and the Federal level. Their main function is to allocate funds to the priorities set up there.
	Are European strategies integrated?	European strategies are integrated at the level of NSRF, where the joint objectives guiding the 9 Länder-programmes for ERDF (8 RCE programmes and 1 phasing-out Convergence) are set up. At this level EU priorities have shaped the programming to a substantial degree. In the ongoing period a marked emphasis towards innovation and enterprise environment has been set up - reflecting the Lisbon strategy. Also the delivery of the ESF (with one programme at national level) is strongly shaped by the respective departments of the Länder. ESF-related policies have given a strong impetus for increasing alignment between economic policies and active labour market policies.
	Main features of EU cohesion policy in the regions	Cohesion policy has set the agenda for regional operational programmes in terms of the strategy focus on innovation and business environment. However, in the implementation at the ground CP has merely the character of a financial instrument co-financing Länder funding, which is supplemented by national funds. Given the importance of border regions, ETC programmes play a significant role in Cohesion policy in Austria. ETC programmes receive 257 Mio Euro, which are 28% of ERDF. These programmes have a much broader range of funding - covering transport, environment, territorial development and human resources.

<i>Assessment</i>	Relationship and coherence between national and EU policy	<p>The level where regional development policies are designed and implemented are the Länder. National strategies are defined as joint undertakings by the Federal State and the Länder through the Austrian Spatial Development Concept, the development of the NSRF and at operational level through the ÖROK that coordinates the Cohesion policy in Austria. Though ERDF only covers small parts of EfD, these funds have empowered the Länder to establish their specific regional development policies with a fairly large number of players at Land-level. Coordination between the Länder and the Federal State has been gradually made operational through the NSRF and the implementation process (called STRAT.AT), where all Länder and the Federal ministries convene to discuss strategic development issues. At factual level the driving forces of policy design have gradually shifted from the federal to the Land-level, which can be attributed to the backing of Cohesion policy. ERDF funds are completely integrated into the existing support system and therefore do not support interventions, that have not existed before. This situation is slightly different in ESF, where the ESF focuses on active labour market policy. In this field activities have been developed, that did not exist before at national or regional level (mainly: qualifications of employed persons).</p> <p>There is one very interesting example of coordination between the national, regional and European level: The Additionality programme of Burgenland, the only Land with objective 1 status. This additionality programme is separate from the OP (rather a "shadow programme", but implements the same mechanism of multiannual planning between national and Land-funds. It is seen as very useful for the Land to have some certainty on investments from the national level. The second interesting example of policy coordination takes place at regional level: regional managers financed by ERDF, national, Land, and local authorities have been established at regional level (several per Land) to develop projects with local actors and ensure that sufficient good quality development projects are submitted to the programmes. This is one of the most visible and effective innovations brought about by ERDF.</p>
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	Related to objectives, territorial and thematic approach	National strategies are elaborated at the level of 10years- spatial development concepts that have the character of joint declarations between the federal and Länder-level, but no factual binding of investment decisions. A strong innovation focus of regional development policies has been supported - and probably induced - by the objectives of Cohesion policies. The territorial approach is channeled through the ETC-programmes. All ETC programmes are implemented by Länder. Through the process of setting-up the NSRF (strat.at) the portfolio of the Austrian Conference of Regional Planning has been broadened from its traditional role as in vertical coordination (national-regional) to cross-sectoral coordination.
<i>Implementation</i>	National policies	The main players at regional level are Land administrations, who fulfill the function of MA.
	Regional policies	The major funding institutions are agencies set up by the Länder. An extensive and complicated set of - often very small - ERDF co-financed measures operates regional development policies. A total of 60 to 70 funding measures are operated at regional level. According to the Länder, this complex set of funding measures is necessary to respond effectively to different local conditions and complement national policies.
	Cohesion policy	As Cohesion Policy is fully integrated into the implementation of regional and national funding schemes, no separate institutions have been set up.
<i>Assessment of the Implementation</i>	Differences and similarities	As structural funds are fully integrated into the domestic delivery system, differences only relate to procedural issues. Due to a very rigid domestic system of financial control related to EU funds, funding decisions for projects are often guided by questions of administrative effort and costs. Innovative or risky projects are often rather funded by domestic sources.
	Major coordination mechanisms	The major coordination mechanism at strategic level is ÖROK. At operational level funding decisions are taken in collaboration between the respective departments of the Länder and the line ministries and in some cases agencies at regional and national level. This process ensures good coordination between the players, but often lacks transparency for project applicants.

	Synergies and aspects of complementarity	The major institution for coordinating sectoral and regional policies is the Austrian Conference for Spatial Development (ÖROK), which has been set up to coordinate sectoral policies of the ministries at federal level and Länder activities with spatial implications. This platform has taken an important role in coordinating and developing the activities of the Länder related to Cohesion policy, mainly ERDF. ÖROK is the platform for the NSRF and guides the STRAT.AT process, which serves the purpose to guide and reflect programme implementation. European policies provide very relevant inputs to shape the contents of the policy approach and the implementation.
	Major challenges for cohesion policy making	Cohesion policy is implemented in a very fragmented setting, where each of the Länder operates a fairly large number of funding measures. Efficiency and effectiveness are not sufficiently questioned, especially as a large number of funding agencies have been set up at Land level, that now deal with ERDF. The main lack of coordination is at local level, where different funds operate different local development strategies (regional manager for ERDF-funded measures, territorial employment pacts for ESF and LEADER action groups for rural development measures). Depending on the cooperation culture in a Land, these local actors may collaborate, but in some - if not most - cases, there is very little cross-sectoral and cross-funds coordination for local development.

6.3 Case Study Germany (DE)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
1	OP Transport infrastructure of the Federal Republic of Germany'	ERDF	Bundesministerium für Verkehr, Bau und Stadtentwicklung	national	1.520 mio Euro	Website DG REGIO
16	Länder-OP	ERDF	Land institution	Länder level	13.964 mio Euro	
1	Regional Operational Programme for Lüneburg	ERDF	Promotion of the European economy and labour market	regional level	589 mio Euro	

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,13	
EfD	2,326	
Social protection	26,7	only 2007
Cohesion policy	0,123	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
Solidarity pact - annual federal allocation (2005-2019)	0,4256
Fiscal equalisation mechanisms to poorer Länder (1995-2009)	0,1228 to 0,1673
Federal allocation to GA regions (85% to poorer Länder from the Solidarity Pact)	0,0266
Crisis funding (2009-2011), 50% to poorer Länder	0,0028

Context		
	Summary	Germany is one of the bigger recipients of Cohesion policy - and one of the major contributors to the budget. With an elaborated system of jointly (between federal and land level) financed programmes for regional development and national objectives on economic, social and ecologically balanced development, Cohesion policy did not have a significant influence on the regions (Länder). The Länder are the main actors in Cohesion policy and have integrated the funding completely in their funding schemes. Thus Cohesion policy has mainly the character of a financial instrument and provided a platform for coordination of sectoral investment strategies at Land level - especially in those Länder, where Cohesion Policy accounts for larger parts of the budget (new German Länder).

<i>Institutional background</i>	Tiers of administration and government	In Germany, the largest federal State in Europe, the Länder are the main sub-federal entities that have some features of sovereignty. They have their own constitution and institutions, and share governmental tasks with the federal level. Municipalities also have some legal and administrative autonomy, but with varying forms throughout the different Länder.
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	The income gap between the old and the new German Länder and the persisting economic weakness with high levels of unemployment in the new Länder is the main development challenge. Some of the new Länder (like Thüringen and Sachsen) and some cities have been able to catch up at a faster pace, whereas rural areas reveal persistent patterns of lagging economic development. Many of these areas face massive problems due to out-migration and demographic change. In the old Länder the main disparities occur between urban and rural peripheral areas and – at a larger scale - between the former industrial strongholds in the North and the more solid economic performance of the South.
<i>Policies</i>	Main domestic policy measures - national and regional	Creating equitable living conditions in all territories is a constitutional commitment. Regional policy is seen as part of broader economic policy, which has five strands: the joint federal and Land support for structurally weak areas of Germany (Gemeinschaftsaufgabe), that supports regions with low income level and a concentration of structurally weak companies, additional federal support for public and private investment in the new Länder (Solidarpakt), to create equivalent social and economic living conditions in old and new Länder; the economic development strategies of the individual Länder governments, the fiscal equalisation mechanism for re-distributing funds between the Land and the local authorities. Spatial planning policy is set out to ensure a balanced social, economic and ecological development in all regions. In addition there is also a joint task of reducing regional economic disparities in rural areas (Gemeinschaftsaufgabe Agrarstruktur und Küstenschutz). Significant amounts of funds are allocated to domestic regional policy instruments: The "Solidarity pact" involves an annual federal allocation of € 10.4 billion (in the period 1995 to 2009), the fiscal equalisation mechanism transferred annually about € 3 to 4 billion to the new Länder (excluding Berlin). The allocation of federal funds to "Gemeinschaftsaufgabe" amounts to € 650

		million, where the new Länder receive about 85%.
	Are European strategies integrated?	Supporting economic, social and territorial cohesion are objectives that have been pursued by German regional development policies since many years. Policy objectives often follow the objectives of safeguarding equivalent living conditions throughout the country. There are no specific features of European policies, like the Lisbon strategies, that have shaped the German framework in addition to the (already strong) national and Länder-policies of regional development. Most of the elements already have been in place before.
	Main features of EU cohesion policy in the regions	The total of Cohesion policy allocations for 2007 to 2013 amounts to € 26.34 billion, i.e. an annual allocation of € 3.8 billion. Cohesion Policy has no significant influence on the content of regional development policies, except for the longer-term time period and the integrative function. Structural Funds are channelled into domestic budget of Länder governments and federal ministries. These bodies administer public expenditures that are eligible for Structural Funds. CP simply increases the amount of funding available, but has no specific Cohesion Policy issue attached. Each OP is managed by a Länder- or Federal ministry that allocates funding to various other implementing bodies.
<i>Assessment</i>	Relationship and coherence between national and EU policy	In principle the coherence is very high, as European funds are channelled through Länder and nation systems. In reality the different layers of administrative rules (e.g. in case of a Land the European, the federal and the Land rules) add complexity to spending these funds. The example of the "urban dimension" of Cohesion Policy in Saxony-Anhalt highlights setting of Cohesion policy: The urban dimension has a prominent role in the ERDF. But the challenges of such a territorial concept in multilevel governance emerge in implementation: ERDF is co-financing activities (funding schemes) from various sectoral ministries at Land level. Decisions are taken according to the specific sector intervention logic. One funding line is devoted to urban rehabilitation (co-financed by the federal level and by ERDF). An urban development plan is the prerequisite for eligibility, which shall safeguard the integrated approach. However, the integration of other ERDF co-financed measures (SME, innovation, infrastructure, environment) at urban level is missing, as these are all sectoral decisions taken by the Land level. At

