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## The achievements of cohesion policy: long-period evidence on the factors conditioning success and failure from 15 selected regions

### Book chapter

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**LEARNING  
FROM IMPLEMENTATION AND EVALUATION  
OF THE EU COHESION POLICY**

**LESSONS FROM A RESEARCH-POLICY DIALOGUE**

Edited by  
Nicola Francesco Dotti

Regional Studies Association

**COHESION***POLICY*

Research Network



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Lessons from a research-policy dialogue.**

Edited by Nicola Francesco Dotti

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# LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY. LESSONS FROM A RESEARCH-POLICY DIALOGUE

Nicola Francesco DOTTI (Editor)



Regional Studies Association  
**COHESION***POLICY*  
Research Network

## TABLE OF CONTENTS

LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY. LESSONS FROM A RESEARCH-POLICY DIALOGUE .....	3
List of Figures .....	6
List of Tables .....	7
List of Acronyms .....	8
List of Authors.....	9
Acknowledgements .....	15
Foreword .....	16
Introduction .....	19
1. A Research-Policy Dialogue for the EU Cohesion Policy.....	26
PART I - Evaluating the Cohesion Policy .....	43
2. Supporting SMEs Innovation and Growth: Lessons Learned from a Theory- Based Impact Evaluation.....	44
3. Who Gets Public Support To Innovation? Evidence from the Portuguese Alentejo Region .....	60
4. The Regional Dimension of Subsidies, Innovation and Job Growth in European Firms.....	77
5. More Autonomy for Member States for More Efficiency .....	92
PART II - Learning from Evaluation.....	108
6. The Achievements of Cohesion Policy: Long-Period Evidence on the Factors Conditioning Success and Failure from 15 Selected Regions .....	109
7. Impact Evaluation of Air Quality: A Step Towards Impact Evaluations on Health and Quality of Life .....	126
8. Why Does Policy Learning Have Limited Impact on Policy Changes? .....	139
9. Estimating the Impact of the EU Cohesion Policy on Local Level .....	153
PART III - Evaluation for Administrative Capacity.....	172

10. Administrative Capacity and Cohesion Policy: New Methodological Insights from Italy and Poland .....	173
11. Evaluation of Capacities in Multi-Level Governance Networks: the GOCAPASS Tool.....	192
12. Building Capacity for Evaluation Use: the Knowledge Brokers Game ....	208
13. Policy Labs: the Next Frontier of Cohesion Policy Design and Evaluation	224
PART IV - Cross-thematic Topics.....	242
14. Critical Reflections on the Evaluation of European Territorial Cooperation Programmes (2007-2013) .....	243
15. EU Cohesion Policy: Growth or Cohesion? The Case of Gender Mainstreaming.....	256
16. European Regional Development Fund in Regions with Specific Geographical Features: Some Policy Insights .....	272
17. EU Funds Are Fungible: Potential and Feasibility of Change in Cohesion Policy Post-2020 .....	286
CONCLUSIONS.....	304
18. Instead of Conclusions, What Comes Next?.....	305

## LIST OF FIGURES

Figure 1. Unemployment rate in European regions (Eurostat, 2016).....	22
Figure 2. Specific ESF policy process in a subnational policy sector .....	101
Figure 3. Development of concentrations of pollution (Source: CMHI, own calculations) .....	136
Figure 4. The evaluation research studies by programming period (Source: MIR, 2014b) .....	148
Figure 5. The evaluation research studies by size of the budget (Source: MIR, 2014b) .....	149
Figure 6. The logic of knowledge broker activities (Source: Olejniczak et al., 2016) .....	216

## LIST OF TABLES

Table 1. Sample Countries and Sample Size .....	84
Table 2. Description of Variables and Mean Statistics.....	85
Table 3. What Types of Firms Receive Subsidies?.....	87
Table 4. Average Treatment Effects (ATE).....	88
Table 5. Historical Evolution of Modes of Governance .....	99
Table 6. The characteristics of ERDF expenditures and their impact on regional growth .....	124
Table 7. Regional and policy-design characteristics and their effects on perceived achievements by area of expenditure (objectives/axis)	125
Table 8. Descriptive statistics for monthly concentrations of PM2.5 in Ostrava region ( $\mu\text{g}/\text{m}^3$ ) .....	133
Table 9. NUTS4 groups identified in clustering analysis .....	160
Table 10. Categories of projects implemented in nuts4 (2007-2014) .....	162
Table 11. Summary of findings.....	187
Table 12. GOCAPASS - Dimensions and Factors of Governance Performance	201
Table 13. The S-C-P Grid to describe functional capacity factors.....	202
Table 14. Examples of Applying Behavioural Science Insights to Inform Policy Design in Singapore and Copenhagen .....	232
Table 15. Example of Collaborative Policy Design from MindLab in Denmark	234
Table 16. Examples of Applying Behavioural Science Insights to Inform Policy Design in the United Kingdom.....	237



## LIST OF ACRONYMS

COMMON ACRONYMS USED IN THE VOLUME	
CoR	Committee of the Regions
CP	Cohesion Policy
DG-Regio	EU Commission's Directorate General for regional and urban policy
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Fund
ETC	European Territorial Cooperation
ICT	Information and Communication Technology
MA	Managing Authority
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
R&D	Research and Development
RDI	Research, Development and Innovation
S3	Smart Specialization Strategy
SGF	Specific Geographical Feature
SME	Small and Medium Enterprise

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On behalf of the Research Network on Cohesion Policy, I would like to thank the RSA and its staff for funding and actively support our activities. Without the RSA, this volume and the Research Network would have not been possible. We are also thankful to Professor Ramona Coman, Director of the IEE, for having hosted us, and to policy discussants who enthusiastically accepted to take part in the initiative and contributed to our discussions.

As organiser, I am especially thankful to Fanny Sbaraglia, who did most of the work ‘behind the scene’ that cannot appear in this volume. *Un grand merci!* I would like to thank also other co-organisers: Magdalena Sapała, Oto Potluka, Ida Musiałkowska, Laura Polverari, John Bachtler, and especially Marcin Dąbrowski, who is the Research Network coordinator and has accepted and supported my idea for a research-policy workshop with this format

As editor, I am thankful to each and every Author for their contributions, for having attended the workshop accepting the challenge of a policy-oriented workshop, and for having respected very strict deadlines and non-academic rules. Personally, I would like to also thank Giulia Urso for having acted as ‘ghost reviewer’ of some chapters (even without being an Author), and all the colleagues that convinced me for the need of a research-policy workshop and have inspired this format, especially Martha Bicket, Wolfgang Petzold and Simone Reinhardt.

Brussels, 1 October 2016

Nicola Francesco Dotti

## FOREWORD

*John BACHTLER (Strathclyde University)*

*Laura POLVERARI (Strathclyde University)*

In one of the most challenging periods in the European Union's history, the EU institutions and Member States are once again reflecting on the future of the Union's spending priorities in the form of the Multiannual Financial Framework from 2021 onwards. EU Cohesion Policy is always at the heart of these budgetary debates by virtue of the large share of the budget accounted for by European Structural and Investment Funds and its pre-allocation to Member States. As in the past, the policy will come under scrutiny, much more so than other EU policies, regarding its European added value and effectiveness.

The central theme of this book - learning from implementation and evaluation - is therefore timely and topical. Drawing on insights from established as well as new researchers in the field, the book takes an interdisciplinary, multi-faceted approach to important questions facing Cohesion Policy, with chapters that are concise, articulate, comprehensible and focused on lesson-drawing. The editor and authors are to be congratulated on producing an important contribution to the Cohesion Policy debate, with six significant messages.

First, the reported research argues that Cohesion Policy works. The findings demonstrate the role of ERDF in helping SMEs withstand the crisis, not just through better economic performance but behavioural change and strategic adaptation to new conditions. Analysis also shows how Cohesion Policy support is leading to improvements in firm innovation. As such, the research echoes

the results from the recent ex-post evaluation of 2007-13, which shows the major contribution of Cohesion Policy to growth and jobs.

The stronger linkage with the Lisbon Strategy and now Europe 2020 is certainly delivering results. However, there are question marks over the degree to which centrally prescribed economic development goals are at the expense of more place-based policy responses that are more attuned to regional development needs and challenges, and exploit territorial assets. The commitment of Cohesion Policy to sustainable development also needs to be re-assessed, specifically the policy's contribution to social inclusion (including gender equality) and the environmental sustainability of interventions.

Second, the research emphasises the importance of professional management of programme implementation. There are clearly key policy-design factors in maximising the achievements of programmes - confluence between planned and realised expenditures, and alignment between regional needs and programme objectives. Project generation, appraisal and selection need to employ appropriate tools, such as cost-benefit analysis and risk-analysis techniques, that are capable of assessing more accurately what is achievable through project support.

Third, context and capacity matter. Cohesion Policy is more likely to be more effective in leading regions and localities than lagging ones. Factors like leadership, skills, motivation, coordination, systems and tools all make a difference to performance in implementing Structural Funds. Yet, such factors can only go so far if the wider quality of government (notably political stability, clarity and observance of rules, quality and availability of services) is not supportive. This highlights the importance of close links between Cohesion Policy and European economic governance.

Fourth, major strides have been made in the evaluation of Cohesion Policy. The focus has, though, been mainly on generating more credible data, applying more rigorous methodologies and ensuring better performance measurement. While necessary and important, a key question is whether this investment in evidence is changing practice on the ground. It is sobering to learn that the quality of evaluation systems appears too weak to impact on the learning process. Part of the reason may be that evaluation suffers from being focused on organisations and programmes rather than systems, especially the processes, interactions and networks that determine how

decisions are made, tasks implemented and whether/how feedback loops translate experience into learning and adaptation.

Fifth, the book's plea for a more intensive research-policy dialogue is well made. It recognises that this needs to be facilitated through more sophisticated knowledge brokerage strategies and mechanisms that take account of the different value systems, objectives and skills of researchers and policymakers. Such strategies need to be timely - at points where knowledge on what works can make a difference - and through spaces (such as policy labs) allowing analysis, co-creation and testing of solutions.

Lastly, the book draws the conclusion that Cohesion Policy needs to be rejuvenated. It is more than 40 years since the ERDF was conceived, a timespan which has seen many changes to the policy. As in past reform debates, it is appropriate that the objectives, priorities, management and outcomes are reconsidered. But perhaps the most important challenge is how to instil a new passion for regional policy as part of the policy response to the economic and social inequality that is doing such damage to the model of European integration.

## INTRODUCTION

*Nicola Francesco DOTTI (Université Catholique de Louvain)*

### A RESEARCH-POLICY DIALOGUE, IN PRACTICE

In 2015, the Regional Studies Association (RSA) celebrated 50 years and one of the keywords of this (hi)story is “impactful”. Having an impact requires to be able to bring research-based knowledge to policymakers moving out of the academic ‘Ivory Tower’ and engaging in policy debate, thus acknowledging the societal role of research. Yet, this requires changing the traditional approach to research, academic conferences, publications and scientific workshops.

This volume aims to tackle the challenge of a research-policy dialogue addressing the case of the Cohesion Policy (CP), the most important EU regional policy and, probably, the most complex policy in the world for economic, social, geographical, cultural, administrative and legal reasons. This challenge is even more relevant in this period when Europe is showing difficulties to fully recover from the financial and economic crisis that started in 2008, and the following political crisis that culminated with ‘Brexit’. In this context, researchers are called to be ‘impactful’, proposing research-based policy lessons that can feed the political debate.

In a period of crisis, research-policy dialogue is needed; however, how to make it happen is not easy. Academics are operating under in the “publish or perish” system, but the traditional peer-reviewed system publication route takes longer than policy cycles and scientific articles are not seldom a good handy outcome resource for policymakers, who urgently need to deliver ‘solutions’ and in this providing those consultants are better placed than academics. Although the challenge of research-policy dialogue is definitely not new, both sides are evolving quickly and new technologies provide new

opportunities for experimentation. What is new and urgent is the need for ideas, theories and approaches to overcome the said crisis.

The etymology of the word “dialogue” (from Greek: διά-λογος, dia-logos) provides a useful starting point. In Greek, “dia” means ‘through’ or ‘between’, and it usually refers to something between two different entities. More complex is the translation of the word “logos”, probably the most symbolic word of the ancient Greek philosophy: its meaning is close to that of means something like ‘word’, ‘thought’, ‘ratio’ and by extension ‘knowledge’, ‘wisdom’, ‘rationality’, ‘ideas’. While a semantic discussion is out of the scope of this volume, the word ‘dialogue’ refers to what happens when two ‘rationalities’ meet and exchange. Yet, they are still two different ‘logos’, but this (might) produce(s) (new) knowledge.

A research-policy dialogue, however, is not a goal in itself. This volume adopts a ‘policy learning’ perspective, meaning that the goal is to offer new knowledge to improve policymaking and implementation. In other words, the volume seeks to provide policymakers with policy-relevant information, new models to interpret this information, and practical examples of how policy tools are used. More theoretical reflections on this complex relationship will be discussed in Chapter 1.

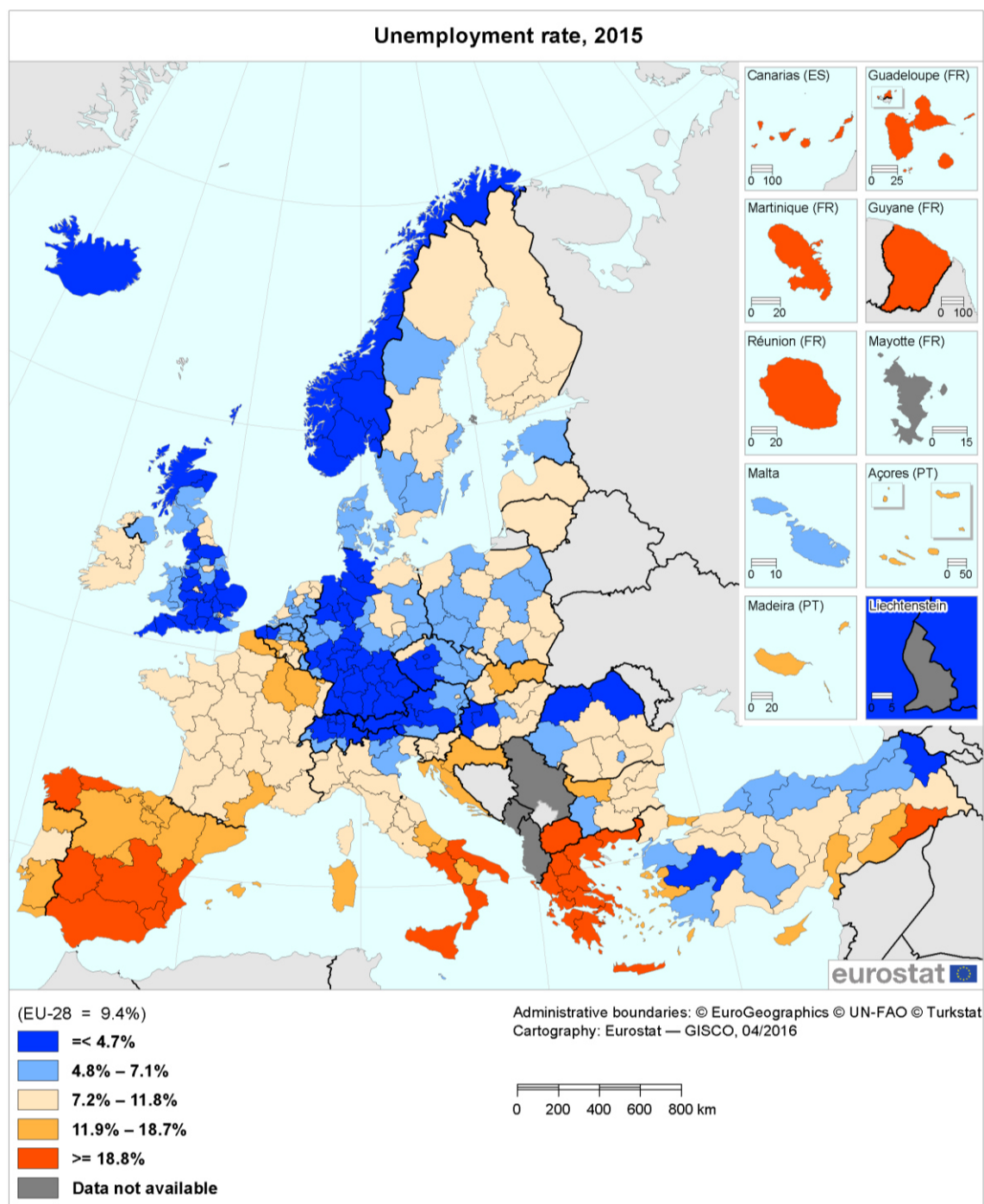
## THE POLITICAL CONTEXT

This volume is published as outcome of a workshop that was organised on 13 June 2016 in Brussels by the RSA Research Network on EU Cohesion Policy. An open call was launched in April 2016 and sixteen different contributions selected to be presented during the research-policy workshop. Each contribution is a chapter of this volume (see Chapters from 2 to 17). Nonetheless, this volume is not just the usual proceedings book of an academic workshop.