		present a series of workshops with urban stakeholders is held in order to better integrate funding decisions at urban level.
	Related to objectives, territorial and thematic approach	Generally speaking the policy objectives in German regional policies have anticipated the Lisbon agenda and principles of balanced development. Therefore European policies did not bring too much added value. At the level of Länder the situation is more divers: Länder have spatial development concepts that are partially linked with Cohesion policy. In Sachsen-Anhalt for example, some measures (especially the urban rehabilitation) follow the classification of settlements according to their centrality level. One of the main impacts of Cohesion policy is the need for cross-sectoral coordination for programming and implementation.
<i>Implementation</i>	National policies	National policies are aligned with Länder policies through the Gemeinschaftsaufgabe. Here joint objectives are set at Federal level, whereas the Länder implement this programme through contributing funds and selecting projects.
	Regional policies	Policy implementation is guided by domestic procedures. Funds are allocated according to an application procedure, or to calls. Implementation lies within the responsibility of various line ministries.
	Cohesion policy	Cohesion Policy (CP) is delivered through national channels. Due to differences in eligibility rules and control requirements of ERDF, ESF and EAFRD, the national/or regional administration is sometimes challenged resulting in negative attitudes towards CP.
<i>Assessment of the Implementation</i>	Differences and similarities	As structural funds are fully integrated into the domestic delivery system, differences only relate to procedural issues. The difficulties in implementing Cohesion policy lie in the specific requirements related to financial control and certification procedures that are imposed on the budgets of the Länder. Similarities occur, as mostly well-established domestic measures are co-financed and no new measures have been created. However, there is a long-standing process of adaptation between national/regional budget and funding activities and EU funding in order to minimize problems in delivery.
	Major coordination mechanisms	The major coordination mechanism between the federal and the Länder level are the co-financed funding schemes for regional development. As EU funds are fully integrated, coordination mechanisms rely on EU implementation procedures (Monitoring Committee, Steering Committee, evaluation, monitoring...).

	Synergies and aspects of complementarity	Cohesion policy programmes provide a platform for strategic coordination of policies with regional effects - beyond the specific regional policies.
	Major challenges for cohesion policy making	Especially in Competitive regions Cohesion policy only is a very small proportion of the public expenditures, where the expenditures need higher administrative effort than domestic ones.

6.4 Case Study Czech Republic (CZ)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
6	National OP	ERDF and CF	Federal Ministries	national	17.668 mio Euro	Website DG REGIO
8	Regional OP	ERDF	Regional authorities	regional	4.892 mio Euro	

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,532	
EfD	6,73	
Social protection	18	only 2007
Cohesion policy	1,136	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
Narrow regional policy (regional aid) – 2007	0,06
Programme for revitalisation of army-related premises - 2009	0,0036
Programme for revitalisation of the countryside - 2009	0,0041
Programme for revitalisation of natural disaster areas - 2009	0,3583
Programme for economically weak and structurally damaged regions – 2010	0,0014

Context		
	Summary	<p>Czech Republic is probably - among EU12 - the Member State where administrative decentralisation is most advanced. The process of decentralisation is ongoing since mid of the 90ies. The Kraj (NUTS-III) have elected governments and delegation of competencies as well as establishment of regional budgets has made significant progress. The fact that in the current framework of Cohesion Policy ROPs at NUTS-II level have been set-up documents the state of decentralisation: there is an ongoing development of a system of checks and balances between the - still dominant - national sectoral approach and the emerging influence of the Kraj as self-governing regions. Czech Republic is also the EU12 Member State where the industrialisation process throughout the past century was most significant. As a consequence the economic transition led to rising disparities at regional level depending on the previously dominant types of industry in the regions. Those regions having highest shares of heavy industries or those equipped with - in a</p>

		global context - rather volatile industries such as textiles have been hit hardest.
<i>Institutional background</i>	Tiers of administration and government	Czech Republic is in an ongoing process of decentralisation. Competencies related to administration of transport (roads and regional public transport), schools, health care etc. have been delegated from national to Kraj Level. Owing to a fiscal equalisation process also the local level is - to some extent - in a more favourable position than in other EU12 countries. However, in Cohesion Policy the national level is the dominant player. The Ministry of Regional Development (MoRD) is in charge of regional policy and - via the NSRF and its subordinated coordination mechanisms - has the mandate to coordinate sector policies.
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	Disparities at Kraj level have become increasingly visible during the past 15 years. The regions with - the formerly - highest shares of heavy industries in the northwest (NUTS-II: Severozapad or North West) and the northeast (Moravskoslezsko or Moravia-Silesia) of the country reveal the sharpest disparities compared to the capital region Prague and the south-western parts bordering Germany and Austria. The Act on Regional Development Support (2000) stipulates balanced development at national level but also within the self-governing regions. Despite this commitment in legislation the actual impact on sectoral policies is limited revealing the widespread dilemma that strategic coordination does not necessarily guide policy delivery. Major issues of development are throughout all regions the rehabilitation and development of basic infrastructure, the expansion of business infrastructure in small and medium sized cities (due to its long industrial tradition the Czech Republic is marked by large number of small cities) and tourism development in the southern parts.
<i>Policies</i>	Main domestic policy measures - national and regional	Another specific policy feature of Czech Republic is that several distinct domestic policy programmes have been launched in the recent past: these programmes have tackled issues such as the revitalisation of former military sites, village renewal and rural development, removal of flood damage and interventions for the most lagging regions. All these programmes have been launched and implemented by the national level (their budget being limited but still a major achievement

		compared to other EU12 Member States). Major parts of the budget of the regional level stem from shared tax revenues collected at state level: however, the regional financing capacity for public investment is still quite limited - funds from EU Cohesion Policy outweigh national and regional contributions.
	Are European strategies integrated?	The major instrument for integration of European Strategies has been the process for elaboration of the NSRF: however, policy delivery is to some extent bound to other decisive factors: in particular the sector perspective of administrative players. Also Czech Republic still reveals a dominant share of infrastructure investment and only gradually steps into the area of more direct support to interventions related to economic competitiveness. This 'reluctant' path to Lisbonisation is understandable from the perspective that the - comparatively densely populated - country has a long industrial tradition and thus a huge stock of infrastructure in need of upgrading and repair.
	Main features of EU cohesion policy in the regions	In the current period investment under the Convergence Objective is dominated by transport infrastructure (equally divided by road and rail) accounting for 30% of SF closely followed by environmental infrastructure (accounting for approx 20%). In the RCE programme for Prague the investment patterns are largely similar, the third dominant item being business infrastructure accounting for about 30%. The important point in the Czech approach to EC Cohesion policy are the 7 ROPs at NUTS-II level accounting for about 20% of funds under the NSRF (i.e. EU Cohesion Policy). Again in all ROPs transport infrastructure is the dominant investment item with shares ranging from 35% in the ROP North West to up to 50% in the ROP South East. Urban development and tourism rank second: e.g. almost 40% of the ROP North West goes to urban development, tourism accounts for about 20% in most ROPs. Depending on the socio-economic structure of the regions also rural development is important.
<i>Assessment</i>	Relationship and coherence between national and EU policy	Coherence between national and EU policy in strategic terms is safeguarded due to the NSRF. The actual weight of national regional policy programmes is small accounting for about € 11 million in 2010. The financial equalisation based on an equalising formula in tax redistribution to the local level is actually far more important (accounting for a 'turnover' of about € 7 billion p.a.). The division of funds among the ROPs took the regional needs into account: lagging areas have

		received a higher share of funding - thus a certain contribution to counteracting regional disparities can be expected.
	Related to objectives, territorial and thematic approach	EU Cohesion Policy by far outweighs domestic approaches. Within EU Cohesion Policy the thematic approach is dominant although some thematic OPs have installed bonuses for the most deprived areas. But largely the project development capacity of local and regional actors determines the level of regional spend under EU Cohesion Policy. In 2010 the Ministry of Regional Development has launched an assessment of the regional distribution of EU-cofunded interventions (though this was undertaken at a time when the bulk of funds had already been committed). However, results of this territorial impact assessment might be an important factor in awareness-raising for regional policy-makers while starting the programming for the next period.
<i>Implementation</i>	National policies	The main player in national policies are still the line ministries at national level though Krajs have gained an increasing weight in some policy areas (but their budgets still being quite limited and thus dependency on the national level still being considerable). The Ministry of Regional Development is in charge of regional policy, its executive arm being the Centre for Regional Development.
	Regional policies	The Ministry of Regional Development (MoRD) is running a limited number of regional policy programmes on selected topics.
	Cohesion policy	In case of the dominant thematic Operational Programmes the relevant line ministries act as Managing Authorities. For the ROPs so-called Regional Councils have been established at NUTS-II level. These Councils consist of representatives of the self-governing regions as well as of the relevant line ministries. The Regional Councils act under the supervision and guidance of the MoRD.
<i>Assessment of the Implementation</i>	Differences and similarities	EU-Cohesion Policy and thus the SF regime is the guiding element though the administrative decentralisation has led to a couple of policy features which are not yet widespread among EU12. The small national programmes are based on annual budgets and prone to be affected by the longer-term effects of the economic crisis on the Czech budget. For these programmes the MoRD is in charge of implementation

	Major coordination mechanisms	Coordination at national level along the NSRF is ensured through the NSRF-related Management and Coordination Committee (with the MoRD acting as National Coordination Authority - NCA). Furthermore coordination committees have been established along the four priorities of the NSRF: these priorities usually depend on the successful implementation of several sector policies. Coordination between national and regional level for the implementation of the ROPs is ensured via the Regional Councils.
	Synergies and aspects of complementarity	Domestic regional policy initiatives are marked by pragmatic policy rationales: in case of the former military sites the questions linked to former and current ownership and the need for political compromise on cost-sharing for the rehabilitation and revitalisation have been guiding elements. Thus one can expect long negotiation phases until a mature project appears. Mature projects subsequently might be funded under EU Cohesion Policy. Village renewal measures are often too small to take over the administrative burdens linked to implementation of a SF-project. The reaction to flood disasters is an immediate action; the room for manoeuvre as well as reaction times under SF-programmes not being suitable for such tasks. In short it becomes quite obvious that the domestic policy initiatives complement the dominant 'mainstream' of EU Cohesion Policy and implicitly do have synergies.

	<p>Major challenges for cohesion policy making</p>	<p>A key challenge remains the fact that - despite some counterbalancing mechanisms such as higher allocations to ROPs for most deprived regions - the implementation of Cohesion Policy is rather guided by the capacity of applicants to develop projects than by actual needs of the regions and the patterns of regional disparities. The current analysis of the territorial impact of EF-interventions will support transparency in this regard. Another major challenge is the capacity of LRAs to pre-finance the interventions: as one reaction a new payment mechanisms has been introduced in the ROP for one of the most deprived areas (Moravia-Silesia) where the national level comes in with pre-financing for the Community contribution. In terms of coordination the key challenge remains the coordination of sector policies: the options of the MoRD to guide sector policies in terms of operational coordination are quite limited.</p>
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6.5 Case Study Denmark (DK)

Nr.	Operational programmes	Funds	MA	Level	Volume/EU Contribution	Source
1	Innovation and Knowledge	ERDF	Danish Authority for Enterprise and Construction	national	255 mio Euro	Website DG REGIO

Cohesion related expenditures	(in % of GDP)	
Regional aid		0
EfD		1,405
Social protection		28,1 only 2007
Cohesion policy		0,042
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:		in % GDP
Business development Act		0,1202
of which	EU	0,036
	national	0,0159
	regional and local	0,0283
	others	0,0399

Context		
	Summary	Denmark has a high degree of complementarity between national/regional funds and Cohesion policy. National and regional strategies are coordinated through legislation, agreement and institutional mechanism (Regional Growth Fora - RGF). Cohesion policy amounts to 30% of regional funding. RGF allocate 90% of ERDF.
<i>Institutional background</i>	Tiers of administration and government	Denmark has been a much decentralized state with a strong principle of local self-government guaranteed by the constitution. The public sector reform in 2005 established a new division of competencies with 5 regional governments and 98 municipalities (before: 271). Greenland and the Faroe Islands have autonomous status. Regions have the responsibility for - among other - regional development, health care, management of social institutions, environmental protection, planning and transport. Sub-national governments' expenditures amount to 33% of the GDP and two-third of government expenditures, which is twice as high as the EU average. This reflects the extensive responsibilities of municipalities and regions for the delivery of services.

Role of the regional level		
<i>Regional development</i>	Key issues of regional development	Danish regions in general face a high development level and comparatively low disparities in income levels. No NUTS III region has a productivity level per employees less than 13% of the national average. Also unemployment differentials are low. The government approach to regional development is that each region should maximize its contribution to national growth. Peripheral regions in the North and South receive special funds.
<i>Policies</i>	Main domestic policy measures - national and regional	Danish regional development policy is structured around specific regional objectives. The national government sets out the strategic framework, and the six regions of Denmark implement these with specific emphasis according to the challenges they face. The contribution of the ERDF is a part of the overall funding devoted to regional development policy. The Business Development Act (2005) aims to "strengthen the development of Danish businesses by promoting competitiveness and globalisation." The Act defines six policy areas for the Regional Growth Fora (RGF), four of them are growth oriented (innovation, ICT, entrepreneurship, human resources) and two are related to peripheral regions (tourism and peripheral areas). The main approach is to strengthen business environment through soft measures (advisory services, networking, knowledge brokering, cluster development etc). Besides the transfer of tax revenues to regions that are less developed the Business Development Act is the main instrument for regional development. Although the priorities are the same in all six regions, the emphasis varies significantly between the regions, responding to the different needs and challenges.
	Are European strategies integrated?	A provisional evaluation of the Danish structural funds programme found a strong coherence between the objectives of Structural Funds and regional development strategies in the six regions. The three drivers identified (innovation, entrepreneurship, new technologies) proved to have been effective and were translated in coherent regional strategies. Also the national development strategy is very much in line with the Lisbon strategy on growth and jobs. The policy guidelines also have proved to be effective throughout the crisis.

	Main features of EU cohesion policy in the regions	Expenditures on the basis of the Business Development Act amount to 280 mio Euro (figure for the year 2008), of this about 30% (84 mio euro) come from Structural Funds, 13% from national governments (37 mio Euro), something close to one quarter from local and regional governments and about one third from other sources (private sectors, NGO).
<i>Assessment</i>	Relationship and coherence between national and EU policy	The Business Development Act emphasizes economic and territorial cohesion ("to ensure that Danish citizens enjoy good and equal conditions no matter in which part of the country they live". It has improved the link between regional development initiatives and national sectoral policies in two ways: first all policy areas addressed by the Danish Growth council are covered, second annual partnership agreements between the central government and each of the six Regional Growth Fora help to ensure the compatibility between national and regional strategies. Partnership agreement between the RGF and line ministries ensure further complementarity between the national and regional level.
	Related to objectives, territorial and thematic approach	The national globalisation strategy provides an overarching framework that is aligned with regional strategies through partnership agreements. The focus is on growth and jobs, but peripheral regions with their needs are directly addressed.
<i>Implementation</i>	National policies	The Business Development Act and subsequent establishment of RGF constitute domestic policy achievements which have in a stepwise procedure become the crucial factor in Structural Funds administration. RGF regional strategies are implemented via partnership agreements.
	Regional policies	Regional Growth Fora (established through the 2005 Business development Act) keep track of development in their area and initiate new activities through funding from local and central government, but do not implement projects or programmes themselves. They rather have to collaborate with local, regional and national partners. There is a check-and-balance principle implemented, where the elected council and the RGF can veto each other's initiatives. However, RGF have a central role in the coordination between different levels of governments.

	Cohesion policy	RGF take important decisions on regional development strategies and funding priorities for ERDF. They are responsible for allocating 90% of ERDF funds. Thus - although the MA is from the central level the RGF play an important role in design, management, implementation and evaluation of regionalized domestic policies - supported by EU funds. Important decisions are taken at regional level, no matter where the funding comes from.
<i>Assessment of the Implementation</i>	Differences and similarities	
	Major coordination mechanisms	Regional Growth Fora are in charge of horizontal coordination since they are in charge of project selection using SF and domestic funds. In vertical coordination they act as intermediates in multilevel governance coordinating local initiatives and at the same time establishing the partnership agreements with the national level.
	Synergies and aspects of complementarity	EU Cohesion policy has played a major role in translating national sectoral strategies into regional development strategies. About 30% of RGF funding currently comes from EU sources. The new set up with RGF has improved the policy coordination between the national (sectoral) and regional level (through legislation and through partnership agreements), and between the regional and local level (the role of local authorities as co-funders). All these measures aim at ensuring compatibility between national and regional development strategies - where Cohesion Policy is fully integrated.
	Major challenges for cohesion policy making	One of the major challenges is the complex procedures of the application processes, which were difficult to communicate to the applicants (mostly owing to the intermediate position of the RGF owing responsibility to local stakeholders as well as national funding institutions).

6.6 Case Study Spain (ES)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
3	National OP	ERDF and CF	Federal Ministries	national	5.058 mio Euro	Website DG REGIO
2	Multi-regional OP	ERDF	Federal Ministries	national	3.700 mio Euro	
19	Regional OP	ERDF	Federal Ministries	national	17.882 mio Euro	

Cohesion related expenditures	(in % of GDP)	
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Regional aid	0,159	
EfD	4,438	
Social protection	20,5	only 2007
Cohesion policy	0,433	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
Incentivas Regionales - Regional Investment Grant (RIG) - 2008	0,0271
Fondo de Compensación Inter-territorial - Inter-territorial Compensation Fund (ICF) - 2005-2009 annual average	0,1185

Context		
	Summary	The overall framework for domestic regional policy is set by the Constitution which includes the goal of ensuring equitable income standards and economic balance between the different parts of the Spanish territory. Domestic regional policy and EU Cohesion Policy funding processes are fully integrated. Both regional policy instruments are co-funded by Cohesion policy as are a wide range of other national and regional sectoral policies.
<i>Institutional background</i>	Tiers of administration and government	The overall framework for domestic regional policy is set by the Constitution which includes the goal of ensuring equitable income standards and economic balance between the different parts of the Spanish territory. Next to the national level the so-called autonomous communities (regions) have significant decision-making and implementation responsibilities in economic development. Regional development strategies to some extent guide policy delivery.

Role of the regional level		
<i>Regional development</i>	Key issues of regional development	<p>Spain's national regional policy is anchored in the constitutional commitment to solidarity which comprises two instruments – a business investment grant for assisted areas and a budgetary transfer mechanism (ICF) for public infrastructure projects in the less developed regions.</p> <p>The so called Ebro axis (river which crosses the regions of Cataluña, Aragón, La Rioja, Navarra, and the País Vasco) marks a north-south divide in regional disparities. More generally, there are significant regional development differences between NUTS2 regions in terms of unemployment rates and GDP per head with regional differences especially noticeable in rural, sparsely-populated areas. The most advanced urban areas tend to have high industrial activity, population density and metropolitan features though they have been vulnerable in the economic crisis.</p>
<i>Policies</i>	Main domestic policy measures - national and regional	<p>Policy objectives are framed in relation to the overarching constitutional goal of ensuring equitable income standards, with an emphasis on reducing regional economic disparities by supporting regions whose level of economic development is below the national average.</p> <p>National policy accounts for about 1% of the state budget at national level. 11 out of the 17 regions are eligible for the ICF (public infrastructure in less developed regions) with an approximate allocation of € 1.3 billion p.a. The support of RIG (business grant scheme – about € 300 million p.a.) is limited to those areas with the highest ceiling according to the state aid map.</p>
	Are European strategies integrated?	<p>Outside of Cohesion policy there're no specific frameworks to strategically guide the two instruments of domestic regional policy although their principles and operational conditions are specified in legal documents agreed in cooperation with the regions.</p>