This volume is published in a period of major political challenges and turmoil. For the period 2015-2017, The EU Commission has launched the so-called ‘Juncker plan’ to boost investments across Europe and many member states are actively engaged to support this scheme. At the same time, the European Central Bank is implementing an extraordinary policy of ‘quantitative easing’

partially compensating the effects of major austerity measures on public budgets. Both policies are ambitious and complex as well as taking a high-risk/high-reward approach. In the meanwhile, the Greek crisis is still ongoing and the UK voted for 'Brexit' just after the said workshop. Negotiations for Brexit are under discussion as we are writing and very little is known for the time being. The refugees' crisis is the most evident result of major political instability as well as wars just outside of the EU borders. Beyond these political issues, inter-regional disparities are still very strong, mainly in terms of unemployment rate (see Figure 1) and were deepened by the economic crisis. On top of that, the EU is negotiating a new free trade agreement with Canada (the 'Comprehensive Economic and Trade Agreement, CETA) and the US (the 'Transatlantic Trade and Investment Partnership', TTIP), which is expected to have major (but unclear) impacts on regional development. These elements just sketch the political landscape in which the debate on the reform of the Cohesion Policy and the future of the EU as such is taking place, providing some examples of the relevance of policy issues that the EU has to face, with direct or indirect regional implications. In this framework, the Cohesion Policy is expected to deliver better results with fewer resources, which makes clear the need for new approaches and innovative contributions.





**FIGURE 1. UNEMPLOYMENT RATE IN EUROPEAN REGIONS (EUROSTAT, 2016)**

This volume aims to provide research-based policy lessons to contribute to the policy debate looking at the post-2020 reform of the Cohesion Policy. In November 2017, the EU Commission is expected to publish its proposal, which will contribute to address some of the main challenges in terms of territorial development. In the meantime, first evaluation reports are going to

be published to provide background materials animating the debate. The timing of this publication is important to align research and policy agendas. However, good timing is not enough, and both policymakers and scholars have to be aware of challenges and opportunities of that research-policy dialogue brings.

### THREE RISKS, ONE OPPORTUNITY

In a research-policy dialogue, three risks are common. ‘Speaking truth to power’ is (unfortunately) a common attitude among more engaged academics. Researchers pretend to have the absolute ‘truth’ (whatever this means) and then policymakers ‘must’ follow them: if it does not work, blame the politicians! Less extreme, but equally problematic, many academics suffer from the ‘policy implications syndrome’: research is designed ignoring policymaking dynamics and rationales, but scholars add a couple of paragraphs to their articles with strong statements on ‘what to do’. The third risk affects mainly policymakers that use knowledge instrumentally, only when it fits already defined preferences and beliefs. This attitude often ends up in ‘reinventing the wheel’, when policymakers are not able to capitalise on the past experiences due to political cycles as well as excessive staff turnover, in staff turnovers, short-term project-based approach without follow-up of publicly funded research, or lack of (policy) learning strategies.

Beyond these risks, the CP is a great opportunity for a research-policy dialogue. This EU policy has been running for almost 25 years and a broad array of academic publications investigating it is many researches are available. Both academics and policymakers have had time and opportunity to learn by doing as well as studying, evaluating, reflecting and criticizing this policy. Different theories, approaches and methodologies have been proposed and discussed as well as different territorial contexts have been studied. This volume aims to propose research-based policy lessons without pretending ‘to be the truth’, being aware of policy dynamics and rationales, and capitalising from existing experiences.

The aim of this volume is to bridge the gap between research and policy, in practice. On the one hand, the volume is part of a longer process since each

contribution was discussed in person with selected and highly qualified policymakers during the said workshop. On the other hand, academics were asked to follow non-academic, policy-oriented formats. Contributions were not selected to convey a unique policy message. On the contrary, the goal is to offer a broad array of different approaches, different theories, and different empirical perspectives. This heterogeneity is strongly encouraged, even if some contradictory messages might emerge showing the complexity of policy challenges under scrutiny. These contradictions, problematic perspectives and critical reflections aim to stimulate the policy debate.

## STRUCTURE OF THE VOLUME

The volume is structured in four parts with four chapters each, written by different academics and researchers. After the introductory chapter discussing the notion of ‘research-policy dialogue’ for policy learning in the case of the CP, the four parts address different issues on evaluation of the CP (Part I), policy learning approaches (Part II), administrative capacity (Part III) and cross-cutting topics (Part IV). Finally, the last chapter instead of drawing conclusions, sketches the avenues for further reflection and opportunities for deepening the research-policy dialogue.

Each chapter is structured in the same way containing

- An abstract of up to 100 words;
- A presentation as ‘visual outline’ for each chapter;
- A research-based policy lesson of no more than 3,000 words and Authors’ contacts for Readers interested to know more on each topic.

Each Author is solely responsible for her/his own chapter and ideas expressed in this book do not engage the institutions they represent or other Authors. The Editor is responsible for the overall consistency of the volume, but as already said the aim is not to provide a unique perspective. On the contrary, the aim is to provide a broad array of different issues at stake to promote debate and reflections.

During the research-policy workshop, the following policy discussants were invited and commented on early version of these chapters.

- Peter BERKOWITZ (EU Commission, DG-Regio),
- Mathieu FICHTER (Member of the Crețu's Cabinet),
- Andrea MAIRATE (EU Commission, DG-Regio),
- Jan OLBRYCHT (MEP, EPP),
- Wolfgang PETZOLD (Committee of the Regions),
- Magdalena SAPAŁA (European Parliamentary Research Service),
- Monika VANA (MEP, Greens/EFA).

While we are thankful for their feedback and active involvement on the workshop, the Authors are solely responsible for the contents of this volume.

Some final clarifications are needed regarding the volume. We do not have a publisher in order to be more flexible in the publication in terms of format, timing and avoid potential conflicts of interests. The volume is available online for free. Authors are solely owner of copyright. Reproduction is free, but reference to this work is mandatory.

## 1. A RESEARCH-POLICY DIALOGUE FOR THE EU COHESION POLICY

*Nicola Francesco DOTTI (Université Catholique de Louvain)*

### ABSTRACT

How to learn policymaking in the case of the EU Cohesion Policy (CP)? In a period of major political challenges, research-policy dialogue is needed to promote policy learning for policy change. Assuming a learning perspective, research and policymaking can (and should) have a dialogue acknowledging different rationales to avoid too simplistic interactions leading to misunderstandings and instrumental use of research. For this purpose, the evolutionary approach argues in favour of variety of research, proactive brokerage to select knowledge supporting policymaking and strategies to preserve learnt policy knowledge. The aim is to move from being heard to be understood.

## PRESENTATION

Regional Studies Association
<b>COHESION</b> <i>POLICY</i>
Research Network
 <b>A RESEARCH-POLICY DIALOGUE FOR THE EU COHESION POLICY</b>  Nicola Francesco DOTTI (Université Catholique de Louvain & RSA Ambassador for Belgium)
<b>LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016</b>

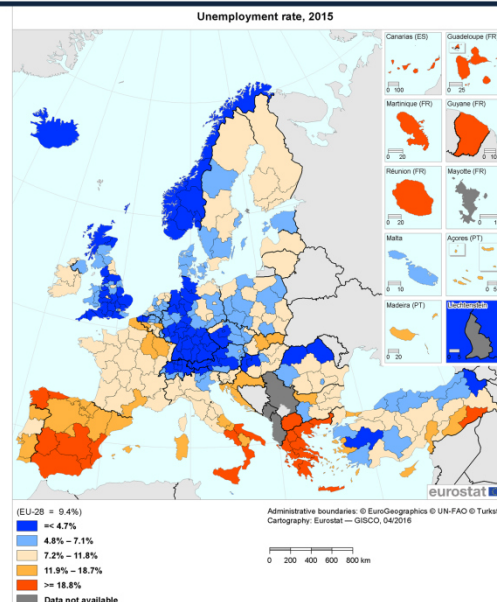
## THE CONTEXT

CP IN A CONTEXT OF  
(POST?) CRISIS

POLICY CHALLENGES

- JUNCKER PLAN
- QUANTITATIVE EASING
- TTIP? BREXIT! GREXIT?
- ...

POST-2020  
COHESION POLICY



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## LEARNING FOR POLICY CHANGE

POLICY CHANGE

1. ROUTINELY CHANGES OF INSTRUMENTS' SETTINGS
2. CHANGE OF INSTRUMENTS KEEPING OVERARCHING GOALS
3. POLICY PARADIGM SHIFT  
+
4. CUMULATIVE PATH OF CHANGES

KNOWLEDGE FOR  
POLICYMAKING

INFORMATION &  
MODELS & TOOLS

(Hall 1993, Mahoney and Thelen 2010)

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## FOR A RESEARCH-POLICY DIALOGUE

BEYOND SPEAKING TRUTH TO POWER

AVOID THE «POLICY IMPLICATIONS»  
SYNDROME

FOR A ***DIA-LOGOS*** / διά- λογος

- DIFFERENT POINTS OF VIEWS
- DIFFERENT ACTORS
- DIFFERENT RATIONALITIES

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## AN EVOLUTIONARY APPROACH TO KNOWLEDGE FOR POLICYMAKING

### VARIETY

MANY SOURCES, MANY TYPES, MANY PLACES,  
MANY THEORIES & APPROACHES

### SELECTION

KNOWLEDGE FOR POLICYMAKING IS NOT NEUTRAL  
STRATEGIES FOR POLICY LEARNING

### PRESERVATION

LOCK-IN vs «REINVENTING THE WHEEL»

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## THE WORKSHOP

- 16 PRESENTATIONS x 4 PANELS
  - 15 MINUTES EACH,
  - 5 SLIDES
- 8 POLICY DISCUSSANTS
  - EUROPEAN PARLIAMENT
  - COMMISSIONER CRETU'S CABINET
  - DG-REGIO
  - EUROPEAN PARLIAMENTARY RESEARCH SERVICE (EP THINK-TANK)
  - COMMITTEE OF THE REGIONS
- OUTCOME: AN EBOOK AVAILABLE ONLINE

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## A RESEARCH-POLICY DIALOGUE FOR THE EU COHESION POLICY

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## INTRODUCTION

How to learn policymaking in the case of the EU Cohesion Policy (CP)? The CP is an extremely complex policy due to ambitious goals, large and heterogeneous areas of intervention, and highly differentiated institutional settings. Therefore, advanced knowledge is definitely needed, although this is clearly not the only need. The CP reflects well the challenge of European integration: complex territorial challenges, but unlike Brazil, China, India, Russia, or the USA, the EU is not a state and has heterogeneous institutional settings, unique legal frameworks based on supra-national agreements and lack of a well-established continental polity, although socio-economic dimensions are definitely integrated across member states. For example, the construction of a highway using CP funding might need the intervention of different tiers of government depending on each territory in each member state: from municipalities to national ministries to regional, provincial, and metropolitan administrations, where they exist. Thus, the use of EU funding implies legal agreements to transfer public money across member states, for which the intermediation of the EU is needed, but complex: what are the legal bases for transfer taxpayers' money across member states? Do we have political consensus? What do we expect in return? How to provide accountability? How to respect different public procurement rules and habits? And so on. In this respect, the CP is a unique case in the world and has become a major focus of studies on territorial development policy.

'Policy learning' (Dunlop and Radaelli, 2013) is needed when complex challenges have to be addressed, like in the case of the CP, even more in a period of Europe-wide crisis. It is defined as a process of acquisition of 'new' policy relevant knowledge, namely information on policy relevant phenomena, models to interpret this information, and mastering of tools that can be used. Yet, this opens several challenging dimensions about 'who' is learning, 'what' is learning and what was already learnt, 'from whom' as well as how to 'produce' new policy-relevant knowledge. The complexity is even increased by the collective nature of policy learning involving multiple organisations and tiers of governments.

The 'research-policy dialogue' is one of the possibilities to bring available research-based knowledge to policymakers, as briefly stated in the introduction. However, the notion of dialogue requires an active involvement

from both policymakers and academics, who have different rationales and missions. While the academic community can be seen as a ‘knowledge supplier’, policymakers are not just ‘end-users’. Policymakers often fund evaluation studies and research, providing opportunities to carry out policy-relevant research, moreover they are at the same time object and beneficiaries of these studies. This mutual and complex relationship is critical and highlights on the challenge of the so-called ‘knowledge governance’: from where policy-relevant knowledge comes from? How do policymakers assimilate this knowledge to improve their capacity to implement the CP? While academic research is definitely not the only source of policy-relevant knowledge, academics can feed the policy debate with research-based policy lessons, but to do this they have to move outside the academic community being aware of the different rationales of academic and policy debates.

## THE POLICY LEARNING PERSPECTIVE

Understanding the discrepancy between policy decisions and their implementation is of major interest for both academics and policymakers, even more when they aim to change policy to further improve it. Asking why, when, how, where, in which way and by whom a policy changed is not just an object of academic curiosity, but it is necessary to understand past policy decisions and (possibly) improve future ones. This is the focal point of policy studies. While political science has extensively analysed how decisions are taken, the implementation phase has traditionally received less attention despite having (at least) the same importance (Sabatier and Mazmanian, 1980). Understanding (past) policy implementation is fundamental to make effective decisions and improve future ones. Nevertheless, the logical chain between policy decision and implementation is far from being linear and mechanic, mainly in complex cases such as the CP. Due to these complex relationship, policy studies have to deal with the complexity of policymaking, where knowledge is just one of the variables (Dente, 2014).

In policy studies (Peters, 2015), scholars have tended to alternate pessimistic approaches showing strong inertia and path dependency with more positive/optimistic approaches accepting policy change as something that

happens for various reasons. In this debate, Peter A. Hall provided a seminal distinction among three orders of policy change distinguishing among the overarching goals, the instruments, and the settings of these instruments (Hall, 1993). The first-order refers to policy change limited to the settings of policy instruments. First-order changes happen regularly, often on yearly basis when governments decide their budget. The second-order refers to major changes in policy instruments, but keeping overarching goals. In the case of the CP, this second-order type of policy change regularly happens when a new programming period is negotiated. Finally, the third-order change is also defined as ‘policy paradigm shift’ when overarching goals are (re-)defined implying a radical change also in policy instruments and settings (Hall, 2013). In the case of the CP, the 1989 reform is clearly a third-order policy change because for the first time the EU introduced the overarching goal of promoting territorial convergence, competitiveness and cooperation. Furthermore, a new programming period can be seen as a second-order change. More recently, policy scholars have also pointed out to the importance of cumulative changes over time (Mahoney and Thelen, 2010) moving beyond policy change as a single event in time.

To understand policy change one needs to consider the factors which determine it. Although causality in policy change is never linear, mechanic and deterministic (cf. Peters, 2015), knowledge shapes the way in which policymakers understand emerging challenges, define overarching goals and instruments, and design (new) interventions. Clearly, this opens the challenge of how this knowledge was ‘learnt’ and how it has evolved. While Hall was mainly interested in introducing and defining the notion of ‘policy paradigm shift’ in analogy to Kuhn’s notion of ‘scientific revolution’ (Kuhn, 1962); the understanding of factors enabling first- and second-order policy change has received limited attention since it is commonly seen as less important. On the contrary, first- and second-order policy changes are cumulated over time, shaping the policy implementation as well as the understanding of the policymakers’ own activities.

The policy learning perspective (Dunlop and Radaelli, 2013) refers to the importance of knowledge available to policymakers shaping the way they implement a policy and change it, hopefully for the better. This ‘cognitive’ turn (Slembeck, 1997) stresses the understanding capacity of policymakers as a key-element for ensuring the quality of policy outcomes. In other words,

knowledge for policymaking is the way in which policymakers understand their own policy and the environment in which they operate.

In the academic literature on policy learning, two major streams can be observed on ‘organizational learning’ and ‘policy transfer’. The first stream is based on knowledge management within public administrations and is strongly related to organisational learning and management studies (Argyris and Schön, 1978). The second stream refers to policy transfer and diffusion, mainly across space (McCann, 2011; Peck, 2011), focusing on how policy practices move. Yet, policy learning is still an open research field and very little is known on strategies to acquire policy knowledge. Specifically, the literature has focused on the national and European level, while geographical dimensions have received very little interest scaling down to local and regional levels. In the case of the CP, policy learning is even more complex to conceptualize due to the multi-level governance determining intersection across policymaking communities.

In a policy learning perspective, **the key variable is the understanding capacities of the policymaking community** (i.e. not only politicians and civil servants) in terms of acquisition of information, model to interpret it, and mastering of available tools. For this purpose, the ‘learners’ perspective’ (Borrás and Højlund, 2015) can be applied to the case of the CP using the following categories of ‘learners’:

- The programme units. This category refers to all managing authorities directly in charge of different parts of the CP, i.e. civil servants in charge of different aspects, documents and delivery of this policy.
- The organisational stakeholders. This category refers to all civil servants responsible for CP, but not directly involved in the CP. Typically, this refers to Director Generals and management boards that are higher in the hierarchy of a public administration.
- The external evaluators. This category refers to policy consultants, experts and advisors (often academics) that are directly involved in an evaluation. Despite being external to a managing authority, they have access to internal information and take part on evaluation discussions and reflections with programme units and organisational stakeholders.
- The external stakeholders. This category refers to politicians as well as other users and beneficiaries of the CP as well as the general audience.

This fourth category is the broadest one and includes several sub-categories.

In the case of the CP, an extra layer of complexity is added since this policy requires cooperation across several programme units, notably the DG-Regio and managing authorities, introducing the challenge of cross-organizational policy learning.

Finally, the last question is when policy learning happens. This volume aims to provide an opportunity for policy learning, explicitly pointing to the link between academics as ‘external evaluators’ and the three other categories of programme units, organizational stakeholders and broad audience. For this reason, policy discussants were invited selecting DG-Regio (the programme unit), Commissioner’s Cabinet (the organisational stakeholder), MEPs and the European Parliamentary Research Service, the Committee of the Regions and the European Economic and Social Committee. Furthermore, this book is available for free online to stimulate discussion with the broader audience of stakeholders, beyond a single workshop organised in Brussels.

## THE CHALLENGES OF A RESEARCH-POLICY DIALOGUE

The research-policy nexus is largely debated in the literature (e.g. Hoppe, 2005) as fundamental precondition to carry out the research-policy dialogue. In this field, three main risks are commonly identified.

- “Speaking truth to power”. Based on the seminal contribution by Aaron Wildavsky (1979), speaking truth to power refers to the attitude of policy experts (i.e. academics, consultants and advisors) to try to impose their views based on their own knowledge: ‘politicians must do this and if they do not, blame them’. However, if the policy is implemented, but fails to deliver expected results, the ‘Truth-bringer’ ends up in a rather uncomfortable position (as well as the politician).
- “Policy Implications Syndrome”. This ‘syndrome’, as suggested by Susana Borrás, is a moderate version of the previous one: research is carried out regardless policymaking, but some strong recommendations are added to (try to) influence policymakers without entering into



policymaking dynamics. This syndrome is dangerous because it creates conflicts between research-based arguments and the understanding of policy dynamics.

- “Reinventing the wheel”. Opposing inertia, the claim for ‘innovation’ often brings to restart from zero, instead of capitalising from past experiences. This is common in instable policy communities, where policy actors are constantly changing, which in turn undermines policy learning.

Beyond these risks, two fundamental elements of the research-policy nexus have to be kept in mind: (1) the non-neutral nature and use of knowledge; and (2) the contribution of new knowledge to policy understanding. First, policy knowledge is never neutral, i.e. knowledge is one of the resources for policymaking and it can be used, exchanged and shared with political allies and against competitors. For example, academics can be called in by the political actors to substantiate pre-existing preferences validating the already chosen policy options. Furthermore, academics have also their own political preferences (as all citizens) and interests (e.g. receive funding from the government). That being said, politicians tend to consult the academics that share the same view to show off academic support, mainly when competitors cannot do the same.

The second element is by-far more optimistic and refers to the contribution provided by research as new understanding of (emerging) policy issues. Since policymakers are also working under bounded rationality and have limited time to spend on new understanding of policy issues, researchers can provide new understandings of policy challenges. The provision of new understandings of policy issues requires research (carried out not only by academics) offering new policy-relevant information, new models to elaborate it, and new capacities to master available tools. In this perspective, academics contribute to policymaking with their knowledge, albeit not as political actors. However, sharing policy knowledge is not an easy task.

For academics, a **research-policy dialogue means moving beyond ‘speaking’ to each other towards ‘being understood’**. Being understood requires an awareness of policy dynamics, contributing by providing new knowledge and not as (instrumental-ized) political actors. The etymology of the word ‘dialogue’ (cf. Introduction) refers to something that happens between two



different ‘logos’, two different rationales of knowledge as research and policy are. Yet, policy and research are different and do not aim to merge: academics are not political actors and policymakers do not impose their political views on research. **Keeping research and policy as different fields does not imply that they cannot meet; nevertheless, this requires time devoted to dialogue as well as organisation and acceptance of the different points of view.**

## AN EVOLUTIONARY APPROACH

After having discussed the way research can contribute to policymaking, it is necessary to look the other way round: how policymakers can and should support research for policymaking. For this purpose, it is necessary to enter into knowledge dynamics with a preliminary distinction between research as ‘knowledge production’ and dialogue as ‘knowledge brokerage’. While the former is well-known, the latter is much less explored and discussed, though this is an emerging function (Meyer, 2010).

The outputs of research-policy dialogue are different from those from typical academic research because they are not based on peer-review publications, which are now seen as the main (only?) drivers that count in assessing academic activities. A research-policy dialogue is not part of ‘traditional’ research activities. Research can and does contribute to policymaking through different ways: evaluation studies, critical discussions, training of graduates as future policymakers, direct involvement of researchers in policymaking, etc. Furthermore, policymakers often fund these activities and, clearly, expect to have their returns in terms of knowledge. But research for policymaking is not policy consultancy, although boundaries are not always clear.

**A research-policy dialogue requires ‘knowledge brokerage’**, which is an emerging function, not (yet) fully understood and explored. Knowledge brokers are actors that scan available knowledge for policymakers to bridge the gap between research and policy. Although a definition of knowledge brokerage is not yet consolidated, this function is already emerging turning these intermediaries into actors with their own rules, goals and strategies

(Taylor, 2015). The distinction between research as ‘knowledge production’ and research-policy dialogue as ‘knowledge brokerage’ is an important step to promote policy learning.

Finally, ‘evolutionary’ lenses are proposed to understand research for policymaking and drawn normative conclusions on how to promote a research-policy dialogue. This ‘evolutionary’ approach was firstly proposed by Tillman Slembeck (1997) and other scholars who have adapted the thoughts of Darwin, Kuhn and Schumpeter to policy studies (John, 2003; Uyarra, 2010; Wohlgemuth, 2002). The three key assumptions of evolutionary thinking are the ‘bounded rationality’ of actors since not any policy actor can know everything about the CP (Simon, 1991), the key-role of policy entrepreneurs that is “deviant” from current settings (Mintrom, 1997) and the cumulative nature of knowledge because policy actors do have a memory and learn from past experiences (Antonelli and Quéré, 2002). As stated by Slembeck, the evolutionary approach is strongly related to cognitive elements: policymakers tend to use their own knowledge and process new knowledge they can understand, while rejecting deviant knowledge. However, deviant knowledge (commonly promoted by entrepreneurs) is necessary for (policy) innovation, even though more innovative contributions are associated with higher risks of rejection and failure. Looking at knowledge for policymaking as an evolutionary system, three dimensions are fundamental both analytically and normatively.

- **Variety of knowledge.** The availability of different sources of knowledge both quantitatively and qualitatively is needed to have emerging (and deviant) knowledge proposing new information on policy-relevant issues, new models to elaborate it and proposing new way to use available policy tools. Variety of knowledge means different theories and empirical studies, heterogeneous schools of thought, methodologies, approaches, disciplines and epistemic communities. The main risk is the hegemony of a unique school of thoughts preventing the emergence of deviant knowledge to keep its dominant position, as already explained by Kuhn in the case of scientific revolutions (Kuhn, 1962).
- **Selection of knowledge.** The way knowledge for policymaking is chosen is critical and often implicit in policy communities. How do policymakers select the knowledge to be acquired? Since policymakers

are also acting under bounded rationality, not everything can be learnt, not all research-based contributions can be received, not all research for policymaking can be funded. In the selection phase, knowledge brokers play a fundamental role in advising policymakers and scanning the knowledge available. However, only the available knowledge can be learnt, thus policymakers have a limited selection.

- **Preservation of knowledge.** Policymakers, as any other actors, do have a memory, but which strategies are in place to ‘preserve’ keeping ‘policy-relevant’ knowledge? Usually, this memory is kept in public administrations and governments’ bodies, so policymakers can rely on civil servants whether taking political decisions. However, during the last decades major processes of decentralization and outsourcing have determined a dramatic redistribution and change in the operation of those policy actors. While this might have been an opportunity to overcome lock-in and avoid inertia, it is also associated with dispersion of this memory.

## CONCLUSIONS

This volume is an experimental exercise of research-policy dialogue where academics engage on discussions on the Cohesion Policy being aware of policy dynamics. The aim is to contribute to policy learning considering the different levels of government involved (the multi-level governance of the CP) and the different types of actors (programme units, organisational stakeholders, politicians and public opinion).

Using evolutionary lenses to knowledge for policymaking, this volume can be seen as a proactive way to propose policy-relevant knowledge for selection. On the research side, the volume includes a broad array of contributions (variety) explicitly aiming for policy learning (preservation on the policy side). Being aware that this volume is not the solution to all challenges, authors share the view that it is time to push for research-policy dialogue being aware of having different rationales.

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# **PART I - Evaluating the Cohesion Policy**

## 2. SUPPORTING SMES INNOVATION AND GROWTH: LESSONS LEARNED FROM A THEORY-BASED IMPACT EVALUATION

*Emanuela SIRTORI (Centre for Industrial Studies, CSIL)*

*Massimo FLORIO (Università degli Studi di Milano)*

*Julie PELLEGRIN (Centre for Industrial Studies, CSIL)*

*Silvia VIGNETTI (Centre for Industrial Studies, CSIL)*

### ABSTRACT

This paper discusses the role played by the European Regional Development Fund (ERDF) during the 2007-2013 programming period to support Small-Medium Enterprises (SMEs). A theory-based approach was used in order to understand the mechanisms through which public support is able to trigger SMEs growth and innovation. Findings point to a relevant role of ERDF in helping SMEs withstand the crisis and stress the importance of supporting behavioural change beyond more immediate effects on economic performance. Policy implications relate to the importance of a selective strategy, well identified intended changes and an accompanying process to long-term development through skilled intermediary agencies.

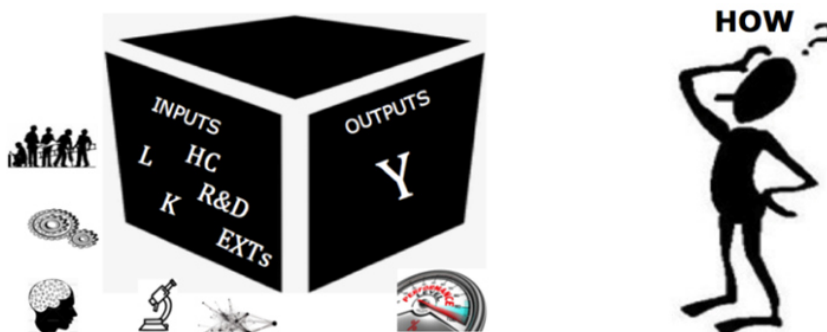


## PRESENTATION

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<b>COHESION</b> <i>POLICY</i>
Research Network
 <b>SUPPORTING SMEs INNOVATION AND GROWTH: LESSONS LEARNED FROM A THEORY-BASED IMPACT EVALUATION</b>  Emanuela SIRTORI (CSIL), Massimo FLORIO (University of Milan), Julie PELLEGRIN (CSIL), Silvia VIGNETTI (CSIL)  <b>LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016</b>

## RESEARCH QUESTIONS

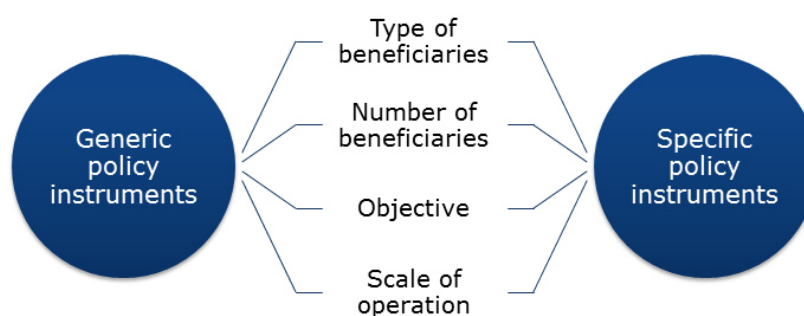
- **WHAT** IS THE MOST EFFECTIVE WAY TO SUPPORT SMEs, PARTICULARLY DURING HARSH CRISIS TIME?
- **WHAT** IS THE ADDED VALUE OF THE ERDF?



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## STRATEGIES AND POLICY INSTRUMENTS

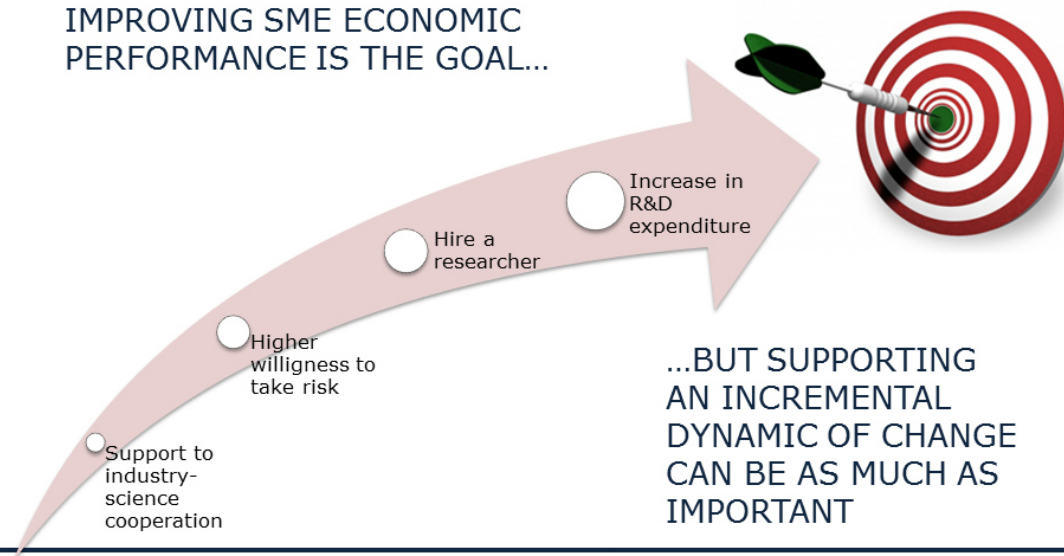
- THEORIES OF INTERVENTION OF OPs **GENERICALLY** REFERRING TO LISBON STRATEGY OBJECTIVES
- **POOR PRIORITISATION** OF OBJECTIVES
- **LIMITED TAILORING** TO REGIONAL SPECIFICITIES
- **MENU** OF DIVERSE POLICY INSTRUMENTS



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## THE WAY TO SME INNOVATION AND GROWTH

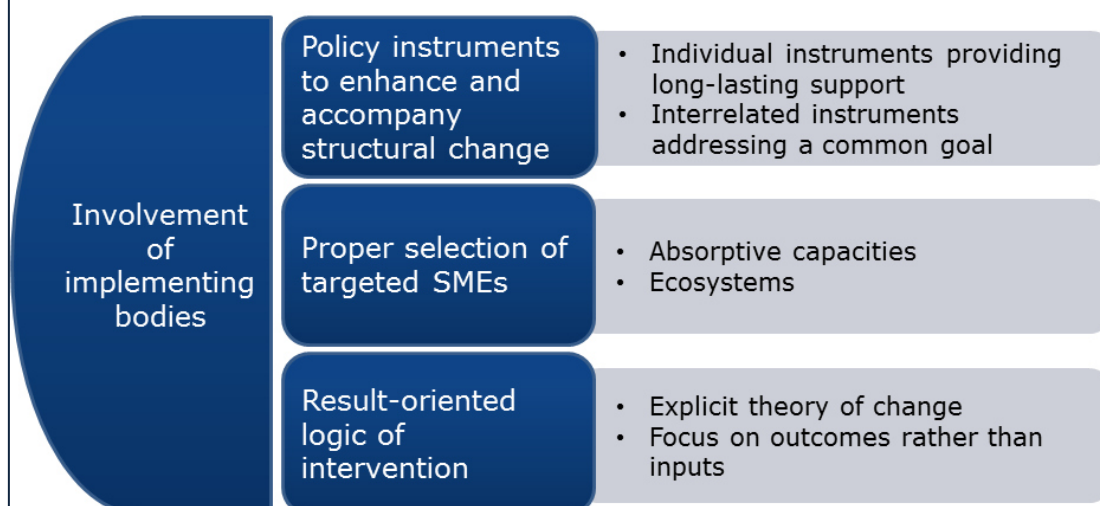
IMPROVING SME ECONOMIC PERFORMANCE IS THE GOAL...