	Main features of EU cohesion policy in the regions	Domestic regional policy is subsumed within the strategic framework of EU Cohesion Policy. The objectives of the NSRF are directly informed by the Lisbon strategy: making Spain a more attractive place to invest and work in, improve knowledge and innovation to boost growth, more and better jobs. These objectives are translated into a range of thematic priorities but the most significant shift in the current period is the reorientation towards R&D and innovation. Nevertheless Cohesion Policy strategies and priorities are essentially based on existing policies and plans decided by sectoral ministries and departments in national and regional contexts.
<i>Assessment</i>	Relationship and coherence between national and EU policy	EU Cohesion policy resources are integrated into existing domestic budgets and co-finance domestic regional policy and other eligible policy fields. In terms of funding, EU Cohesion policy has historically accounted for a sizeable share of economic development spending.
	Related to objectives, territorial and thematic approach	The objectives of national regional policy are set out in the governing legislation of the two policy instruments. For the Inter-Territorial Compensation fund (ICF) these include "correcting interregional economic disparities" and "facilitating the achievement of solidarity". The RIG should support the balanced redistribution of economic activities.
<i>Implementation</i>	National policies	Spain's national regional policy is anchored in the constitutional commitment to solidarity which comprises two instruments – a business investment grant for assisted areas and a budgetary transfer mechanism (ICF) for public infrastructure projects in the less developed regions.
	Regional policies	The ICF fund is allocated to regional governments for public investment expenditure and specifically the realization of projects of a local, grouping of municipalities, provincial or regional nature that contribute to the reduction of interregional disparities in income and wealth.
	Cohesion policy	EU Cohesion policy resources are integrated into existing domestic budgets and co-finance domestic regional policy and other eligible policy fields. In terms of funding, EU Cohesion policy has historically accounted for a sizeable share of economic development spending, especially for poorer regions.
<i>Assessment of the Implementation</i>	Differences and similarities	Domestic regional policy and EU Cohesion Policy funding processes are fully integrated. Both regional policy instruments are co-funded by Cohesion policy as are a wide range of other national and regional sectoral policies.

	Major coordination mechanisms	<p>The administration of Cohesion Policy instruments has been subsumed within the directorate general (DG) for EU funds through 2 specific units. The DG has general management and coordination responsibility for all 23 ERDF (including one Cohesion Fund) programmes which it exercises under a joint management approach with the regions.</p> <p>The so-called sectoral conference is the key coordination platform between national and regional level bringing together the ministers from each level. The key instrument for coordination of sector policies is state-region agreements which have to be understood as flexible contractual arrangement guiding implementation of national policies.</p>
	Synergies and aspects of complementarity	<p>The main influences of EU Cohesion policy on domestic approaches has been the spatial targeting of national regional policy instruments, the mainstreaming of horizontal EU priorities (especially on the environment), the alignment of economic development planning cycles and enhanced intergovernmental coordination.</p>
	Major challenges for cohesion policy making	<p>The impact of the crisis has been dramatic especially on the labour market. There were strong regional differences. In general, the most adversely affected regions are those with a lower proportion of industrial economic activity or with a mixed economy with a higher proportion of tourism, traditional (internal market) industries such as agro-food and construction sectors or with more traditional industrial activity but less modern sectors.</p>

6.7 Case Study Finland (FI)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
5	Regional OP	ERDF	Federal Ministries	regional	976 mio Euro	Website DG REGIO

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,028	
EfD	2,346	
Social protection	24,6	only 2007
Cohesion policy	0,116	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
Business aid awarded by State regional offices	0,0606
- of which: co-funded by the Structural Funds	0,047
Regional transport subsidy scheme	0,003
Support for regions facing abrupt structural change	0,0152
Kainuu experiment (regional development responsibilities)	0,0345
Annual programme-based funding (regional councils)	0,0175
- of which: Centre of Expertise programme	0,0051

Context		
	Summary	The Regional Development Act dates from 2002 and was last revised in 2009 sets out the basic parameters or policies and measures targeting cohesion. Cohesion Policy is closely linked with domestic regional policy. However the core features are domestically driven. As regards funding domestic regional policy and EU Cohesion policy are closely aligned. A large part of regional aid is co-financed. With respect to governance, the partnership approach adopted at regional level aims to ensure close coordination of EU and national actions.
<i>Institutional background</i>	Tiers of administration and government	The national and local levels constitute the foundation of the Finnish political-administrative system. At level of NUTS-II regional coordination platforms exist. 20 so-called Regional Councils have been established: 19 thereof have been elected by municipality councils, one has been directly elected. The Regional Councils are in charge of strategic development plans and land-use planning. The government lays down the goals of policy, where, in line with these goals, regions develop

		regional strategic programmes (and annual implementation plans) and sectoral Ministries produce regional plans; and where the Structural Funds and national special programmes provide related funding.
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	The main regional challenges concern areas with uncompetitive industrial and economic structures. A second problem arises from demographic developments and associated structural and economic challenges (including non-sustainable public services). There is tension between an ageing population structure and changing industrial structures and the related need for educated labour; some sectors and areas face high unemployment while other lack skilled labour. The problem is more severe in regions experiencing population loss due to out-migration. A further issue concerns the regional spatial structure with a marked migration trend towards city regions and – at a larger scale – from the northern parts to Southern Finland.
<i>Policies</i>	Main domestic policy measures - national and regional	The Regional Development Act (2002 with a substantial revision in 2009) sets out the basic parameters or policies and measures targeting cohesion. The objectives are: to improve the national and international competitiveness of regions; to enhance economic balance and business development activity; to develop sustainable labour markets diminishing regional disparities and improving regional strength and enhance the well-being of inhabitants, the quality of the environment and the sustainability of the regional structure. These objectives reflect the 2007-2011 government goals. The national regional strategy 2020 highlights broader principles: economic, ecological suitable development, policy effectiveness through cooperation; regional specialisation, regions as engines of growth; improving regional responses to demographic challenges, ensuring a balanced education structure and lifelong learning; simplifying administrative practices; and improving the quality of statistics, monitoring and forecasts.
	Are European strategies integrated?	The strategy of Finland 2020 (which might act as a first translation of EU 2020 to the needs of regional policy) and Finland's prominent role in the macro-regional strategy for the Baltic Sea Region already indicate that Finland is probably the Member State which is most pro-actively fostering the dialogue on new strategic approaches to Cohesion Policy within the EU.

	Main features of EU cohesion policy in the regions	The five regional ERDF programmes (NUTS-II) under RCE are the main instrument dedicated to support of disadvantaged regions (the total ERDF envelope amounts to € 977 million). The RCE programmes aim at three main priorities, i.e. support to enterprises, promoting innovation and finally regional accessibility and the environment. The programme for Southern Finland has two extra features- one on development of large urban areas, the other on thematic projects. Regional Councils and state regional offices jointly implement the programmes. Each of the programmes is coordinated by several Regional Councils (with the exception of the Åland islands being governed by just one).
<i>Assessment</i>	Relationship and coherence between national and EU policy	Responsibility for the delivery of regional policy is formally shared between the State and the municipalities. The latter act through the Regional Councils.
	Related to objectives, territorial and thematic approach	There are several indicators that the territorial dimension – in particular the vast sparsely populated areas – is an important aspect of policy. Line ministries have to draft regional strategies and to reveal regional distribution of spend. The regional ERDF programmes for the most disadvantaged regions (Eastern and Northern Finland) include a specific mechanism: 50% of funding is dedicated to sparsely populated and least accessible parts of the region.
<i>Implementation</i>	National policies	The 2009 Regional development Act and the government’s published objectives for 2077-11 set the overarching framework for regional policy. They provide the context within which regional strategic programmes and the regional development strategies of sectoral ministries are formulated. The national regional strategy 2020 also plays a role in influencing longer-term strategic developments. Implementation
	Regional policies	Regional aid policy operates in the designed aid areas with differentiation between Aid Area I and Aid Area II. In addition to regional aid, regions facing abrupt structural changes (usually related to rapid job loss) receive targeted support. There are 11 such subregions; the aim is to provide assistance quicker to counter major structural change. Regional councils are responsible for the general development of their region on behalf of their municipalities. Through partnership working, their task is to draw up a regional plan, a regional strategic programme (and annual implementation plan) and a regional land-use plan. The regional

		plan sets out longer-term regional development goals and forms the basis for the other programmes. The regional strategic programme and annual implementation plan are at the centre of the programme-based delivery of regional policy.
	Cohesion policy	It is closely linked with domestic regional policy. However the core features are domestically driven. There has been incremental change over the past years and the EU cohesion policy had a clear influence on strategy development.
<i>Assessment of the Implementation</i>	Differences and similarities	It is closely linked with domestic regional policy. However the core features are domestically driven. As regards funding domestic regional policy and EU Cohesion policy are closely aligned. A large part of regional aid is co-financed. With respect to governance, the partnership approach adopted at regional level aims to ensure close coordination of EU and national actions.
	Major coordination mechanisms	It represents a challenge traditionally, given the number of actors involved in regional development. Cross-sectoral as well regional-level coordination has however improved. Regional strategic programming has encouraged the key regional development actors (the Regional Councils, State bodies in the region and social partners) to formulate plans and decide priorities jointly. Sectoral ministries are now required to negotiate with the regions too. Under the 2009 regional Development Act, a regional development negotiation committee has been set up to coordinate the preparation and monitoring of ministries' regional budgets, to summarize budget proposals. This body integrates coordination of domestic regional policy and Structural Funds policy actions (while these were two separate bodies in the past). It supports the Ministry of Employment and Economy in its coordination and monitoring tasks. Policy delivery at regional level has been subject to recent reform (the ALKU project started in 2010) inter alia reducing the number of state agencies from six to two – so called Agencies for Regional Administration (AVI) and Centres for Business, Traffic and Environment (ELY). These agencies implement programmes in close cooperation with the Regional Councils .
	Synergies and aspects of complementarity	The regional strategic programmes play an important role in helping to align EU and domestic priorities and are increasingly coordinated with the plans of sectoral ministries through the budget negotiation process.