...BUT SUPPORTING AN INCREMENTAL DYNAMIC OF CHANGE CAN BE AS MUCH AS IMPORTANT

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## RECOMMENDATIONS FOR EFFECTIVENESS



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## THE ERDF CAN PLAY A PIVOTAL ROLE



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**SUPPORTING SMES INNOVATION AND GROWTH :  
LESSONS LEARNED FROM A THEORY-BASED IMPACT  
EVALUATION**

Regional Studies Association  
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## INTRODUCTION

What is the most effective way to support Small-Medium Enterprises (SMEs) during times of austerity? What could be the added value of the European Regional Development Fund (ERDF) in such a context? This paper aims to provide answers to these questions, by drawing from the lessons learned from a recent ex-post evaluation exercise of the 2007-2013 Cohesion Policy programmes.

The methodological approach adopted was aimed at opening the ‘black box’ of the SME behaviour and disentangle the different changes provoked within SMEs by ERDF support that determine its performance. Theory-based impact evaluation, an innovative methodological approach to the evaluation of enterprise support, was considered suitable to both accounting for the effectiveness of ERDF intervention and examining the mechanisms bringing about the effects. The ‘Realist Evaluation’ paradigm developed by Pawson and Tilley (1997) was selected to explore the theory of ERDF policy instruments, on the ground of the great attention given to context variables. **Realist Evaluation implies to reconstruct the logic (or theory) of intervention of the strategy or specific policy instruments**, even when not explicitly stated in the programming documents, to spell out the main hypotheses behind the causality chain associated to each instrument, and to test the theory in a subsequent empirical analysis.

The key messages of the paper revolve around **the understanding of the mechanisms through which innovation and growth can be triggered and further materialise within SMEs**. As a matter of fact, the innovation and growth trajectories of SMEs’ follow a highly varied set of rationales. Both theory and empirics struggle with the challenge of providing a comprehensive framework accounting for mechanisms underlying investment choices and economic results of SMEs. This is due to their inherent variability, which needs to be properly recognised in policy design. Far from being an automatic and linear process, innovation in SMEs, especially in lagging regions with a weak conducive environment, is a long and difficult journey made of incremental, sometimes marginal, but continuous behavioural changes in the way enterprises actually do business. In selected cases, the ERDF proved to be effective in this regard.

The paper is structured as follows: the first section sets the scene by providing an overview of the challenges faced by the SMEs during the last programming period and the resources deployed by the ERDF to face them. The second section describes the main strategic approaches adopted by the Managing Authorities to implement ERDF programmes to support SMEs. The third section describes the main findings of the evaluation. The last section focuses on the policy implications stemming from the main findings.

## BACKGROUND AND CONTEXT

Innovation and growth in SMEs across Member States and regions is a high priority in the EU's high level policy agenda and in particular in Cohesion Policy. SMEs provide a significant source of jobs and economic growth: as of 2014 there were more than 22.3 million SMEs throughout EU28, representing 99.8% of the total number of firms in the EU generating almost 57.8% of the total value added and employing almost 90 million people, i.e. 66.9% of the total number of employees in the business sector (European Commission, 2015).

Besides being a vital source of job creation and production, SMEs are also a fundamental driver of innovation and competitiveness. Flexibility, dynamism, high degrees of specialisation and local integration are fundamental assets which make them, in principle, well equipped to adapt to the new terms of international competition and to respond to changing market conditions, evolving consumer preferences, shortening of the product cycle and other economic challenges (Moore and Manning, 2009).

However, their small size can significantly limit their innovation and development potential. Factors explaining the difficulty SMEs face in their efforts to innovate and grow can be related to various market failures, including limited access to resources (financial, information and human capital); organisational constraints (as lack of time, quality and forward-looking ownership and management, inertia in relation to behavioural change); scarce ability to shape the external environment, and higher dependence on it with less bargaining power (European Parliament, 2011; CSES, 2012; European Commission 2008; OECD, 1998).

When looking at specific territorial productive systems, patterns of SME performance are usually less clear-cut and call for an in-depth understanding of the vocation of the firms beyond aggregate stylised facts. Important dimensions are, for example, their governance structure (whether they are run by an owner-manager or executive managers), their entrepreneurial orientation, the nature and extent of relationships with other firms or actors within the territory, their specialisation in a specific stage of the value chain or in a niche product or in the supply of an intermediate product or components to other (often large) firms.

The programming period under assessment was characterised by an unprecedented global crisis that severely affected regional economies in most of the EU Member States. In the aftermath of the economic crisis, the total number of SMEs dropped, as well as their level of employment and their value added. While SME value added showed a modest increase in 2013 and finally exceeded the pre-crisis level in 2014, the level of employment among SMEs followed a slow decline over the period 2008-2013 and only in 2014 saw a slight reversal of the trend (European Commission, 2015).

While the average firm reduced expenditure on R&D and innovation as a result of the economic crisis, some firms, regardless of their sector, reacted in the opposite way by increasing their investment in activities such as in-house R&D, purchase of R&D services, technology licensing and the like. In this context, public policies for business support faced a strategic tension between supporting more generalised policy instruments targeting a wide range of SMEs to play an anti-cyclical role or rather implementing more selective and ambitious strategies aiming at accompanying the most dynamic SMEs towards innovation and growth.

More than 20% of the total volume of ERDF allocation in the 2007-2013 programming period (EUR 303.8 billion), which amounted to EUR 60.4 billion, was allocated to support to enterprises in the 28 Member States. Out of that, support to SMEs amounted to approximately EUR 47.5 billion, representing 76.5% of total ERDF for business support, and 16% of total ERDF allocation 2007-2013.



## THE STRATEGIES DEPLOYED

ERDF programmes of the 2007-2013 were drafted before the economic crisis. A review of 50 Operational Programmes (OPs) and the in-depth case studies of 8 OPs show that theories of change underlying OPs were generally characterised by ambitious reference to the objective of boosting the knowledge economy in line with the Lisbon strategy. This was however often more a rhetorical stance than the reflection of a thorough understanding of how specific territories should cope with the key challenges of the Lisbon strategy, with a reluctance to identify strong strategic priorities. A closer analysis of policy instruments mobilised reveals that these are split between the objectives of SME growth and that of innovation within SMEs without a solid and explicit acknowledgement of theories of changes underpinning those choices. Instead of making clear-cut choices, OPs tried and combined different and sometimes contrasting objectives. Actually, it was frequent for Managing Authorities to adopt dual strategies accommodating both objectives either in distinct axes or in measures operating alongside each other.

This approach was exacerbated by a tendency of designing specific policy instruments according to a demand-driven approach aiming at responding to SME (usually short-term) needs rather than stimulating forward looking trajectories towards structural change. This is reflected in the high number of policy instruments mobilised (a total of 670 policy instruments addressed to SMEs in the OPs reviewed, an average of 13 instruments per OP) corresponding to the ambition of Managing Authorities to provide potential beneficiaries with a full directory of support measures, from which they can choose. Interestingly, policy instruments were usually mobilised following a logic of putting emphasis on the provision of ‘input’ (with reference to the production function), for example in terms of capital investment, technology adoption or simple access to liquidity, without much attention on the final objective pursued or the results expected (for example in terms of increasing the share of exports or productivity or total sales).

In many cases, the demand-driven and flexible approaches initially adopted turned out to be useful to deal with the unprecedented crisis that occurred at the beginning of the programming period. A prevalent pattern thus consisted in implementing generic policy instruments aimed at reaching the widest possible number of beneficiaries, without much specification concerning the



target beneficiaries or the specific objectives that the instrument was expected to achieve. The budget allocation of this type of policy instrument was important but the size of the individual projects funded was generally small, given the high number of beneficiaries. Low-tech micro/small enterprises were the typical beneficiaries. These instruments were already devised at the beginning of the programming period, but their use was reinforced on the occasion of reprogramming.

It can be argued that this approach was justified in light of the crisis period bringing up on the policy agenda the issue of mere survival of SMEs. However, evidence from the ground shows that, while by and large the ERDF was used as an anti-cyclical function to deal with the difficult situation experienced by some of the weakest SMEs, in some cases it was also used in order to engage more selective strategies focused on innovative SMEs. Selective instruments offered support specifically tailored to SMEs needs and firmly connected to a vision of desired change. Selectivity thus defined did not necessarily go together with small scale. Indeed, critical size of funding at project level was important to maximize effectiveness even if in some cases the support granted was low in quantitative terms but highly efficient (when it took the form of advice or technical support for example).

## **UNDERSTANDING BEHAVIOURAL CHANGE AS THE KEY FOR SUPPORTING LONG TERM INNOVATION STRATEGIES**

**Evidence collected and analysed, indicates that ERDF helped SMEs, withstanding the crisis in particular in territories most severely affected, by providing a significant source of funds which helped SMEs cope with the credit crunch. The main achievement of this strategy was supporting the accumulation of fixed capital, job safeguarding and the development of innovation activities.**

Evidence shows that ambitious and potentially more structural effects were also developed, in more limited cases. Hence, ERDF interventions fostered a dynamic of change within targeted SMEs, recorded in terms of economic performance and/or behavioural change. Behavioural changes refer to the way of doing business of SMEs, some of which more easily observable and

measurable (such as employing a young researcher, or purchase an equipment which is technologically more advanced), others pertaining to the entrepreneurs mind set, for instance his/her willingness to take risks and innovate. The types of behavioural changes elicited by some ERDF instruments range from the intention to change internal organisational features (e.g. the value attached to having more skilled employees, the increased capacity to deal with complex R&D projects, or the willingness to enter new markets), to changes in strategy (e.g. applying for other forms of support, starting other investment projects in the future, broadening one's outlook by envisaging options beyond the border), and to a wider change in mind-set (e.g. a more open attitude towards innovation and business R&D, learning to cooperate). Although they are not related to immediate materialisation of economic results, they may lead to incremental structural changes capable of eventually shifting SMEs from their initial trajectories and produce deep structural effects. As such, they are far from negligible and could be the real added value of ERDF intervention.

Outlining the mechanisms and context features that explain why and how these effects were achieved was the crucial contribution of the evaluation. The theory-based evaluation was accompanied by an empirical analysis (Bayesian Network Analysis) of firm-level data and information gathered through surveys to final beneficiaries, and other data on supported beneficiaries and projects provided by the Managing Authorities and Implementing Bodies.

**A key issue about behavioural changes was whether they could translate at some point into concrete performance.** A change in mind-set resulting in the adoption of a new practice, e.g. hiring a researcher, may or may not have translated into improved economic performance. It depended on whether the first steps were followed by further steps consolidating a new behaviour into an acquired practice contributing to strengthened competitiveness or innovativeness. **This is why it is important that the policy stimuli not be limited to one single intervention, but develop over time to accompany and enhance the changes that occurred in sequence.** This aim could be reflected in the design of a set of interrelated policy instruments, each one addressing a specific objective, but sharing the common goal of stimulating more structural change in the targeted SMEs. Even individual policy instruments could be structured in such a way to accompany beneficiaries

along a process of change over time. Rather than providing one-off support, ERDF succeeded to help foster commitment to ambitious investment plans tailored to SMEs' specific needs and capacity, which accompany SMEs throughout the innovation process.

Beneficiary SMEs recording these positive effects were generally those that already had the capacity to grow and innovate and that were receptive to policy stimuli. They disposed of the necessary managerial capability to actually turn awareness, intentions and first changes into organisations or strategies into a durable programme of actions. Thus, **a proper targeting strategy is necessary to identify SMEs with the highest potential and to address their specific needs.**

The result orientation of the logic of intervention addressing specific expected changes, against a logic that aimed at providing more generic support for input adoption, is also associated with more effective instruments. Good practices were observed in this regard for example with the implementation of conditional grants committing beneficiary SMEs to well-defined expected change (for example in terms of employment creation or preservation).

Finally, **the effectiveness of policy instruments was enhanced by specific measures and arrangements affecting the way in which the instruments were implemented in practice.** In particular, the quality and intensity of the interaction and dialogue between implementing authorities and beneficiary SMEs were identified as important factors strengthening the pertinence of policy instruments in tackling and responding to SMEs needs. **The value of face-to-face interaction and dialogue between policymakers and SMEs along the different phases of the project cycle** (from project selection to implementation), which centred on a clear and mutual commitment to delivering successful projects, was pointed as a condition for success throughout the case studies. Hence, **intermediaries** of different types (e.g. regional development agencies, Chambers of commerce, clusters, etc.) and with different roles (e.g. implementing agency, fund manager, service provider, etc.) were decisive in accelerating funds absorption, in decreasing the time and costs (administrative costs in particular) to access funds and in accompanying beneficiary SMEs in developing and implementing investment strategies. To different extent, the intermediaries had the necessary local knowledge of both SMEs specificity and of the socio-economic and

institutional context in which the latter operate, granting those strong advantages when devising and/or implementing policy instruments. Much depended in fact on their capacity to act as a strategic partner in the implementation process as opposed to an efficient enabler of fund disbursement.

## CONCLUSIONS AND POLICY IMPLICATIONS

Findings from the ex-post evaluation of the ERDF support to SMEs in the 2007-2013 programming period suggests that the most valuable contribution was to trigger small incremental virtuous processes that policymakers can then steer and follow over a reasonable timeframe, consolidating them, to ensure their sustainability. This requires adopting a more innovative approach to support for SMEs, engaging in a role of scouting and coaching of ambitious innovative ventures. At the same time, monitoring and evaluation should be adapted to the role played by the ERDF in supporting SMEs and be suitable to assess the implementation and level of achievement of policy instruments, based on observations collected at firm level.

The evaluation showed that the ERDF can be a laboratory for experimenting and developing innovative tools and practices. An articulated strategy of relatively large-scale experiments around the implementation of less generic/more selective policy instruments should develop in order to seize this potential. A successful policy instrument under ERDF should enable policymakers to learn from experience and to replicate the achievement. ERDF would thus be at the service of a “new industrial policy” based on a process of trial and error (see for example Rodrik, 2004). **In this respect, the ERDF can potentially play an important role by offering a well-defined set of priorities and strategic objectives reflecting well-accepted and most recent state-of-the-art theories of change relating to SME competitiveness in the EU.**

**Experimentation and selectivity suppose the adoption of a risk-taking attitude since choices should be made - and choices can be wrong (by definition an experiment can fail).** Of course, the risk is eventually closely associated with the nature of the experimentation, i.e. while experimenting

is inherently risky some experiments are riskier than others. This is important for lagging behind regions where true risk is less affordable (due to higher budgets, higher dependence on ERDF, lower fund absorption capacity and related pressure to keep the spending process on track, etc.). The important finding in this respect was that such experimental approaches were possible not only in more advanced settings, but also in less favoured regions and even during crisis period. It should be made clear from the beginning in which territories these experiments need to be conducted under safe conditions and where, instead, the associated risk can be coped with.

In this way, the ERDF could be a trend-setter, financing pilot-schemes and large-scale field experiments, and promoting riskier, but also more innovative, interventions rather than replicating well-established and generic mainstream national schemes. Seen from this perspective, there is a wide scope for the ERDF to play a pivotal role in shaping regional industrial and innovation policies. The Smart Specialisation approach promoted in the current programming period (2014-2020) offers concrete opportunities to develop the place-based dimension of ERDF strategies and address the weaknesses evidenced in terms of strategic vision, selectivity and targeting. Lessons drawn from the ex-post evaluation of 2007-2013 programmes can help Managing Authorities implement their strategies in an effective way.

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### 3. WHO GETS PUBLIC SUPPORT TO INNOVATION? EVIDENCE FROM THE PORTUGUESE ALENTEJO REGION

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#### ABSTRACT

The aim of the study is to assess which factors influence the policymaking decisions to financially support an innovative investment project. Based on the case study of the Portuguese Innovation Incentive System in the Alentejo region, we estimated an econometric model based on firms' and application' characteristics, controlling for macroeconomic environment. The results indicate that the selection process is more focused on the expected project impact than on firms' past performance. Furthermore, we found that government preference for promoting employment and exportation are shown to be higher than the impact on firm productivity.