	Major challenges for cohesion policy making	<p>The geography of Finland imposes the key challenge to for Cohesion Policy. Vast sparsely populated areas and numerous settlements in these areas face outmigration towards the southern parts of the country.</p> <p>The state has to face the burden of maintaining public infrastructure in shrinking settlements with ageing population.</p>
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6.8 Case Study France (FR)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
4	Multi-regional OP	ERDF	Préfecture de la région	regional	144 mio Euro	Website DG REGIO
26	Regional OP	ERDF	Préfecture de la région	regional	7.856 mio Euro	

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,159	
EfD	2,927	
Social protection	29	only 2007
Cohesion policy	0,287	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
<u>Narrow and broad regional policies</u>	
Regional Policy Grant	0,0021
SME support in assisted areas	0,0052
Fiscal incentives in assisted areas	0,0042
Contrats de site et contrat territoriaux (2009)	0,0007
Defence Restructuring Contracts (2008-2015)	0,0024
National Territorial Renewal Fund (FNTR) (2009-2011)	0,0024
Rural excellence poles (2006-2009)	0,0031
Corse support programme (2007-2013)	0,0078
Competitiveness poles (2009-2011)	0,0262
Grappes d'entreprises (2010-2011)	0,0005
<u>State regions project contracts (2007-2013)</u>	
Transport	0,0244
Higher education and research	0,0216
Sustainable development	0,0163
Agriculture, forestry and fishery	0,0089
Culture	0,0031
Employment	0,0032
Industry	0,0019
Overseas	0,002
Urban planning	0,0019
Health	0,0016
Tourism	0,0003

Context		
	Summary	Since the reform of structural Funds in 1988, French regional policy, and most notably the State-region contracts (CPER) has been increasingly aligned with EU Cohesion Policy. This is especially true for policy implementation. Regarding policy content, despite important similarities, there remains a significantly French approach to domestic regional policy.
<i>Institutional background</i>	Tiers of administration and government	France is a centralised state – the 26 regions have limited competencies and budgets. Regional state services play a central role at the intermediate level between national government and the municipalities. The management and implementation of the mainly sectorally driven initiatives are coordinated by the Inter-ministerial Delegation for Territorial Development and Regional Attractiveness (DATAR) based on strong cooperation with regional State services (préfets).
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	The préfets (regional state services) are required to collaborate with regional authorities whose role has been enhanced since the 1980s decentralisation laws. Regional policy objectives are expressed via legal documents for policy instruments, policy declarations and decisions made at the meetings of the inter-ministerial Committee for Territorial Development and Regional Attractiveness (CIADT). The main objective of the central State is to adjust inequalities between territories. Continental France does not have major internal disparities (unlike in the overseas regions). Old industrial regions in the north and the east continue to be most affected by economic difficulties, but this is mitigated by the importance of the residential economy and national redistribution systems. Rural areas have benefitted from special attention they received for a long time. Regional policy is characterized by its cross-cutting nature and covers large number of instruments targeting at different types of territories. From 2004, it has embraced an increasingly competitiveness-oriented approach. At the same time, initiatives favouring disadvantaged areas (rural, mountainous, declining, etc) are being maintained.

<i>Policies</i>	Main domestic policy measures - national and regional	A mix of broad and narrow regional policy instruments is implemented mainly under an all-region approach. Support targeting specific areas amounting to €40 million annually is available via the regional policy grant to correct regional disparities. There are different support schemes offered to regions addressing different needs (rural, coastal, mountainous areas as well as declining urban areas) thereby using a broad range of instruments (restructuring projects, loans, etc). The most visible national instrument are the <i>Pôles de compétitivité</i> . The prime example for national support to disadvantaged areas is Corsica, which receives exceptional support in the form of targeted tax relief and benefits from a multi-annual infrastructure investment programme in order to overcome its natural handicaps and reduce deficiencies in infrastructure and service provision (€ 1,051 million in 2007-2013). Support is moreover provided to outermost regions. Recently, broader policies for regional development were developed in the framework of a new, cross-sectoral approach to industrial policy launched in 2004 with several initiatives in place to improve territorial attractiveness. Also, a number of sectoral policies pursue explicit cohesion objectives.
	Are European strategies integrated?	
	Main features of EU cohesion policy in the regions	The strategic focus of domestic policies has been considerably influenced by EU strategies, notably the Lisbon and Gothenburg agendas. This is reflected by the use of European benchmarks, such as on innovation and the role of cities. France receives €14.3 billion of Structural Funds in 2007-2013 (roughly comparable to the amount of central state expenditure on cohesion measures). Apart from the overseas regions the whole of France is covered by the Regional Competitiveness and Employment (RCE) Objective.
<i>Assessment</i>	Relationship and coherence between national and EU policy	French regional policy and most notably the State-region contracts (CPER) have been increasingly aligned with EU Cohesion Policy. This is especially true for policy implementation. Regarding policy content, despite important similarities, there remains a significantly French approach to domestic regional policy.
	Related to objectives, territorial and thematic approach	See above.
<i>Implementation</i>	National policies	Regional policy and the above-mentioned instruments is mainly delivered in the framework of (or in coordination with) the State-Region

		<p>Project Contracts (CPER). The CPER constitute the main co-financing resource for Structural Funds.</p> <p>As another instrument the regional plans for economic development (SRDE) should be mentioned though these plans do not include any financial commitment. The regional innovation Strategy (SRI) from 2009 is supposed to have had a more significant impact in strengthening the implementation of the programme parts related to knowledge economy.</p>
	Regional policies	<p>The management and implementation of the mainly sectorally driven initiatives are coordinated by the Inter-ministerial Delegation for Territorial Development and Regional Attractiveness (DATAR) based on strong cooperation with regional State services (préfets). Regional OPs are managed and implemented in close alignment with the CPER in order to create synergies. In this context, the CPER was adopted to EU programming periods. Both instruments are overseen by the DATAR and managed by regional préfets and their secretariats (except for Alsace, where the regional council is the managing authority).</p>
	Cohesion policy	<p>The objectives of the regional policies undertaken in the framework of the State-Region project Contracts are closely aligned with the Structural Funds programmes on the basis of the NSRF notably aiming at increasing regional competitiveness and attractiveness, the environmental dimension of sustainable development and social and territorial cohesion.</p>
<i>Assessment of the Implementation</i>	Differences and similarities	<p>Since the reform of structural Funds in 1988, French regional policy, and most notably the State-region contracts (CPER) has been increasingly aligned with EU Cohesion Policy. This is especially true for policy implementation. Regarding policy content, despite important similarities, there remains a significantly French approach to domestic regional policy. Regional OPs are managed and implemented in close alignment with the CPER in order to create synergies. In this context, the CPER was adopted to EU programming periods.</p>
	Major coordination mechanisms	<p>The objectives of the regional policies undertaken in the framework of the State-Region project Contracts are closely aligned with the Structural Funds programmes on the basis of the NSRF notably aiming at increasing regional competitiveness and attractiveness, the environmental dimension of sustainable</p>

		development and social and territorial cohesion.
	Synergies and aspects of complementarity	See above.
	Major challenges for cohesion policy making	<p>An interesting layer of problem is the result of recent analysis of GDP and household incomes: Paris metropolitan area accounts for 30% of national GDP but only for 22% of household incomes. During the past two decades France has experienced a persistent migration trend to the most attractive coastal areas in the South and the West.</p> <p>The crisis has had a differentiated impact, compounding the economic difficulties of old industrial regions in the North and the East. The reaction of deficit spending might have serious impact on forthcoming public budgets. A major consequence might be cuts of transfers from national to the local level.</p>

6.9 Case Study Italy (IT)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
3	National OP	ERDF and CF	Federal Ministries	national	1.736 mio Euro	Website DG REGIO
3	Multi-regional OP	ERDF	Federal Ministries	national	4.482 mio Euro	
21	Regional OP	ERDF	Regional Authority	regional	14.214 mio Euro	

Cohesion related expenditures	(in % of GDP)	
Regional aid		0,052
EfD		3,06
Social protection		25,5
Cohesion policy		0,235
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
FAS (domestic regional policy) 2007-2013 annual average	0,5956

Context		
	Summary	Since the Second World War regional policy has been a crucial component of Italian public policy. The underdevelopment of the south (Mezzogiorno), dates back to the unification of the country, made it a necessity that the state should intervene with additional resources and spatial interventions to promote economic development, social cohesion and solidarity. At the beginning there was a “special intervention” for the Mezzogiorno administered by the Cassa/Agenzia per il Mezzogiorno. Over time things changed and under the influence of Cohesion Policy and some ineffectiveness an increasingly EU-oriented and programme based policy was introduced in the 1990ies. In the periods from 1994-2006 the domestic regional policy became very closely linked to Cohesion Policy. The need to produce a national strategic document for 2007-13 led to a new “unitary regional policy” in 2007. This combined EU and domestic regional policy budgets and funding concentrates on the EU Convergence regions and the traditional Mezzogiorno.
<i>Institutional background</i>	Tiers of administration and government	Each FAS and Cohesion policy programme are coordinated through a DUP (Documento unitario di programmazione – single programme document). Appraisal and Approval of the programmes is given by the national coordinating administration for

		regional policy (Ministry of Economic Development – Department for Development and Economic Cohesion). Subsequently there is needed confirmation by the CIPE (Inter-ministerial Committee for Economic Programming). At present (2010) all regions have drafted their implementation programmes, but only ten have been confirmed by the CIPE and none has been launched so far.
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	The 2007-2013 regional strategy continues the approach adopted for the 2000-2006 period, which in brief consists of increasing the supply of public goods and services as the main means of supporting private investment through a mobilisation of local resources, attractiveness and efficiency of local economies and the development of positive externalities. There is also a focus on promoting institutional building and making a substantial effort to improve governance, especially in the Convergence regions where weakness of institutions and social capital is an evident obstacle to regional development. Furthermore there is emphasis on integrating EU and national policies in a single strategy with increasingly similar implementation rules, in order to disseminate EU efficiency and effectiveness principles in the national policy.
<i>Policies</i>	Main domestic policy measures - national and regional	The domestic side is represented by the Implementation Programmes funded by the FAS – the Fund for the underutilised areas. The FAS was established in 2003 to give financial and programme unity to these additional interventions. 85% of the FAS are reserved for the Mezzogiorno. This unitary approach from 2003 on differs from previous domestic regional policy whereby domestic and EU funds converge towards the same strategic goals.
	Are European strategies integrated?	The adoption of the CP seven-year timetable also for the domestic FAS and the introduction of monitoring and evaluation requirements that are integrated with those of CP. This is new since 2007 and all domestic implementation programmes follow the same structure as the parallel Cohesion policy OPs.
	Main features of EU cohesion policy in the regions	CP in Italy has been relatively important in relation to economic, in particular agricultural, affairs, environment protection or social inclusion. Much more limited in the fields of health, housing and recreation. As regards agriculture, the contribution of CP is large especially in certain Objective 2 regions (Friuli, Tuscany, Veneto, Bolzano and Piedmont). In Objective 1 regions CP is important