## PRESENTATION

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<b>COHESION</b> <i>POLICY</i>
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<p><b>WHO GETS PUBLIC SUPPORT TO INNOVATION? EVIDENCE FROM THE PORTUGUESE ALENTEJO REGION</b></p> <p>Anabela SANTOS &amp; Michele CINCERA (ULB), Paulo NETO &amp; Maria M. SERRANO (Univ. of Évora)</p>
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## INTRODUCTION

- INNOVATION → COMPETITIVENESS → GROWTH
  - MARKET FAILURE → NEED OF PUBLIC SUPPORT
- PORTUGUESE INNOVATION INCENTIVE SYSTEM:
  - SUBSIDIZED LOANS
- PORTUGUESE ALENTEJO REGION
  - CONVERGENCE REGION
- CONTRIBUTION OF THE STUDY:
  - WHO GETS PUBLIC SUPPORT?
  - IS SELECTION PROCESS EFFECTIVE?

## WHICH PROJECTS ARE FUNDED?

**Main characteristics of applicants to PIIS  
and expected project impact foreseen in application form**

VARIABLES	APPROVED	NOT APPROVED
Size (n.º employees)	5.0 jobs >	4.8 jobs
Experience in PIIS procedures	19.4% >	10.6%
Experience in R&D activities	7.9% >	4.3%
Investment (x1.000€)	3.058€ >	1.913€
Variation of Patent (n.º)	0.43 >	0.20
Export Intensity (%)	50.6% >	37.4%
Variation of Jobs (n.º)	13.9 >	9.4
Variation of Skilled Jobs (n.º)	6.6 >	4.2
Variation of Net Income (x1.000€)	1.078€ <	1.184€
Variation of Productivity (x1.000€)	80.5€ <	95.3€

## **DETERMINANTS OF PUBLIC SUPPORT TO INNOVATION (I)**

### **WHICH FACTORS INFLUENCE THE PROBABILITY OF OBTAINING A PUBLIC SUPPORT FOR INNOVATION?**

#### **POSITIVE IMPACT**

- INVESTMENT → OUTCOME MAXIMIZATION
- EXPERIENCE IN PIIS → "PICK THE WINNER"
- EXPORTATION, SKILLED JOB AND PATENT STOCK → TARGET OF PIIS
- EURIBOR → REDUCE THE COST OF FINANCING
- REGIONAL GDP VARIATION → NOT EFFECTIVE IN ECONOMIC CRISIS PERIOD.

## **DETERMINANTS OF PUBLIC SUPPORT TO INNOVATION (II)**

#### **NEGATIVE IMPACT**

- PRODUCTIVITY → PROJECTS FUNDED = LOW INCREASE IN PRODUCTIVITY.

#### **NOT SIGNIFICANT IMPACT**

- DETERMINANTS OF CREDIT BANK DECISION AND RISK: SIZE (N.º JOB), SOLVABILITY RATIO AND RETURN ON EQUITY.
- PAST R&D ACTIVITY → PREFERENCE GO TO SUCCESSFUL INNOVATION

## CONCLUSION

- IS THE SELECTION PROCESS EFFECTIVE?
  - GOVERNMENT PREFERENCE → EMPLOYMENT AND EXPORTATION (NOT FIRM PRODUCTIVITY)
- HOW COULD GOVERNMENT IMPROVE THE EXPECTED OUTCOMES?
  - NOT INCLUDE (MAIN DETERMINANT IN SELECTION PROCESS): INCREASE OF JOBS NUMBER
  - INCLUDE: CURRENT PERFORMANCE OF FIRM

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**WHO GETS PUBLIC SUPPORT TO INNOVATION?  
EVIDENCE FROM THE PORTUGUESE ALENTEJO REGION**

## INTRODUCTION

The EU strategy ‘Europe 2020’ has set a main target to create smart, sustainable and inclusive growth, where innovation is considered the main economic driver for economic growth and creation of jobs, already since the Lisbon Agenda (Council of the European Union, 2000). The financial instruments of Cohesion Policy were designed in order to remove barriers to innovation within the EU. Public policies to support entrepreneurship and innovation play a vital role when firms have difficulties in accessing finance. In the presence of market failings, public support for Research & Development & Innovation (RDI) aims to fill financial gap, in order to improve knowledge production and come it as close as possible to the socially optimal level. To achieve the goal, governments give special attention to increasing the effectiveness and efficiency of innovation policy instruments. Nevertheless, the literature highlights some difficulties with public support directed at subsidized firms that are less efficient than non-subsidized firms (e.g. Bernini and Pellegrini, 2011; Jorge and Suárez, 2011). For example, Bernini and Pellegrini (2011) found that subsidized firms tend to show lower productivity growth than non-subsidized firms because firms are induced to reach their optimal level of employment (balance between input and output) in order to obtain the subsidy. In this case, the inefficiency of subsidized firms could lead to ineffectiveness of public funds in the long-run (difficulty to achieve policy goal). So, could this ineffectiveness to be linked to the selection process for awarding public support?

The aim of the present contribution is to explain which factors influence the public decision to financially support innovative projects and to identify if the selection process was effective or not. The analysis is based on the case study of the Portuguese Innovation Incentive System (PIIS) and on the applications managed by the Alentejo Regional Operational Program in the period 2007 - 2013. The PIIS is an instrument that was part of the Portuguese National Strategic Reference Framework (2007 - 2013) and was funded by the European Regional Development Fund (ERDF). The Portuguese Alentejo region was considered as a European region (NUTS-2 level) belonging to the Convergence Regions group, due to its major structural problems.

The results of this study provide an understanding of policy decision directed at improving innovation investment and employment which may have long

term implications for productivity growth - the real driver of living standards. At the end, we will be able to identify if the failure highlighted by other authors could be in the upstream of public policy implementation process. Recommendations and conclusions could be useful beyond programs funded by ERDF to include all CP funds, since for the period 2014-2020 the same rules of management and control are applied also to the ESF.

## BACKGROUND THEORY

Several determinants affect the probability of receiving an R&D subsidy. Previous studies (e.g. Czarnitzki and Fier, 2002; Aerts and Thorwarth, 2008; González and Pazó, 2008; Czarnitzki and Lopes Bento, 2011; Hud and Hussinger, 2015) identify age, size of the firm, previous experience of receiving subsidies, the qualification of human capital, patent stock, past R&D activities and export intensity as determinants of subsidy provision. In general, government tends to select firms that are already best performers (e.g. higher level of exportation, patent stock, skilled job and R&D activities), based on “picking the winner” principle. This choice could be justified with the aim maximize potential outcomes in funded firms to easily achieve policy goals.

Bearing in mind this assumption, we expect a certain government preference for firms with a specific profile - higher probability of successful project (e.g. higher survival rate and growth of profitability).

The selection process of PIIS is based on four main criteria: i) Quality of the project; ii) Impact of project in company's competitiveness; iii) Contribution of the project to national competitiveness; iv) Contribution of the project to regional competitiveness and territorial economic cohesion. Within these fields, we can highlight the followings dimensions in the regulation of the PIIS: increase of productivity, representativeness in the international market, exploitation of R&D results, and creation of highly skilled job, wealth and employment in the region. In the model developed, we include all the mentioned variables and also others used by banks when assessing credit risk, namely the return on equity and the solvency ratio of applicant firms (e.g. Chaibi and Ftiti, 2015), in order to control for the effectiveness of PIIS in

counteracting debt and equity financing constraints. Indeed, firms with historically lower levels of these indicators are less attractive for new investors or banks because they show lower performance and more financial vulnerability.

Macroeconomic factors in the year of submitting the application, measured by the regional GDP variation and the value of Euribor (Euro Interbank Offered Rate) are also taken into account with the aim of controlling for external factors which affect SMEs' access to finance and growth.

## DATA AND METHODOLOGY

The dataset was built with cross-information from 'Information System of the National Strategic Reference Framework Incentive Scheme' and statistical data from official entities (e.g. Portuguese National Institute of Statistics and PORDATA database).

The sample has 451 observations, which correspond to the total number of applications submitted to PIIS by firms located in the Alentejo region and near to 8% of total applications to the program. The approval rate is 48%. The total amount of investment approved was 660 million euros associated with 306 million euros of subsidized loans. More than 66% of applications were submitted by micro-sized enterprises. Applications for industry sector<sup>1</sup> and tourism activities account for nearly 70% of the observations. Approved applications, compared with non-approved ones, foresee a higher amount of investment and a higher increase in total employees, skilled jobs and number of patents. Having experience in the PIIS procedures and past enrolment in R&D activities is also higher in the group with applications approved. Approved applications have a higher export intensity after project implementation however, a lower increase of productivity, compared to non-approved ones.

Using an econometric model (for more details see Appendix 1) the study aims to determine which factors influenced the probability of obtaining public

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<sup>1</sup> Industry sector includes all types of manufacturing industries (low and high tech).



support for an innovative investment. The explanatory variables are categorized into three main groups:

i) Firms' characteristics:

- Size, measured by number of employees;
- Activity sector (Industry, Tourism, Services, Trade and Other sectors);
- Financial performance and risk level, measured by the Solvability ratio (equity/debt);
- Return on Equity ratio (net income/equity);
- Experience in R&D activities: has the company a history of R&D activities in the year before the application submission (i.e. with a previous positive spending on R&D)?
- Experience in the Portuguese Innovation Incentive System procedure: has the company submitted an application to the Innovation Incentive System before this one?

ii) Project or application's characteristics:

- Amount of investment foreseen in the application form;
- Expected impact: variation of patent number foreseen; export intensity (exportation/total turnover) foreseen; variation of skilled jobs number<sup>2</sup>; variation of productivity (variation of net income/variation of job) foreseen;

iii) Cyclical factors:

- Euribor 12 months in the year of application submission;
- GDP variation in the region (NUTS 3 level) of project implementation in the year of application submission (Alentejo NUTS 2 is divided in four NUTS 3 regions).

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<sup>2</sup> Under the program regulation, a highly qualified worker is a person with at least a post-secondary pre-tertiary level of education



## RESULTS AND DISCUSSION

The results (see Appendix 2) indicate that the **selection process is more focused on the expected project impact than on firms' past performance**. Factors that influence the credit risk and the decision to give a bank loan, such as solvability ratio and return on equity, seem not to influence the government evaluator in funding some projects. Nor does previous experience in R&D activities seem to matter. Indeed, the selection process of PIIS appears to give preference to companies that foresee an increase of patent portfolio (successful innovation) over those showing past R&D activities.

The variation of patent numbers and the variation of skilled jobs, as the result of the investment project, show a positive impact on the probability of receiving the public incentive, but at a higher level the effect tends to inverse and the probability of having an application selected decreases. One justification for this trend could be that projects with a higher number of additional patents in the short-term could be riskier and consequently have a higher risk of failure. Indeed, the process of patent registration could be hard and long. Then again, to hire a high number of new skilled workers could also be riskier because it requires a larger additional income in order to justify this and to make new jobs profitable.

The variation in productivity shows a slightly negative impact, which means that having a project funded is linked to a low expected increase in productivity. At this stage, we do not know the real return of investment; however, if it materializes, this finding could suggest a long-term inefficiency in funded firms, as other authors also found based on real returns (Bernini and Pellegrini, 2011; Jorge and Suárez, 2011). One possible explanation for our result could be that in the selection process increased employment has priority over increased net income. However, on the other hand, projects with high growth rates may also be too ambitious and sometimes unrealistic in terms of execution, in a country and region affected by the economic and financial crisis, namely between 2009 and 2013.

The export intensity ratio after project implementation shows a positive impact on the probability of having an application funded, as expected according to the scientific literature (cf. Aerts and Thorwarth, 2008; Czarnitzki and Lopes Bento 2011). Indeed, one goal of the program is to boost firms' presence in international markets.

The amount of investment has a positive impact on the probability of being funded. If we take into account that, first, the amount of investment represents the sum of public incentive (percentage of the eligible investment) and private expenditure (equal to the remainder) and, second, the aim of the program is to stimulate innovative investment, it is expected that government will tend to approve applications with a higher amount of expenditure because this implies a greater private effort. Indeed, Santos et al. (2016) found that the amount of funded investment has a positive impact on the probability of firm survival because higher investments tend to be better planned. Because they are riskier, they need a higher additional cash-flow to be economically viable. **So when governments choose to fund projects with a higher amount of investment, this tends to maximize the outcome: higher private effort and low failure rate.**

**Previous experience in the PIIS procedure increases by 19.8% the probability of having an application approved.** These findings could be linked with “pick the winner” principle, in which experience in subsidies is a sign of firm best performance and successful project (see e. g. Aerts and Thorwarth, 2008; Aschhoff, 2009; Hud and Hussinger, 2015). Nevertheless, in our model this conclusion is not necessarily good news. On one hand, this could reveal that the public incentive goes more to the same companies, and that firms could receive more than one subvention under the PIIS. Or it could reveal that firms familiar with the application process could easier have access to public support because they know in which factors to put emphasis in the application form.

Company size, measured by the number of employees, seems not to influence the probability of having an application approved, contrary to the literature, but these results could be a limitation of the study, due to size and characteristics of the sample. Indeed, the sample is mainly composed of micro and small companies, and the average number of employees in both groups (approved and not approved applications) is almost the same and around 5 workers.

The activity sector of the investment project also matters, particularly if it is in the industry, tourism and services sector. Compared to other sectors (reference category), applications in these areas have a higher probability of being approved, possibly because the regional policy, namely the Research and Innovation Strategies for Smart Specialization (RIS3) for the Alentejo

region, is more focused on developing innovation in these sectors, due to regional specialization, namely in agri-business and tourism activities. Then again, services, namely specialized services, are a sector with high added value and growth potential that are now included in the RIS3 for Alentejo.

The model shows that when firms have a higher cost of financing their project in the financial market, represented by the Euribor, the probability of having an application approved increases. This conclusion could illustrate the mechanism of public support in trying to reduce the cost of innovation and in counteracting the financial market's failings.

In periods of economic growth the probability of getting a subsidy increases, which could mean that the public instrument is not effective in the period when it approves projects, because an inverse relationship should be the case. In periods of economic crisis, the aim of the public instrument is to improve conditions for launching more projects in the regions.

**TABLE 1. IMPACT ON GETTING PUBLIC SUPPORT TO INNOVATION: MAIN FINDINGS**

POSITIVE IMPACT	NEGATIVE IMPACT	NON-SIGNIFICANT
Amount of investment	Increase of productivity	Determinants of credit bank decision and risk
Experience in application procedure		Experience in R&D activity
Export intensity		
Increase of skilled job and patent stock		
Macroeconomic environment (Euribor and GDP variation)		
<i>Source: Authors own elaboration</i>		

## CONCLUSION AND POLICY RECOMMENDATIONS

The Portuguese Innovation Incentive System was an important instrument of the Portuguese National Strategic Reference Framework 2007 - 2013, developed with the aim of stimulating innovation and promoting competitiveness. Between 2007 and 2013, 451 applications to PIIS were submitted under the Alentejo Regional Operational Program. The approval rate was 48%. **Entities in charge of evaluating applications showed on average an effective selection process**, particularly when the incentive is supposed to counteract financial market failings. Indeed, an interesting finding was that when firms have a higher expected cost of financing investment, the public policy instrument seems to provide additional financial support to innovative firms, in order to be more competitive. On the other hand, firm characteristics influencing credit risk such as size, profitability and solvency ratio are not relevant factors for being selected for R&D subsidies. However, government evaluators are also cautious selecting projects with a low potential failure risk in order to maximize the expected outcome for society, namely in terms of jobs creation.

Nevertheless, **government preference for promoting employment is shown to be higher than the impact on firm productivity**, which in the long-run could mean firm inefficiency. So, if productivity leads to competitiveness and this to economic growth, the long-run inefficiency of subsidized-firms could affect the effectiveness and sustainability of public policies.

The Portuguese Innovation Incentive System seems to be **more focused on short-term results**, such as increasing the number of jobs and intensifying the external commercial relationship, than on the long-term economic sustainability of the outcome.

**Our personal recommendation move beyond short-term increase of employment in favour of support for more sustainable creation of jobs by firms.** Indeed, if the problem is about sustainability and firm efficiency (output per employee), the solution could be to exclude the increase of jobs number as main determinant in the selection process. Past and current performance of firm should be also include in the selection process, because a better investment project are not necessarily linked to better entrepreneurship, namely if the application form is filled by an external consultant. It is also important that government evaluator assesses the

feasibility of project return, taking into account both the trend in the (national and international) markets and the entrepreneur profile (capacity to achieve planned targets).