		for Puglia and to a more limited extent in Sardinia.
<i>Assessment</i>	Relationship and coherence between national and EU policy	<p>Assessing the coherence of Cohesion Policy with the main national needs in Italy is difficult for two main reasons. Firstly, EU resources in Italy cover only a limited part of development policy (12-13% in Convergence regions, which becomes 25% when national co-financing is added), especially in Competitiveness regions. Secondly, because the lack of structural reforms at national level strongly reduces the effectiveness and coherence of the strategy. In addition, the recent crisis has sharply changed social needs and increasingly split the long term policy requirements from the short-term priorities. However, some provisional assessments are possible as compared with of past experience. In this respect, the Italian NSRF shows some important improvements:</p> <ul style="list-style-type: none"> ▪ A strategy more focused than before on some major economic development drivers, notably human resources and R&D. Their identification is a first crucial step to reduce the gap with the more advanced economies in innovation capacity. ▪ The commitment to capacity building is more explicit and ambitious than in the previous period. The new incentive schemes are no longer based on administrative changes but on the effective benefits delivered to citizens by public services. ▪ The reduction in non-refundable grants to private investment with significant deadweight is positive factor, although the dramatic reduction in industrial investment in the Convergence regions calls for some direct support.
	Related to objectives, territorial and thematic approach	In general EU Cohesion Policy does not seem to have been particularly significant in Italian Objective 2 regions (apart from Piemonte and Bolzano) while its contribution was large across Objective 1 regions. Estimating and assessing the EU support by means of fields of intervention is sometimes tricky and results should be handled carefully. In the case of Lombardy for instance, most resources cannot be allocated to the various functions determining an underestimate of EU Cohesion support.
<i>Implementation</i>	National policies	Domestic implementation is carried out by the Implementation Programmes funded by the FAS – the Fund for the underutilised areas. These implementation programmes follow the same structure as the parallel CP funded OPs. They are implemented through a range of tools, incl.

		Framework Programme Agreements (Accordi di Programma Quadro) and direct measures.
	Regional policies	The resources devoted explicit regional policy for 2007-13 were outlined in the National Strategic Document (NSD).
	Cohesion policy	See above, “National policies”
<i>Assessment of the Implementation</i>	Differences and similarities	As stated above in Italy there is a guiding concept of creating a “unitary policy” including a unitary monitoring system introduced by the NSD. This comprises also the development of a “Project Management System”, a supporting tool for programme management both domestic and EU resources.
	Major coordination mechanisms	To create an integrated overview of the outcomes unitary evaluation plans have been drafted in each region. All actions and measures implemented are evaluated this way, irrespective of the source of the funding.
	Synergies and aspects of complementarity	See above.
	Major challenges for cohesion policy making	The financial and economic crisis and the persistent difficulties of the Italian economy are structural in nature and consequently have to be addressed by Cohesion Policy interventions. The way in which policy tackles these problems will be the measure of its success. If the interventions do not take account of on-going changes in society and in the productive system, their effects will be limited. Tackling these challenges effectively depends not only on the implementation of the NSRF, but also on the coherent development of other national policies and on a common understanding of the complexity and importance of the challenges. This requires regional policy to be implemented effectively and consistently: In this respect, strategic reflection on the next three years is important to speed up the implementation process, update the strategy and strengthen the governance around a few main targets. The official document due on the Government’s regional policy is an opportunity for this reflection.

6.10 Case Study Poland (PL)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
4	National OP	ERDF and CF	Federal Ministries	national	22.246 mio Euro	Website DG REGIO
16	Regional OP	ERDF	Regional Authority	regional	16.541 mio Euro	

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,314	
EfD	4,398	
Social protection	17,8	only 2007
Cohesion policy	1,272	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
Special system of direct grants (2005-July 2008) - annual amount	0,0221

Context		
	Summary	<p>The volume of financial funds available for regional development in Poland has largely increased thanks as a result of the Structural and Cohesion Funds available under the EU Cohesion Policy, of which Poland is the main beneficiary. This should allow Poland to expand the scope and impact of regional development interventions. However it also puts pressures on Poland's regional policy system to develop structures and processes to absorb the funds and to ensure that they contribute to economic growth and to maintain a clear vision for domestic regional development. From early-mid-1990s strategic initiatives increasingly incorporated competitiveness and productivity objectives that apply to all regions, though this was implemented on a large scale only from 2006 after the inflow of EU funds. The focus on traditional concerns with struggling regional economies was maintained. Some important issues remained notably concerning the role of metropolitan centres in the development process. The opportunities provided by Cohesion Policy have been used to overcome increasing economic problems created by the global crisis.</p>

<i>Institutional background</i>	Tiers of administration and government	A protracted process of decentralising administrative reforms, launched in 1999 with the establishment of 16 self-governing regions is continuing, especially in the field of public finances, involving further shifts of competences for the state regional administration to the regional elected governments. Regions are the Managing Authorities for Regional Operational Programmes (ROPs). However, important issues remained to be solved concerning the decision of policy competences with the national level, particularly the Ministry of Regional Development which plays a strong coordinating role in Cohesion Policy management and implementation.
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	There has been an increase in regional disparities in the post-communist period. Territorial disparities (at regional and sub-regional levels) though not remarkable in comparison to other MS, are entrenched and growing and threaten to marginalise some of the poorest regions in the EU. Metropolitan regions have performed significantly better than non-metropolitan regions. This applies particularly to the dominance of Warsaw and its hinterland. There is a clear east/west split in economic performance: the five least-developed regions are located primarily in rural eastern regions which share external EU border areas with poorly developed economies and areas in the north-east are sparsely populated. Disparities in economic performance between growth poles and peripheral areas are prominent across and within regions. Finally, there are areas experiencing specific challenges of economic restructuring, notably the old industrial areas of Silesia.
<i>Policies</i>	Main domestic policy measures - national and regional	Development strategies combine equity and efficiency-related aims but with an increasing focus on the latter at least in terms of setting priorities (2006 Act on Development Policy; National Development Strategy 2007-2015). In the most recent strategies there is a clear commitment to a "place-based" regional policy model that concentrates on the endogenous potentials of all regions. Emerging strategic documents propose a "polarisation-diffusion" model for development policy that prioritises support for Poland's most competitive sectors and centres (polarisation) alongside provisions for the diffusion of benefits through a range of instruments. The 2009 National Regional Development Strategy aims to achieve national development objectives and plans to develop growth pole policy around principles of

		polarisation and diffusion.
	Are European strategies integrated?	EU cohesion policy plays a dominant role in Polish development policies. EU cohesion policy and Polish domestic policy instruments quite often overlap. The move from a convergence-driven to a functionally-driven approach to cohesion is reflected in the Polish response to the EU Green Paper on Territorial Cohesion which stresses efficient resource allocation, based on an effective exchange process and flows, the need for territories to fully develop their unique potentials, the importance of functional, networked relations between socio-economic elements, and the competitiveness of territorial systems.
	Main features of EU cohesion policy in the regions	EU cohesion policy and Polish domestic policy instruments quite often overlap. Cohesion policy has a significant influence on strategic objectives and development priorities in Poland. Through the implementation of ROPs Cohesion Policy has been able to set the regional development agenda to a significant degree (strong "Lisbonisation" process visible in strategic documents). The scale of structural funds programmes in comparison to non-EU funded structural initiatives is substantial. 29% of all public (State, regional, local) structural spending came from EU funds in 2008. This also has a marked regional dimension: one quarter of Cohesion policy resources are channelled via regional OPs and regional contracts.
<i>Assessment</i>	Relationship and coherence between national and EU policy	EU cohesion policy and Polish domestic policy instruments quite often overlap. Regional development policies are based on EU Cohesion policy and were built on the Lisbon goals.

	Related to objectives, territorial and thematic approach	The opportunities provided by Cohesion Policy have been used to overcome increasing economic problems created by the global crisis, which, however, has not led to economic recession in Poland. This was most visible in the rate of absorption of funds for business support and labour market policies.
<i>Implementation</i>	National policies	The Polish government has a special system of direct grants that support investment of strategic importance for the Polish economy. Grant support is agreed between the Ministry of the Economy and the investor for strategic investments in sectors prioritized by the government. There are no broad development policy instruments with a cohesion orientation outside of EU Cohesion policy (only sectoral, horizontal aid)
	Regional policies	Investment grants are also offered in Specialized Economic Zones agreed with the Commission and based on the General Block Exemption Regulation.
	Cohesion policy	According to the data available, despite differences between operational programmes and priorities, the overall picture is positive. In general programmes are being implemented in line with what was planned. Obvious differences exist. For instance, in the case of regional OPs, the surprisingly weak position of the capital city region, Mazowieckie, should be noted. The only explanation can be deficiencies in managing the delivery of programmes.
<i>Assessment of the Implementation</i>	Differences and similarities	Through the implementation of ROPs Cohesion policy has been able to set the regional development agenda to a significant degree (strong "Lisbonisation" process visible in strategic documents).
	Major coordination mechanisms	Coordination tools and structures for development policy have mainly developed in relation to Cohesion Policy. Cross-sectoral coordination is carried out by the Ministry of Regional Development. In addition, exchange of information is institutionalised via the Joint Commission of the Government and regional Sub-Governments and regular exchange takes place in the Assembly of Heads of Regional Governments which gives opinions.
	Synergies and aspects of complementarity	EU cohesion policy and Polish domestic policy instruments quite often overlap.