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## APPENDIX 1. BINARY CHOICE MODEL

$$\begin{aligned} \text{Pr(Approved application} = 1 | \dots) = & G[\beta_0 + \beta_1 \text{job\_pre} + \beta_2 \text{industry} + \\ & \beta_3 \text{tourism} + \beta_4 \text{services} + \beta_5 \text{trade} + \beta_6 \text{submit\_before} + \\ & \beta_7 \ln\_investment + \beta_8 \text{rd\_pre} + \beta_9 \text{var\_patent} + \\ & \beta_{10} \text{var\_patent}^2 + \beta_{11} \text{solvability\_pre} + \beta_{12} \text{roe\_pre} + \\ & \beta_{13} \text{exp\_intensity} + \beta_{14} \text{var\_productivity} + \beta_{15} \text{var\_skill\_job} + \\ & \beta_{16} \text{var\_skill\_job}^2 + \beta_{17} \ln\_euribor + \beta_{18} \text{reg\_gdp\_var}] \end{aligned}$$

## APPENDIX 2. RESULTS OF MODEL ESTIMATION

**TABLE 2. RESULTS OF BINARY CHOICE MODEL**

VARIABLES	COEFFICIENTS (STD. ERR)		MARGINAL EFFECTS	
Job_pre	-0.00617	(0.00832)	-0.002	
Industry	1.720***	(0.610)	0.487	***
Tourism	1.180*	(0.609)	0.334	*
Services	1.590***	(0.612)	0.450	***
Trade	1.007	(0.745)	0.285	
Submit_before	0.701***	(0.203)	0.198	***
Ln_investment	0.126*	(0.0652)	0.036	*
Rd_pre_yes	0.388	(0.351)	0.110	
Var_patent	0.334**	(0.154)	0.094	**
Var_patent2	-0.0351**	(0.0171)	-0.010	**
Solvability_pre	-0.00157	(0.00210)	0.000	
Roe_pre	0.346	(0.214)	0.098	
Exp_intensity	0.993***	(0.269)	0.281	***
Var_productivity	-0.00141**	(0.000580)	0.000	**
Var_skill_job	0.0671***	(0.0182)	0.019	***
Var_skilljob2	-0.000674***	(0.000229)	0.000	***
Ln_euribor	0.285**	(0.115)	0.081	**
Reg_gdp_var	4.573**	(2.090)	1.294	**
Constant	-2.992**	(1.205)		
Observations	434			
Log likelihood function	-253.22751			
Reset Test (Wald)	0.6306			
Reset Test (LR)	0.6347			
% Correctly Classified	71.20%			
Source: Authors' own elaboration with STATA output.				
Comments: Results of Cloglog Model.				
Legend: *** coefficient significant at 1%, ** coefficient significant at 5% and * coefficient significant at 10%. Standard errors in parentheses.				

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## 4. THE REGIONAL DIMENSION OF SUBSIDIES, INNOVATION AND JOB GROWTH IN EUROPEAN FIRMS

*Frank CROWLEY (School of Economics, University College Cork)*

### ABSTRACT

The analysis in this chapter reflects on subsidy provision across a sample of European countries from 2005 and assesses the impact of subsidies on the performance outcomes of recipient firms. A key objective of the paper is to explore the regional dimension to identify if firms in rural areas are more likely to receive subsidies and whether performance outcome disparities exist for firms in less urbanized locations. The results of the analysis indicate that subsidies are leading to improvements in firm innovation. The counterfactual analysis indicates that a world without subsidies would result in lower levels of innovation. Subsidized firms are located in less urbanized areas, are larger, foreign, offer training to employees, are better educated, are more high-tech and they export. Regional disparities are evident for subsidized firms that product innovate, however, they are absent for process innovation, pointing to product life cycle regional effects.

## PRESENTATION

Regional Studies Association  
**COHESION**  
*POLICY*  
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# THE REGIONAL DIMENSION OF SUBSIDIES, INNOVATION AND JOB GROWTH IN EUROPEAN FIRMS

Frank CROWLEY  
(School of Economics, University College Cork)

LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY  
LESSONS FOR A *RESEARCH-POLICY* DIALOGUE. Brussels, 13 June 2016

## THE ISSUES

- **WHERE ARE SUBSIDIES GOING?**
  - REGIONS – URBAN/RURAL
  - TOWARDS MARKET FAILURES?
    - INFANT INDUSTRIES/PARTIAL-APPROPRIABILITY BIAS
  - PICKING WINNERS?
    - HIGH TECH/EXPORTING
- **ARE SUBSIDIES WORKING?**
  - POSITIVE EFFECT ON GROWTH AND JOBS?
  - IS STRATEGY UNDERMINING GROWTH?
  - WOULD THE COUNTERFACTUAL BE BETTER?

## EVALUATION TECHNIQUE

- WE NEED DETAILED DATA ON SUBSIDISED AND NON-SUBSIDISED REPRESENTATIVE SAMPLES
- KEY TO ANALYSIS – IS REGIONAL LOCATION
- CRITICAL TO THIS ANALYSIS IS THE COUNTERFACTUAL
- TREATMENT EFFECT MODELS – EXAMINES SUBSIDISED AND NON-SUBSIDISED OUTCOMES (ATE AND ATET) AND THE COUNTERFACTUAL
- CASE EXAMPLE – BEEPS DATA FROM 3,354 FIRMS IN 5 EUROPEAN COUNTRIES
- 14 % RECEIVED SUBSIDIES

## WHERE ARE THE SUBSIDIES GOING?

- FIRMS IN LESS URBANISED AREAS (+)
- EXPORTING BIAS (+)
- LARGER FIRMS (+)
- HIGH-TECH BIAS (+)
- UNIVERSITY (+)
- TRAINING (+)
- DOMESTIC (-)

Table 3: What Types of Firms Receive Subsidies?	
Variable	Effect
R&D active (high-tech bias)	0.190**
	0.091
Firm size	0.216***
	0.021
University	0.005***
	0.001
Manufacturing	0.032
	0.079
Construction	0.089
	0.081
Age of the firm (infant industry bias)	-0.001
	0.003
Domestic	-0.427***
	0.12
Domestic*Age (domestic and infant bias)	0.003
	0.003
Training (partial-appropriability bias)	0.241***
	0.069
Exporting Firm (exporting bias)	0.156**
	0.079
City 250k to 1 million (urban bias)	0.321***
	0.107
City 50k to 250k (urban bias)	0.529***
	0.095
City under 50k (urban bias)	0.535***
	0.087

## AND... THE OUTCOMES?

- SUBSIDIES HAVE POSITIVE EFFECT ON INNOVATION
  - POSITIVE EFFECT ON INNOVATION BUT NOT JOB GROWTH
  - A WORLD WITHOUT SUBSIDIES IS NOT A BETTER PLACE
- REGIONAL DISPARITIES EXIST FOR PRODUCT INNOVATION BUT NOT FOR PROCESS INNOVATION!! PERHAPS PRODUCT-LIFE CYCLE EXPLANATION.

## POLICY LESSONS

- REGIONAL DISPARITIES ARE EVIDENT (PRODUCT) –  
SUBSIDIES ARE PROBABLY NARROWING THE DISPARITIES  
– UNDERMINING GROWTH IN URBAN AREAS FOR PRODUCT  
INNOVATION?
- SUBSIDIES ARE LEADING TO INNOVATION GROWTH.  
POLICY HELP (WHATEVER TYPE) IS WORKING.  
– IS THIS SUSTAINABLE IN LONG-RUN?

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**THE REGIONAL DIMENSION OF SUBSIDIES,  
INNOVATION AND JOB GROWTH IN EUROPEAN  
FIRMS**

Regional Studies Association  
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## INTRODUCTION

Industrial policy is centre stage of Europe's 2020 new growth model strategy (European Commission, 2010). Cohesion Policy is the main EU investment tool, with over one third of the total EU budget. In the 2014-2020 programming period, evaluation is a corner-stone of the new result-orientation proposed by the EU Commission. With this in mind, the purpose of this paper is to reflect on the effectiveness of firm subsidies in promoting growth at the level of the firm in Europe. In particular, the analysis reflects on what type of firms received subsidies? What impact did the subsidies have on the performance of firms? Is there a regional story in terms of subsidy allocations and in terms of performance outcomes? Do firm subsidies eliminate or exacerbate regional disparities? To explore these questions, a treatment effects model was employed using firm level data from five European countries. The conclusions of these results are subsequently discussed with future considerations for research in the context of Smart Specialization Policy.

This paper proceeds with brief sections on the theoretical and empirical backgrounds of the contribution. This is followed with a case analysis of firm data from the Business Environment and Enterprise Performance (BEEPS) survey. This is followed by a brief results section. A conclusion and policy lessons section completes the contribution.

## THEORETICAL BACKGROUND

Many argue that there is a place for government intervention when there are market distortions (Rodrik, 2009). Market failures arising from externalities, monopolies, capital market imperfections and incomplete markets are some of the arguments underlying the rationale for policy intervention (McCann and Ortega-Argilés, 2013). The partial-appropriability problem (public good nature of knowledge) may result in an underinvestment by entrepreneurs and investors in infant industry ideas, innovation and human capital externalities. Firms can suffer from an organizational thinness in economic systems (Camagni, 1995) leading to coordination failures, institutional failures, transition and lock-in problems (Boschma, 2009). These market failure, system failure and policy-related issues tend to be related in different ways to

questions of geography (McCann and Ortega-Argilés, 2013). Many argue that there are economic geography justifications for subsidy intervention as a result of systems failures at a regional level (Boschma, 2009) or market failure as a result of agglomeration effects (World Development Report, 2009). Hence, for these reasons, it is extremely easy to make the case for industrial policy and the real question that needs to be addressed is not why we need industrial policy but how to implement industrial policy (Rodrik, 2009).

However, it is far from clear if government subsidies are good or bad in achieving long term growth. The analysis of subsidy intervention suffers from the problem that it is difficult to measure the counterfactual case of what would have happened if there was no policy intervention? The majority of studies in the literature have investigated the links between R&D industrial policies on enhancing the firms spending on innovation inputs (e.g. Gonzales and Pazo, 2008). Less developed are the connections between industrial subsidies and firm outcomes (Bergstrom, 2000). For the empirical studies that do exist, the conclusions to date indicate that there is both a positive/negative relationship between government intervention and firm performance (Catozzella and Vivarelli, 2011; Koski and Pajarinen, 2013).

Some see industrial policy as an invitation to rent seeking activities (Rodrik, 2009). The ‘true’ intentions of policymakers may be to allocate subsidies towards industrial sectors that will win votes or towards politically influential groups (Bergstrom, 2000). Or, particular sectors of the economy and regions are chosen as targets for intervention known as ‘picking winners’ (Boschma, 2009; Foray et al., 2012). Much of the focus of European industrial policy of the 60’s, 70’s and 80’s was on applications to specific sectors and supporting structural adjustment driven by mainly political and social motivations, rather than economic motivations (Mosconi, 2007). The European Investment Bank (EIB) has used regional disparities as a rationale for its primary remit in the late nineties to devote on average more than two thirds of its financing to the development of regions facing structural or industrial redevelopment problems. To date, the level of investment in EU regions has been related to the level of development and this is to continue in the 2014-2020 programming period.

## BACKGROUND TO DATA AND METHODS

This paper employs the use of data from the Business Environment and Enterprise Performance Survey (BEEPS). The data contains information on firm characteristics, the location of the firm and the business environment of the firm. The data in this analysis stems from the 2005 third wave edition of BEEPS. This data stems from five countries in the 2005 edition: Germany, Ireland, Spain, Greece and Portugal. These countries are members of the European Union since at least 1981.

**TABLE 1. SAMPLE COUNTRIES AND SAMPLE SIZE**

COUNTRY	SAMPLE
Germany	1196
Ireland	501
Spain	606
Portugal	505
Greece	546
<i>Source: BEEPS, 2005</i>	

The sample size employed for the analysis is 3,354 firms (Table 1). Of these, 14 per cent received a subsidy in the previous three years. 73 per cent of the subsidized firms stated they had received the subsidies from EU or regional sources<sup>3</sup>. 23 per cent of firm's product innovated. 30 per cent of firm's process innovated and 30 per cent of firms experienced employment growth. 46 per cent of firms were located in an area with a population below 50,000.

<sup>3</sup> Regional sources were co-funded with EU funding.



**TABLE 2. DESCRIPTION OF VARIABLES AND MEAN STATISTICS**

VARIABLE	VARIABLE DESCRIPTION	MEAN
Product Innovation	=1 if the firm introduced new to firm/market product innovations in the previous 3 years, 0 otherwise	23.37
Process Innovation	=1 if the firm introduced new production technology in the previous 3 years, 0 otherwise	30.12
Employment growth	=1 if the firm experienced employment growth between 2003 and 2005, 0 otherwise	30.12
Subsidies	=1 if the firm received a subsidy in the previous 3 years, 0 otherwise	14.10
EU Subsidies	=1 if the firm received a subsidy from the EU or a regional source, 0 otherwise	10.25
R&D active	=1 if the firm is spending on R&D activity, 0 otherwise	13.02
Firm size	No. of employees (logs)	2.57
University Education	percentage of the workforce in the firm with a third level qualification	15.34
Services	=1 if the firm is categorised as a service firm, 0 otherwise	61.49
Manufacturing	=1 if the firm is categorised as a manufacturing firm, 0 otherwise	22.65
Construction	=1 if the firm is categorised as a construction firm, 0 otherwise	15.86
Age of the firm	Since year first established	20.40
Training	=1 if the firm provides training for staff, 0 otherwise	38.31
Domestic	=1 if the firm is a domestic firm, 0 otherwise	89.02
Exporting firm	=1 if the firm exports, 0 otherwise	19.26
Capital or large city	=1 if the firm is located in an area with a population greater than 1 million, 0 otherwise	22.05
City 250k to 1 million	=1 if the firm is located [...] between 250k to 1 million, 0 otherwise	12.28
City 50k to 250k	=1 if the firm is located [...] between 50k to 250k, 0 otherwise	20.12
City under 50k	=1 if the firm is located [...] less than 50k, 0 otherwise	45.55
<i>Source: BEEPS, 2005</i>		

To analyse the data a treatment effects model was employed<sup>4</sup>. The vector of determinants included in the subsidy assignment model and in the innovation and employment models are outlined in Table 2, and the results are reported in the following Section. The results of the analysis<sup>5</sup> are discussed in the next section.

## RESULTS

Not surprisingly, given the nature of Cohesion Policy to reduce regional disparities, firms located in less urbanized areas are more likely to receive subsidies, relative to most urbanized areas. It is clear from the Average Treatment Effect (Table 4) estimations that subsidy intervention is having a positive effect on product and process innovation, but not job growth. In terms of the counterfactuals: **a world without subsidy intervention is a worse off world in terms of firm innovation**. The finding for job growth is surprising as usually subsidies are allocated based on firm employment growth assurances. From the perspective of Cohesion Policy and the overall aim to reduce regional disparities in GDP per capita differences - it is clear that subsidized firms located in less urbanized regions are less likely to introduce product innovations, but there are no urban differences for process or employment growth. In fact, non-subsidised firms located in rural areas are more likely to process innovate and have job growth.

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<sup>4</sup> With inverse-probability-weighted-regression-adjustment. For more information please see STATACORP (2015).

<sup>5</sup> Note that endogenous treatment effects could be used when the variables that effect both outcome and treatment are not observable. The endogeneity test indicated that the standard treatment effects method would be robust for the analysis of this data. The results were also compared with propensity score matching and remain robust - the differences in marginal effects are small.

**TABLE 3. WHAT TYPES OF FIRMS RECEIVE SUBSIDIES?**

VARIABLE	EFFECT
R&D active (high-tech bias)	0.190**
	0.091
Firm size	0.216***
	0.021
University	0.005***
	0.001
Manufacturing	0.032
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City 250k to 1 million (urban bias)	0.321***
	0.107
City 50k to 250k (urban bias)	0.529***
	0.095
City under 50k (urban bias)	0.535***
	0.087

*Notes: Variables with \*\*\* are significant at 1% level, \*\* are significant at 5% level. The reference categories are service firms, capital city and cities with population over 1 million. Country effects are controlled for in the models but not reported.*

**TABLE 4. AVERAGE TREATMENT EFFECTS (ATE)**

TREATMENT EFFECT	INNOVATION	PROCESS	EMPLOYMENT
Subsidies (1) ATE	0.147***	0.136***	0.014

*Note: Coefficients with \*\*\* are significant at 1% level.*

**TABLE 6. PERFORMANCE RETURNS IN THE REGIONS**

FIRM TYPE	SUBSIDISED FIRMS			NON-SUBSIDISED FIRMS		
Urban Classification	Product	Process	Employment	Product	Process	Employment
City 250k to 1 million	-1.121***	0.04	0.079	-0.068	-0.093	0.023
	0.37	0.398	0.403	0.105	0.099	0.104
City 50k to 250k	-1.078***	-0.004	-0.342	-0.101	0.004	0.214***
	0.373	0.368	0.368	0.088	0.083	0.084
City under 50k	-0.701*	0.176	-0.202	0.024	0.163**	0.205***
	0.369	0.354	0.344	0.075	0.072	0.074

*Note: Variables with \*\*\* are significant at 1% level, \*\* are significant at 5% level and \* are significant at 10% level. The reference category is capital city and cities with population over 1 million. All other variables are controlled for as identified in treatment stage and Country effects are also controlled for in the models but are not reported.*

In terms of vertical targeting (Table 3): **firms that are larger; more high tech; have more educated workers; are foreign; export to international markets; and firms that invest in training are more likely to receive subsidies.** There is no evidence that policymakers engage in infant industry protection i.e. the interaction variable between age and domestic firm is insignificant. Additionally, one would expect infant firms to be of a smaller size and the results in this analysis indicate that larger firms are capturing more of the funding. Furthermore, more technologically intensive (R&D indicator) firms are more likely to receive subsidy help from the government. As Foray (2013) outlined, high technology companies are more attractive targets for government funding and they are more likely to capture government subsidies as they are perceived to be creating exciting products and services. Firms that are more likely to offer training to their employees are more likely to receive subsidies. Again, this is not surprising when

reflecting upon the partial-appropriability concept. Firms that offer training are not likely to capture all the benefits of their investment as employees may leave their company and move to other companies, hence they may require compensation in the form of subsidies to encourage investment in training. It is also not surprising to see exporting firms getting help as governments may employ a strategic trade policy to increase a country's share in international export rents.

## CONCLUSIONS AND POLICY LESSONS

In terms of the new architecture of Smart Specialization Strategy (S3) - what empirical patterns would we have liked to have emerged from this analysis? **Most definitely, we would like subsidies to have a positive effect on firm outcomes.** Notably, this was the case with product and process innovation. Further, considering the overall goal of Cohesion Policy is to reduce income disparities between more urbanized and less urbanized regions, **it is not surprising to see firms in more rural areas, more likely to receive subsidies.** However, regional disparities still exist for subsidized firms that product innovate. **The possible economic geography disadvantages of a firm being located in rural areas appear to be negligible for process innovation and employment growth** (and indeed positive for non-subsidised firms). There appears to be product life cycle effects at play here. Firms that product innovate may need the advantages of agglomeration effects that key urban centres provide (McCann, 2007). Directing subsidies in greater propensity to firms in less urbanized areas may be undermining growth in this particular firm outcome, particularly for high technological sectors.

Returning to S3 and in the context of vertical targeting - what patterns (in a cross country study) would a researcher expect to emerge? If policy is focusing on entrepreneurial discovery in activities, technologies or sectors, where a region has a comparative advantage to develop wide ranging and large-scale growth, it is logical to think targeted firms will differ at the regional and national level. Perhaps, no pattern should be emerging, other than subsidies having a positive effect on firm outcomes. It would be surprising if a common pattern emerged across countries that consisted of assistance to large, high

tech and foreign firms (unless knowledge linkages to Foreign Direct Investment were clearly absent from related industries in all regions). It perhaps would not be so surprising to see a pattern towards young firms, SME's, domestic firms, firms with labour enhancement programmes and skills training. In this sense, the results should indicate that policy is taking a broader systems perspective (McCann and Ortega-Argilés, 2015), making connections towards locally related industries that are embedded in the region.

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## 5. MORE AUTONOMY FOR MEMBER STATES FOR MORE EFFICIENCY

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### ABSTRACT

Taking the case of local stakeholders implementing the European Social Fund in Belgium, the empirical observations demonstrate that EU administrative, evaluative and financial requirements tend to a weak instrumental learning because there are perceived as exogenous and too risky for some stakeholders. As policy recommendation, I stress the nature of constraint: rather than tools of evaluation based on results and efficiency, Cohesion Policy should promote evaluation on the quality of the process. Using similar tools of governance than used at the subnational level would open funding to new stakeholders and the ESF would be legitimized as a usual subnational tool of governance. Following this argument, more autonomy for Member States organizing the implementation and evaluation process will increase efficiency.



## PRESENTATION

The image is a presentation slide with a white background and a thin black border. At the top right, the text 'Regional Studies Association' is in a small black font, above the large, bold, black text 'COHESION' and the blue, italicized text 'POLICY'. Below this, 'Research Network' is written in a smaller black font. The main title 'MORE AUTONOMY FOR MEMBER STATES FOR MORE EFFICIENCY' is centered in large, bold, dark blue capital letters. Below the title, the presenter's name 'Fanny SBARAGLIA' is centered in a smaller black font, followed by her affiliation '(Centre d'Etude de la Vie Politique – CEVIPOL, Université libre de Bruxelles)' in the same font. At the bottom, a black horizontal bar contains the text 'LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A RESEARCH-POLICY DIALOGUE. Brussels, 13 June 2016' in white capital letters, with 'RESEARCH-POLICY' in blue.

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**MORE AUTONOMY FOR MEMBER  
STATES FOR MORE EFFICIENCY**

Fanny SBARAGLIA  
(Centre d'Etude de la Vie Politique – CEVIPOL,  
Université libre de Bruxelles)

LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY  
LESSONS FOR A **RESEARCH-POLICY** DIALOGUE. Brussels, 13 June 2016

## THE PARADOX OF ADMINISTRATIVE SIMPLIFICATION

**NEW MODES OF GOVERNANCE AIM TO MAKE EU GOVERNANCE SIMPLER, MORE FLEXIBLE AND LESS FORMAL**

**HOWEVER, AFTER DECADES OF THE EUROPEAN SOCIAL FUND (ESF) SIMPLIFICATION PROCESS**

→ IMPLEMENTING A PROJECT SEEMS TO BE EVEN MORE COMPLICATED FOR LOCAL STAKEHOLDERS

THIS PARADOX CAN BE EXPLAINED BY

**THE SPECIFICITIES OF EU IMPLEMENTATION DEVICES VS  
SECTORIAL AND SUBNATIONAL MODES OF GOVERNANCE.**

## MODE OF GOVERNANCE

### MODES OF GOVERNANCE

### MODES OF OPERATIONAL GOVERNANCE IN CONTEXT

#### 1957-1987

COMMAND-AND-CONTROL

#### ENFORCEMENT / INPUT MANAGEMENT.

NEED TO OFFSET THE EFFECTS OF THE COMMON MARKET ON REGIONAL SOCIO-ECONOMIC DISPARITIES.

#### 1987-1997

COMMAND-AND-CONTROL  
+ NETWORK-BASED

#### CO-PRODUCTION MANAGEMENT VIA OUTCOMES AS SHARED RESULTS BASED ON TRUST.

REDUCTION OF LONG TERM EMPLOYMENT INCREASING FROM THE 1970'S.  
INCREASING COHESION IN THE FRAME OF MONETARY AND ECONOMIC UNION.

#### 1997/2000-2014

NETWORK AND KNOWLEDGE  
BASED

#### CO-PRODUCTION MANAGEMENT VIA OUTCOMES AS SHARED RESULTS BASED ON COMPETITION.

RESPOND TO THE UNEMPLOYMENT CRISIS THAT CROSSES THE DIFFERENT  
EUROPEAN COUNTRIES THROUGH A KNOWLEDGE ECONOMY

#### 2014-2020

RESULT-BASED  
SANCTIONS

#### PERFORMANCE MANAGEMENT VIA OUTPUTS

EFFECTS OF THE ENLARGEMENT

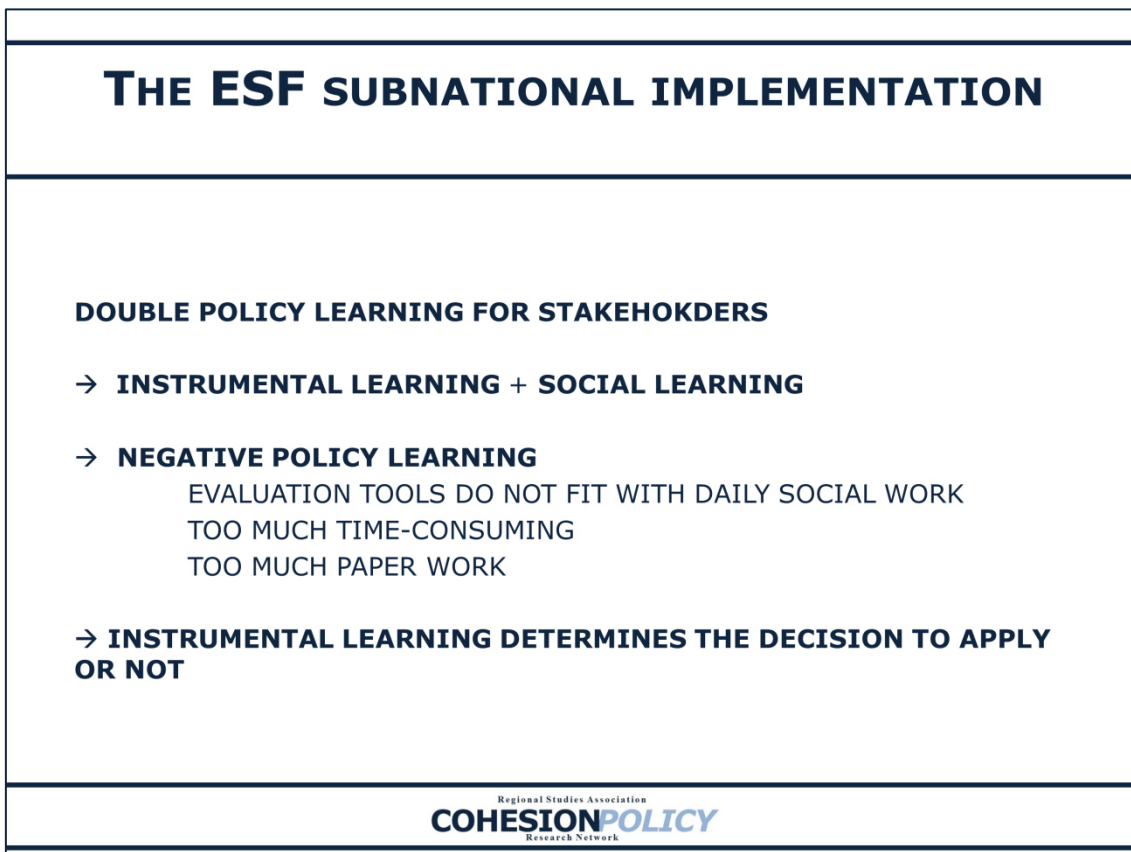
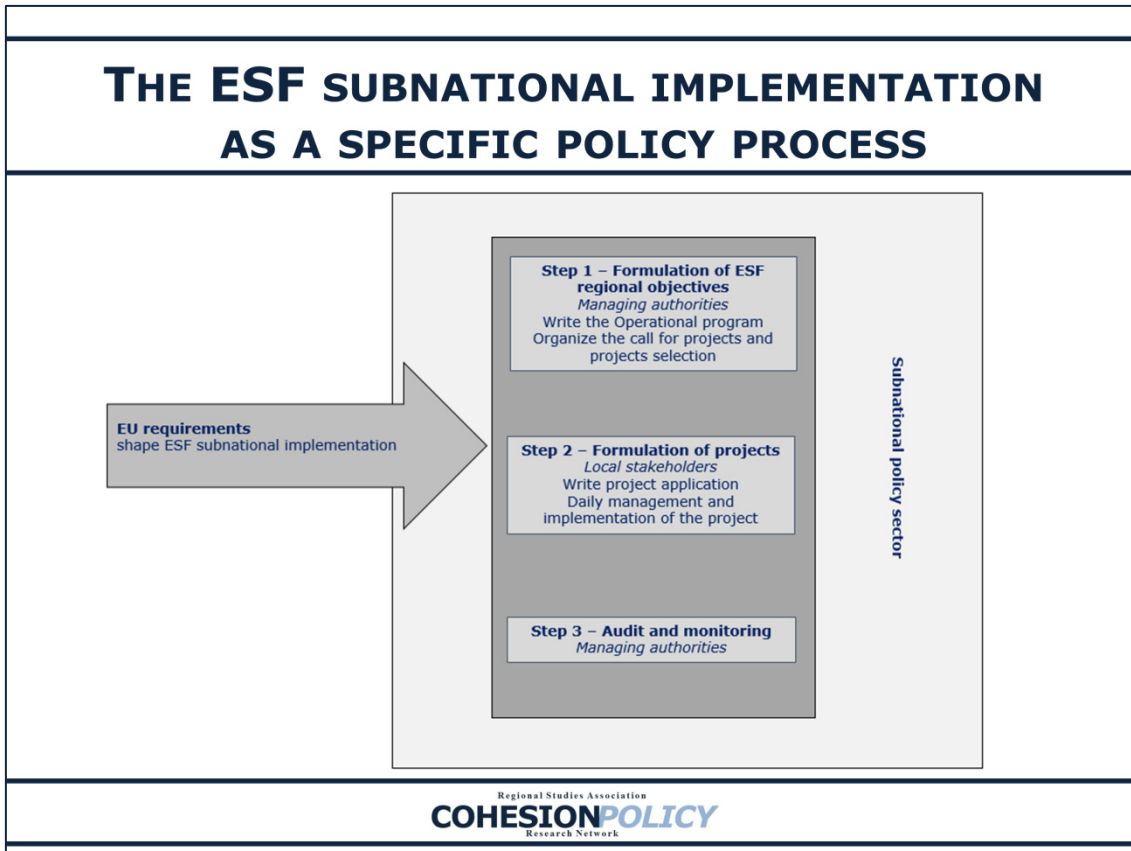
RESPONDING TO THE ECONOMIC CRISIS THROUGH TARGETED AND SUSTAINABLE  
INVESTMENTS.

#### 2004 AND 2007 ENLARGEMENTS + 2008 ECONOMIC CRISIS

→ RISE OF INTRA-MEMBERS CONDITIONALITIES

→ THE BINOMIAL EVALUATION/PENALTY AT THE CORE OF THE ESF POLICY PROCESS

→ SPECIFIC POLICY PROCESS AT THE SECTORIAL SUBNATIONAL LEVEL



## **MORE AUTONOMY, MORE EFFICIENCY**

### **1 - LESS EVALUATION TOOLS STRICTLY ON RESULTS**

→ BUT ON THE QUALITY OF THE TRAINING PROCESS

### **2 - MORE AUTONOMY FOR MEMBER-STATES IN THE EVALUATION OF THE ESF PROCESS**

→ TO DIMINISH THE ADMINISTRATIVE, EVALUATIVE AND FINANCIAL WORKLOADS ON LOCAL STAKEHOLDER'S

→ MORE AUTONOMY FOR MEMBER-STATE  
WILL LEAD TO MORE ESF EFFICIENCY

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## **MORE AUTONOMY FOR MEMBER STATES FOR MORE EFFICIENCY**

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## INTRODUCTION

New modes of governance aim to make EU governance simpler, more flexible and less formal (Saurugger and Terpan, 2015). Instead of hardlaw and coercive implementation, softlaw is based on coordination mechanisms and on “nudging actors into a learning process leading to the transformation of actor’s preferences” (Saurugger & Terpan, 2015, p. 54). So, as Dąbrowski (2012) argues, subnational impact of Cohesion Policy depends on actor’s preferences, attitudes and capacity. Based on local stakeholder’s projects, the developments of those new modes of governance are also supposed to improve the legitimacy and the efficiency of Cohesion Policy following the subsidiarity and partnership principles. However, taking the case of the European Social Fund (ESF), implementing a project seems to be even more complicated, risky and time-consuming for local stakeholders after decades of simplification processes. In an extreme manner, EU devices become a brake for local stakeholders’ participation. I argue that the gap between EU simplification modes of governance and their practical effects can be explained by the specificities of EU implementation requirements added to other sectorial and subnational modes of governance. This increases the workloads for ESF stakeholder’s because they have to manage specific EU administrative and financial standards.