	Major challenges for cohesion policy making	There are still large differences between the regions in terms of development. It is a high time that the emphasis put on physical progress, results and impacts was as strong as on financial monitoring. In other words: quality should become the strategic priority.
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6.11 Case Study Romania (RO)

Nr.	Operational programmes	Funds	MA	Level	volume/EU Contribution	Source
5	National OP	ERDF and CF	Federal Ministries	national	15.430 mio Euro	Website DG REGIO

Cohesion related expenditures	(in % of GDP)	
Regional aid	0,027	
EfD	5,612	
Social protection	12,6	only 2007
Cohesion policy	0,464	
Year: 2008		
Source: Bachtler 2010		

Key areas of national spending:	in % GDP
Narrow and broad regional policies	
Regional 2008-2012 - annual budget	0,0908

Context		
	Summary	Romania ranks among the large EU12 countries which aggravates certain challenges in regional policies in particular the challenges related to major gaps in infrastructure (in particular transport) or to internal peripheries. During the economic transition the gap between the capital region - Bucharest Ilfov - and the rest of the country has deepened. At the same time one has to state a west-east divide in terms of economic development. Partly the divide stems from historical development patterns partly from accessibility to respectively spill-overs from neighbouring countries: regions bordering Hungary are on a more stable and quicker development path than regions in the north-east (bordering Moldova and the Ukraine). The administration is centralised, the major achievement has been the re-establishment of local self-governance since 1991 and the introduction of a tax system which strengthens the local level. Tax revenues have risen considerably and account for about 80% of sub-national government revenues.
<i>Institutional background</i>	Tiers of administration and government	Romania is a centralised country. At regional level the state is represented in 41 prefectures, managed by a prefect who is appointed from the central government. Subnational government system consists of counties (judete) and the local level. The counties have a coordinating function as regards local services and state administration at the prefectures: these bodies are also in charge of

		county development, water supply, parts of the road network and some social services. In 2000 when first approaches towards a new regional policy regime started 8 development regions (NUTS-II) have been established. In a stepwise process - with the EU cohesion policy as driver - regional development councils have been established. In policy implementation they are part of the regional coordination committees (as the regional platform of EU cohesion policy - see below).
Role of the regional level		
<i>Regional development</i>	Key issues of regional development	Key issue is the development of basic infrastructure: a large-scale challenge ranging from transport over waste water treatment, waste management, site rehabilitation in areas affected by severe industrial pollution from heavy industries to flood prevention. The gaps in road and environmental infrastructure are seen as major impediments for economic development (e.g. road density in RO is about one third of the EU-25: 33 km per 100 km ² compared to 110 km on EU average). In the sector of the environment the cost for compliance with EU-directives until 2018 is estimated in the NSRF with € 30 billion (e.g. by 2005 only half of the population lived in settlements endowed with sewerage networks - thereof 90% in cities). As recent past has shown parts of the lowlands are particularly prone to flooding. A major challenge is capacity-building in the administration - RO is constantly at risk of being a net payer to the EU due to the persistent problems in the implementation of Cohesion Policy.
<i>Policies</i>	Main domestic policy measures - national and regional	Romania ranks among those EU12 countries where no national regional policy initiative independently from EU Cohesion Policy exists. The Act on Regional Development (2004) stipulates balanced and sustainable development of geographical areas and convergence at national level.
	Are European strategies integrated?	European strategies are the predominant element of Cohesion Policy in Romania: it can be seen as the prime example of a cohesion country in the EU27 with a marked focus on infrastructure development thus supporting convergence at national level.

	Main features of EU cohesion policy in the regions	Investment under EU Cohesion Policy is dedicated to development of basic infrastructure: 60% of the total envelope of € 19 billion is dedicated to development of transport and environmental infrastructure (accounting for equal shares). A Regional OP (€ 3.7 billion; financed from ERDF) aims at strengthening growth poles (i.e. focussing on small and medium sized towns with slight similarities to the French approach), developing local infrastructure including social and business infrastructure. Owing to Romania's rich and diverse nature also tourism development is an important aspect of this 'ROP'. Funding under this programme favours less developed regions thus - though to a limited extent - counterbalancing the focus on sector policies. Technical Assistance for ERDF programmes and a special ESF-financed programme for development of administrative capacity ensure funds amounting to € 380 million from EU-funds.
<i>Assessment</i>	Relationship and coherence between national and EU policy	The architecture of Romanian Cohesion Policy from the start in the late 90ies to the intense pre-accession period (2004 to 2006) been shaped by the requirements and approaches of EU Cohesion Policy. Thus strategic coherence is ensured but operational coordination remains a challenge. Regional development in Romania is also challenged to some extent by the dilemma between convergence at national level and reduction of regional disparities.
	Related to objectives, territorial and thematic approach	As already stated the overall policy approach focuses on the development and upgrading of basic infrastructure (60% of total funding). According to the NSRF thematic priorities account for 80% of the funding total of EU-cohesion policy. Regional Coordination Councils should support territorial coordination of interventions under thematic programmes (see below).
<i>Implementation</i>	National policies	As already stated national policies independent from EU Cohesion Policy practically do not exist. National public money for major sector policies is tied to the co financing of SF interventions.
	Regional policies	See above.
	Cohesion policy	The Authority for the Coordination of Structural Instruments (ACIS) is in charge of the coordination of management and policy delivery in Cohesion Policy. The authority is part of the Ministry of the Economy and Finance. The relevant line ministries act as Managing Authorities for the Thematic (respectively Sector) Operational Programmes, the Ministry of Regional Development and Tourism being in charge of the Regional OP.

<i>Assessment of the Implementation</i>	Differences and similarities	
	Major coordination mechanisms	ACIS guides the National Coordination Committee which is the inter-ministerial committee for the coordination of implementation. A management coordination committee is in charge of coordination for the technical administration across the thematic OPs and the ROP. At level of the 8 Development Regions so-called Regional Coordination Councils (RCCs) have been established. RCCs are composed of representatives of the ACIS, the Managing Authorities of Thematic Operational Programmes, RDAs and representatives of local authorities. The major role of RCCs is to assess the implementation of programmes at regional level and to formulate recommendations to the authorities.
	Synergies and aspects of complementarity	The NSRF stresses the role of RCCs to observe policy delivery at national level and to point at potentialities to use synergies between sector approaches. Thus thematic and territorial coherence of actions should be safeguarded. However, the actual impact of these RCCs is limited mainly due to the need to strengthen capacities at all tiers of the administration. Guidance of policy delivery at regional level requires a certain stock of experience, stability of staff and prudent knowledge management: pre-conditions which are not yet in place in all regions.
	Major challenges for cohesion policy making	The immediate key challenge remains the slow absorption of EU-funds: in rankings related to this issue Romania is regularly among the least performing Member States. This fact underpins the necessity to strengthen administrative capacity across all sectors and all tiers of public administration. A second substantial challenge might stem from the capacity to co- and prefinancing the interventions. In terms of regional development issues the current and most probably also the forthcoming period of EU Cohesion Policy will be dominated by the development and upgrading of basic infrastructure bearing in mind the magnitude of this task. The implicit and understandable focus on convergence at national level might be paired with a further rise of regional disparities. Continuous outmigration from rural areas and marked infrastructure gaps in urban settlements might aggravate the fundamental challenges of regional development and spatial development.

7. Findings

Cohesion policy is implemented in a variety of contexts and with a large variation of qualitative and quantitative weight. The most important differences for understanding the complementarity of national and community interventions aimed at reducing disparities in economic and social development are the following:

First, the financial weight of Cohesion policy varies to a large degree. In EU12 and some Cohesion Countries (in particular the Baltic States, PL, SK, HU and PT) a majority of the Expenditures for Development¹⁴ are co-financed by European funds. Here the funds constitute a remarkable part of public investments. In most EU 15 (except the Cohesion countries and CY) EU funds amount to small, if not insignificant parts of EfD.

Second, the role of the regional level – in terms of public investment, in terms of the possibilities and capacities for shaping policy decisions on regional development varies to a large extent. There is the “classical distinction” of federal, regionalized and unitarian states, where the latter covers a variety of different governance models. But no matter of the constitutional background there are various models within the Member States how to coordinate and integrate sectoral and territorial policies, and how to achieve strategic and operational coordination.

As a consequence of the different weight and the different constitutional set-ups implementation models of Cohesion policy may take various forms: either EU-funding is a guiding element, or EU funding is integrated in national and regional policy delivery – or there are mixed approaches. Not always are the most formal or institutionalized models of coordination the most effective or sustainable ones. An open dialogue and embedded forms of checks and balances might have at least equal qualities.

Accordingly regions have different scope of actions when designing and implementing policies to reduce economic and social disparities.

¹⁴ EfD: these are public expenditures in categories that are eligible for Cohesion policy

7.1 Coherence, integration and merging of EU Cohesion Policy and national/regional development policies

Analysing coherence between European Cohesion Policy and national as well as regional development policies is not simple and straightforward. First a consistent and concrete definition of Cohesion is missing at European level. Cohesion policy as implemented through ERDF, ESF and CF mainly focussing on economic cohesion. Social cohesion is often considered as “by-product” of a general decline in income disparities, and targeted through ESF (but with no specific territorial focus). Territorial cohesion is the least operationalized and mainly implemented through ETC programmes, partly also through local development actions in ERDF programmes. Furthermore rural development (funded through EARDF) is not considered as Cohesion policy, but plays a major role for achieving territorial cohesion.

Second, Member States policies rarely follow the terminology of “cohesion”, but in general target economic growth, competitiveness, and social inclusion. Often broader policies place region-specific emphasis, or follow specific strategies. EPRC (2010) found four types of policy objectives that are pursued as cohesion related in the Member States and regions:

- Reduction of regional inequalities and regional disparities,
- Regional competitiveness, where the aim is to increase the regional potential to contribute to national growth,
- National competitiveness, where the main focus is on maintaining and enhancing the competitive advantage of the national economy and
- National development, where the overriding objective is to catch up with national growth rates.

Besides that countries address specific geographic disadvantages (remoteness, insularity, mountainous areas etc). Also the volumes of cohesion related expenditures varies, where in general poorer countries spend a higher proportion of their domestic funds on economic development and more prosperous countries devote more of their public expenditures on social policies. EU Cohesion policy comes in very different scales, where Cohesion countries get a high share (often more than 50%, sometimes even up to 80%) of their investment in infrastructure financed by ERDF and CF. This reduces the scope of domestic policies, especially when policies have been set only in the course of EU accession (in most of EU 12).

But except for these specific cases of infrastructure investment, this study also found that in general Member States reinterpret EU Cohesion Policy according to their own needs and priorities and spend the financial resources under their own preferences.

As the framework of Cohesion is very broad and allows for the integration of growth and cohesion related objectives (that might be contradictory), no specific deviations from community objectives have been found in any of the recent analytical studies discussed in this report.

There seems to be a **strategic fit** – at least in Member States (MS) with a longer tradition of Cohesion policy (EPRC, 2011). First, most of the territories in all MS are covered by Cohesion policy, second MS have increasingly taken steps to ensure strategic integration between European and domestic priorities and third, cross-financing arrangements between the two policy areas are widespread so that domestic schemes can act as backup to European programmes (e.g. the additionality programme in Burgenland).

In some cases tensions between Cohesion policy and national policies may occur, especially in the territorial focus (in Italy domestic the national priorities are focused on the Mezzogiorno, whereas Cohesion policy has a broader territorial scope; in the Netherlands domestic regional policy is targeted at four national centres, rather than the less developed North, which is favoured by Cohesion policy)

In those countries, where Cohesion policy only covers a small proportion of expenditures for development, policy makers tend to rank the domestic regional policy agenda as more relevant – in terms of contents and rules. If the EU agenda dominates or disturbs domestic procedures (especially through administrative burden and disproportionate control procedures) the political commitment towards Cohesion policy is endangered. The inflexibility of Cohesion policy arrangements often is perceived as a major disadvantage.

7.2 Comparing implementation systems between national/regional policies and European policies

Cohesion Policy is dealing with domestic and EU-funds and is always delivered through national or regional systems. Following the different institutional backgrounds as outlined above, the diversity of approaches is huge.

In countries where EU Cohesion Policy is the guiding element (i.e. it accounts for the overwhelming share of funds) the principles of the EU-intervention logic rule the implementation. But still there is a difference between Cohesion Countries among the EU15 and EU12.

In **EU12** the reform of the public sector since the early 90ies poses a multiple challenge. Just to mention a few of the key points: the re-establishment of local self-governance, the rapid and parallel evolution of the information and the civic society, and when it comes to Cohesion Policy – the rapid transformation of the economy which happened at a much quicker pace than the change of political realities. Subsequently some countries started a process of administrative decentralisation. The whole public sector had to undergo a profound reorganisation. The bureaucratic system often has been shaped by pre-accession aid, and subsequently by Cohesion policy. Improving the quality of public service delivery and ensuring proper delivery of Cohesion policy often goes hand in hand. In EU12 - with high shares of Cohesion Funds - the delivery model is usually shaped by line ministries (transport, environment), whereas the integration of the regional level is one of the major challenges still to be tackled. The main challenges in the case of EU 12 (without CY and MT) are:

- the dominant principle of hierarchy, and the need to deal with non-hierarchical working methods as the cross-sector coordination requires – usually the Ministries or authorities in charge of coordination have very limited options to achieve coordination of implementation
- a partial lack of experience and knowledge base in the public administration due to staff fluctuation – and as one reaction a quite rigid approach to formal aspects: in worst case the assessment of formal aspects outweighs the assessment of contents of operations
- The inherent risk that project generation capacities dominates over actual priorities and needs; this is paired with the challenge for LRAs to provide the required own contributions – LRAs most in need of support might fall short to succeed in acquiring projects
- the need to improve transparency and accountability

In **EU15** a much longer period of mutual adaptation of domestic and Cohesion Policy has taken place. With EU funds being much less significant in terms of public expenditures a variety of approaches – ranging from complete integration of Cohesion policy in domestic delivery systems (AT, DE, ...) up to the establishment of separate structures - have been developed. During this period new and interesting approaches seem to concentrate in the northern Member

States (DK, FI, SE). Some of the challenges in EU15 are similar to those in EU12 some are different:

- Established structures tend to be reluctant to change: it seems that integrating EU funds completely into domestic structures creates difficulties in the way as domestic systems need some alignment to comply with Cohesion policy rules.
- Without political entrepreneurs fuelling the process - i.e. developing new approaches to policy monitoring, reporting and cross-sector negotiation procedures – coordination will remain at a strategic level without having major impetus on policy delivery; sophisticated and fragmented structures and broad numbers of involved actors tend to make the adjustment of the agenda more demanding
- Visibility of EU Cohesion Policy is a challenge – it tends to have its major influence in improved strategic coordination but not in policy delivery

7.3 The role of administrative systems ensuring complementarity of European and national/regional policies

Several factors are relevant for ensuring complementarity between European and domestic policies:

First the capacity of an administrative and institutional system to ensure policy coordination at horizontal and regional level is vital for ensuring complementarity. Especially in new Member States this required policy learning processes moving from a culture of formal agreements and approval procedures to one of preparing decisions through mutual information and collaboration. In a strongly simplified view Cohesion Policy supports the stepwise upgrading of infrastructure, starting with basic infrastructure and moving on to business and RDTI infrastructure. The European level strongly supports this move since this is an essential precondition to maintain Europe's competitiveness. From the perspective of the administration the evolution is challenging. Public institutions have to expand their capacities from planning and implementation of standard sector projects to multi-sector partnership-building, planning of interfaces to the private sector and establishment of negotiation platforms as part of multilevel governance.

Second complementarity is helped through a mutual process of alignment between Cohesion policies and domestic policies. As the ex post evaluation of management and implementation systems has shown, a continuous process of alignment between both policies takes place, where also Cohesion policy has helped to improve the quality of national/regional policy delivery.

Third, the task of integrating sectoral and regional strategies is one of the major benefits of Cohesion policy – especially in those countries, where Cohesion policy covers only small parts of expenditures for development. In this respect

Cohesion policy might have been a driver for reforms of multilevel governance (see the recent reforms in the institutional setting and regional policies such as DK, FI and SE).

Another interesting finding of the ex-post evaluation is, that the complementarity and the mutual influence of domestic and Cohesion policies are strongest, where driven by committed élites or policy entrepreneurs, where political commitment to change was high (e.g. because of contextual domestic reform agendas) and/or where the status and weight of Cohesion policy (especially relative to other domestic policies) were high.

But there are also very trivial elements that may ensure or hinder complementarity, like timetables (e.g. in England the RDA Single Programme operates on financial year basis from April to April, whereas the ERDF programme operate on an annual basis) or a lack of coordination at operational level (e.g. in Sweden the Regional Growth and Cohesion Policy work closely together during the programme development, but much less in the implementation phase).

7.4 Managing the relationship between the national/regional and the European level

It rather seems that setting up a NSRF has improved the strategic dimension of sectoral and regional policies – also within national development policies.

Strategic coordination – to some extent – is a first step. The subsequent step of pro-active coordination of implementation is quite demanding and has to be understood as a continuous process. One way to start this process is that different authorities learn to know and understand the role, tasks and challenges related to the work of other authorities (at horizontal and vertical level). The nature of the coordination of course, varies depending on the weight of EU-funding – from complete dominance of EU-funding to the prudent use of EU-funds as additional financing instrument next to dominant national and regional resources

Several interesting models for achieving better policy integration between the national and the regional, the sectoral and the territorial level have been developed, often based on strategic measures and the establishment of cooperation mechanism, bodies and procedures. Such models include the coordination of sectoral and regional policies and the horizontal and vertical level through the NSRF and a related implementation process (like the STRAT.AT process in Austria), the integration of the regional dimension in sectoral policies through spatial development concepts at national level or the integration of sectoral policies at territorial level (as in the Danish Regional Growth Fora).

7.5 Integrating European strategies and approaches such as Europe 2020 with national and regional policy approaches

Between EU and national level to some extent routines to negotiate and develop consistent policy frameworks have established: but the actual challenge are the subsequent steps. NSRF as key requirement has proven to be quite efficient in strategic coordination. But strategic coordination and coherent policy frameworks at national level are not sufficient to safeguard consistent policy delivery. Operational coordination, i.e. the coordination in implementation across sectors is far more demanding. The decision on investment is the moment when conflicts between global policy objectives such as between convergence and competitiveness surface and politicians make their case. The experiences of several Member States document that it definitely needs extra efforts – beyond the elaboration of the NSRF - to give momentum to new approaches in policy delivery.

One can expect that in the forthcoming period a document similar to the NSRF will be required as overarching policy framework at national level. EU 2020 and for some parts of Europe macro-regional strategies (such as for the Baltic Sea Region or the Danube Region) will be cornerstones of the European dimension to be translated into national policy frameworks.

EU 2020 is centred around five measurable targets which have to be translated into national targets. It rests on seven flagship initiatives. The Initiatives mainly address action at the national level. However, effective approaches require cooperation of all tiers of government though in some cases the potential role of LRAs is limited since the ‘system architecture’ at national level is decisive such as is the case in RDTI in most countries – this refers e.g. to the initiative *Innovation Union*. On the other hand the initiative *Resource Efficient Europe* reveals a high potential for policy development and implementation at level of LRAs. A thorough analysis of national policy delivery systems - at all tiers of administration - along the targets of Europe 2020 is needed in order to outline the room for adequate interventions of LRAs. More or less the same is needed in case of macro-regional strategies as another strategic layer for the forthcoming period.

The start of the period 2007-2013 was marked by numerous strategy papers and comprehensive guidelines. This in turn has increased the challenge for national level and LRAs to translate it into meaningful interventions as part of a place-based approach. Also EU 2020 or macro-regional strategies and the required translation into national strategies bears the inherent the risk of a trade-off between the strategic guidelines at EU and national level and the reality of Cohesion Policy respectively the actual use of Structural Funds. EU 2020 is largely focussing on growth and competitiveness and does not stress the territorial dimension. Cohesion Policy is based on a wider set of implicit objectives. One has to respect that there is still a sharp economic divide between

regions across Europe and that EU Cohesion Policy in many cases is dedicated to work on pre-conditions – such as upgrading basic infrastructure – in order to enable access to or to allow for a certain geographical spread of growth next to capital or other economically successful areas.

The key issue is to ensure that LRAs are adequately involved in the design and the delivery of the national responses to the strategic framework of the EU for the forthcoming period. This will follow established routines in countries with long-standing tradition of regional self-governance but it constitutes a significant challenge for some of the new Member States, where the involvement of regional bodies still is in a fairly early stadium (e.g. CZ, PL, SK) or no self-governing regions exist. In the latter case the strategic gap between national policy objectives and local interventions might be even wider. This points at the need that the national level and the EU - in particular DG Regio – provide pro-active guidance in the translation of strategies into action at level of LRAs. It is evident that the closer the administrative tier is ‘to the ground’, i.e. to the everyday life of citizens, the stronger the need for pragmatic approaches. On the other hand there is a need to show a broader variety of options to stakeholders at local and regional level in order to avoid the widespread duplication of similar local policy responses.

8.Literature

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