## THE RISE OF INTRA-MEMBER’S CONDITIONALITY

To understand how EU implementation requirements become a brake for some stakeholders, it is necessary to define ESF policy process compared to the evolution of EU modes of governance. In a long-time perspective, ESF modes of governance can be divided in four main periods (see Table 5): from the Treaty of Rome to the Single Act, the ESF is implemented by command-and-control modes of governance as used by the national governments. During the second period, from the Single Act to the European Employment Strategy in 1997, the ESF is implemented through command-and-control modes mixed with network-based modes of governance as partnership or subsidiarity. The third period, from 2000 to 2007-2013 programming period, implementation is based on network and knowledge-oriented governance based on more

competitive tools. And finally, for the Europe 2020 program, ESF implementation is based on result-oriented and preforming modes of governance (see Table 5). The rise of performance management via outputs (Hill and Hupe, 2014) can be explained by the combined effects of the enlargements of 2004 and 2007, and economic crisis of 2008. This is a starting point for the emergence of a new cleavage between net-contributor Member States and net-beneficiaries. Moreover, the rise of the European Semester has improved coordination and deliberation between Member States and, on the other hand, strengthened policy requirements and objectives between Member States. This has increased the constraints on national policies, and consequently on the access to Cohesion Policy funds as the ESF. Macro-economic and ex-ante conditionalities in the Cohesion Policy regulation are the key constraint mechanisms that link access to EU funds, EU macro-economic objectives and Semester's recommendations. The increasing constraint on Member States' national policies lead to a renewal of the EU modes of governance that erase differences between hardlaw, based on the Community method, and softlaw based on non-binding regulations (Graziano and Halpern, 2016). The modes of governance for 2014-2020 are more result-oriented and place evaluation at the core of the EU Cohesion Policy process more than ever before.

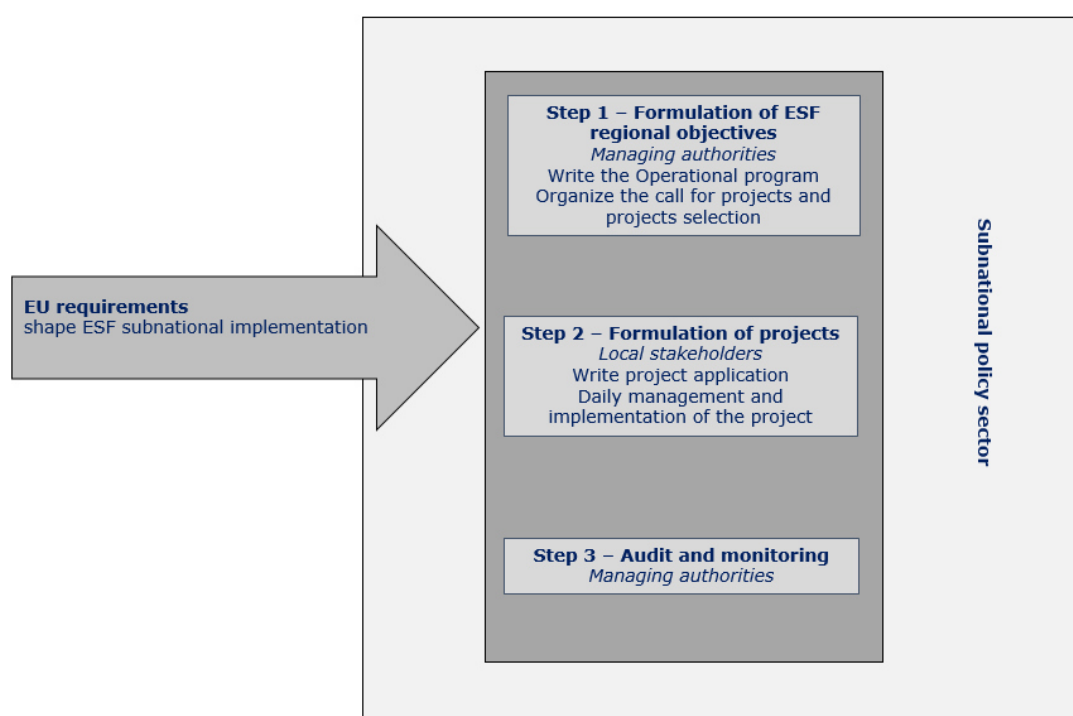
**TABLE 5. HISTORICAL EVOLUTION OF MODES OF GOVERNANCE**

MODES OF GOVERNANCE	MODES OF OPERATIONAL GOVERNANCE IN CONTEXT (based on Hill & Hupe, 2014: 187)
1957-1987	Enforcement / Input management.
Command-and-control	Need to offset the effects of the Common Market on regional socio-economic disparities.
1987-1997	Co-production Management via outcomes as shared results based on trust.
Command-and-control	Reduction of long term employment increasing from the 1970's.
+ network-based	Increasing cohesion in the frame of Monetary and Economic Union.
1997/2000-2014	Co-production Management via outcomes as shared results based on competition.
Network and knowledge based	Respond to the unemployment crisis that crosses the different European countries through a knowledge economy.
2014-2020	Performance Management via outputs.
Result-based	Effects of the enlargement.
Performing Penalty	Responding to the economic crisis through targeted and sustainable investments.

## THE ESF SUBNATIONAL IMPLEMENTATION AS A SPECIFIC STAKEHOLDER'S LEARNING PROCESS

The result-oriented approach of governance is designed in Brussels in relatively closed policy networks and shapes the institutional implementation of the ESF. Once those procedural requirements are formulated at the EU level (defined as administrative and financial standards), subnational authorities are charged to reallocate funds to welfare stakeholders at the local level (public or private stakeholders working in the field of vocational training or social inclusion). Then, these are charged to draw projects and to operationalize actions funded by the ESF. When scholars have already largely discussed the effects of EU devices in the subnational implementation of Structural Funds (e.g. Dabrowski, 2014; Perron, 2014; Milio, 2007), this research contributes to define the EU devices as framing a peculiar policy process in a specific subnational policy sector. It assumes that the ESF is an exogenous instrument to be implemented among local context and existing sectorial regulations. The ESF is based on two specific features: first, tools of governance based on competition, performance and sanction (referring to Halpern & al., 2014); and second, on activation as policy model (Lopez-Santana, 2015). Therefore, subnational authorities and local stakeholder's have to adapt the EU requirements to their policy sector as a specific policy process (Sbaraglia, 2016).





**FIGURE 2. SPECIFIC ESF POLICY PROCESS IN A SUBNATIONAL POLICY SECTOR**

To do so, the regional implementation of the ESF can be defined as a project-based implementation process (see Figure 2). The managing authority handles the formulation of ESF subnational objectives (step-1). Then, local stakeholders answer the call for projects and define policy actions (step-2). And finally, projects are monitored by a permanent interaction between the managing authorities and the local stakeholders (step-3). In this research the focus is on the step 2, the stakeholder's formulation of project because they translate ESF policy objectives into policy actions.

Consecrated in the EU Regulation, the local operationalization of the ESF is based on projects in welfare sectors such as vocational training or social inclusion. The project as tool of governance contributes to transform policy objectives (as Europe 2020 to regional operational program) into policy actions at the local level. Subnational stakeholders formulate projects as developing basic and employability skills for disadvantaged young learners, promoting Roma inclusion, or offering jobs in the non-profit sector for people close to pension. Therefore, this project-based implementation of the ESF can be best understood as a subnational policy formulation process based on EU

requirements, such as partnership, innovative actions and funding additionality. Local stakeholders have to draw projects which fit with those requirements and with their own needs on the ground. They have to adapt their daily actions to EU application form and accounting standards in a specific regional institutional framework and with “large workloads, tightly constrained budgets and multiple and competing demands” (Arnold, 2014, p. 392). Based on this assumption, the regional ESF implementation depends on how stakeholders learn how to manage and cope with EU specific requirements.

As defined by May (1992), this learning process is twofold: it is based on a social learning defined as “lessons about social construction of policy problems, the scope of policy, or policy goals” (May, 1992, p. 332), and, on an instrumental learning defined as “lessons about the viability of policy instruments or implementation designs” (op. cit., p. 332). Such learning process occurs through stakeholders’ experience of the ESF, their beliefs about the policy process, their own needs and the specific socio-economic context they face. This dual learning process can imply trial-and-error behaviour (Lindblom, 1959), the imitation of existing applications through mimicking behaviour (May, 1992) and compliance with EU requirements, or competition of ideas (Sabatier, 1988) and possible resistance (Saurugger and Terpan, 2013). Consequently, it questions how this dual learning process influences stakeholders’ participation in the ESF program? Do the EU requirements frame an inclusive process for stakeholders?

The subnational implementation process influences the ESF through stakeholders’ social and instrumental policy learning and is not reproducible in other policy sectors or times (Howlett, 2014). Therefore, it must be analysed through an in-depth case study and in a specific socio-economic and institutional context. In order to answer this question, this paper looks at the case of Wallonia, Belgium, where previous ESF implementation has driven a wide range of policy learning that has in turn shaped the way that contemporary policies are implemented. As Belgium is an EU founding member, subnational stakeholders have been familiar with ESF requirements for a long time. With 75-90% of the EU GDP, Wallonia benefits from the EU budget for transitional regions (2014-2020 programme). Facing an unemployment rate of around 12.3% (see BeSTAT, 1<sup>st</sup> semester 2015), Wallonia mostly uses the ESF for social and occupational training and initial

social integration. The case study focuses on subnational stakeholders who work in these two sectors and have applied to the ESF in the last two programming periods (2007-2013 and 2014-2020).

## WHEN EVALUATION LEADS TO A NEGATIVE POLICY LEARNING

A combination of instrumental and social learning processes leads stakeholders to apply for projects in order to increase their human and financial resources. Firstly, stakeholders must find eligible partners: all partners must provide a part of the global budget for the project, and finally, partners have to agree on the policy action (rather on individual or group job coaching, on which training courses, on accompaniment in the first job, etc....). Finding partners and agreeing on those different crucial dimensions is not an easy process. They have to manage financial and administrative forms and applications. Therefore, as observed in many organizations, stakeholders formulate projects with former or existing partners, in close territory, in a complementary perspective (one partner works on inclusion program, and the other on on-the-job-training), and often, one partner has experience of former ESF programmes. This is based on an instrumental learning since stakeholders learn lessons from viability and eligibility of the ESF.

The partners meet often in order to draft the project, even before the official start of the call for projects because the application period is often short. Then, they adapt the project to specific operational programmes requirements and application form. Stakeholders all explain that ideas for projects come from the ground, from specific needs (peculiar trainee courses or inclusion programs for non-qualified people as example) and sometimes, from emergency situations (e.g. after a major industrial relocation). The last step of the formulation project consists in the testing of the feasibility with trainees, even more, when it is an innovative project. This formulation step is more a social learning process since stakeholders base their projects on policy problems and goals.

**Social and instrumental policy learning processes combined tend to demonstrate ground-mechanisms of ESF adaptation and seem to lead to a specific regional process to implement the EU instrument.** Furthermore,

working with busy schedules, stakeholders all explain that they have to accompany precarious individuals facing more complex social situations which require more time. Therefore, stakeholders have to manage different subsidies or other kinds of treasury-based instruments in their specific regional context. In doing so, they integrate the ESF as any other funding instrument, each of them requiring peculiar accounting standards, administrative tools and target groups. In this regional context, the ESF is juxtaposed to the other funding instruments as a specific way to get financial resources among the others. The ESF is added to a set of regional instruments which regulates the welfare policy sectors.

Then, results demonstrate that instrumental learning of EU administrative and financial requirements takes often the lead on social learning. Consequently, it stops some potential stakeholders from getting in the ESF programme. ESF is perceived as too risky for small stakeholders because they will have to wait for three years before to get their money back, and they do not have reserve cash enough to support the gap between the advance and the repayment. Second, stakeholders said it is necessary to fit into the ESF institutional logic. It means to capitalize enough ESF policy experience (instrumental learning) at the individual and organizational level in order to be more easily adaptable at each new programme. For potential new stakeholders, jump into an ESF application is perceived as particularly risky and uncertain without previous ESF experience. They all explain that ESF requirements increased over time and it is always harder to learn how to deal with an ESF project. Finally, many stakeholders explain that they spend a lot of their time work funded by the ESF doing administrative and financial tasks than doing social work. If they do not have enough human and financial resources, the ESF programmes can lead to negative learning: the EU requirements based on results and penalties lead stakeholders to not apply for an ESF project.

As evaluation tools, the EU requirements are designed to be more simple for local stakeholders (as the simplified cost option system). For stakeholders, it means to simplify the complexity of each individual they accompanied into hard categories and quantitative indicators. On their daily social work, many stakeholders explain that it is quite hard to fit with the reduced number of indicators because individual casualization and situation are more complex.

## MORE AUTONOMY FOR MORE EFFICIENCY

Defining the ESF implementation as a specific subnational policy process reveals a paradoxical situation between EU simplified instruments and their ground perception of complexity. This paradox can be explained by two arguments. First, evaluation tools (quantitative indicators, reduced list of indicators or data) do not fit with the ground reality of social workers. It is more complicated to fit with templates because they have to simplify compared to the complexity of each socio-economic individual's situation. As many stakeholders explain, the nature of social work has changed: more than accompany people to find a job, they have to do many steps before reach the step of seeking employment such as helping people to find a childcare service or a decent accommodation, to take care of disabilities or supporting ageing people in charge of the family... This social reality briefly resumed in this paper largely leads to more complexity for daily social work increasing emergency and workloads.

**When simplified evaluation tools seem not to fit with individual's situation, it is also often perceived as a too big risk to get involved in an ESF programme.** This is the second explanation why stakeholders sometimes are reluctant to get involved in an ESF project. They have to fill and fit with EU evaluation standards and templates, to use specific accounting and administrative standards etc. Having already high workloads, managing an ESF project means an increase of human and financial resources, but proportionally more administrative workloads. With this goes a risk: if they do not fill well the evaluation forms or have weak results, they can have reduced refunding. For small stakeholders this seems to be a too high risk.

Therefore, as policy recommendation, I stress two challenging changes for evaluation.

- **Less evaluation tools strictly on results** (e.g. does the participants find a job after the training?), **but on the quality of the training process** (does the participant integrate all skills promoted by a training?). It would mean that the ESF has funded a quality training programme and the participant has skills to find a job at the end of the training. Finding a job becomes the participant responsibility.
- **More autonomy for Member States for evaluation process of the ESF.** When Member States are now constraint by macro-economic and ex-

ante conditionalities, it is pointless to keep European strict evaluation for each project. The evaluation for the 2014-2020 programmes focus more on macro-economic performances at the member state level than at the individual project level. Less evaluation at the project level will discharge local stakeholders of extra administrative and evaluation workloads increasing time spend for social work. This will also open access the ESF funds. It can be done using the same administrative and evaluation tools than in the subnational welfare sector.

To conclude, the two first recommendations will increase the European legitimacy of the ESF (and Cohesion Policy) at the subnational level because it will be integrated as a usual subnational tool. So more autonomy for Member States will lead to more ESF efficiency.

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## **PART II - Learning from Evaluation**



## 6. THE ACHIEVEMENTS OF COHESION POLICY: LONG- PERIOD EVIDENCE ON THE FACTORS CONDITIONING SUCCESS AND FAILURE FROM 15 SELECTED REGIONS

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### ABSTRACT

This paper exploits a unique dataset on regional interventions in 15 beneficiary regions of the European Regional Development Fund over four programming periods (1989-2013) to examine empirically the processes and conditioning factors underpinning success and failure of such interventions over time and across space. Our core results suggest an elevated role for two key policy-design factors in maximising the achievements of Cohesion Policy: planning consistency (confluence between planned and realised expenditures), and alignment between regional needs and programme objectives. Although derived from a ‘selected’ sample, we claim that the obtained results may generalise well beyond the 15 regions studied here.

## PRESENTATION

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<b>THE ACHIEVEMENTS OF COHESION POLICY. LONG-PERIOD EVIDENCE ON THE FACTORS CONDITIONING SUCCESS AND FAILURE FROM 15 SELECTED REGIONS</b>
Riccardo CRESCENZI (LSE), Ugo FRATESI (Politecnico di Milano), Vassilis MONASTIRIOTIS (LSE)
LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016

## PROJECT SUMMARY

- **A UNIQUE DATASET**
  - ALLOCATIONS AND SPENDING BY MEASURE
  - EXPERT INTERVIEWS AND UNPUBLISHED ERDF DATA
  - 15 BENEFICIARY REGIONS OF ERDF (1989-2013)
  - OBJECTIVE AND SUBJECTIVE MEASURES OF 'ACHIEVEMENT'
- **BETWEEN 'CASE STUDY' AND 'LARGE-N'**
  - STATISTICAL ANALYSIS TO EXAMINE THE PROCESSES/CONDITIONING FACTORS THAT UNDERPIN SUCCESS AND FAILURE IN 'TREATED' REGIONS
- **CONDITIONING FACTORS**
  - SCALE, COMPOSITION, CONCENTRATION / TARGETING
  - LOCAL CHARACTERISTICS AND STRUCTURE OF SPENDING (PLANNING CONSISTENCY, TARGET-NEEDS MISALIGNMENT, DISPERSION)

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## ACHIEVEMENTS, OBJECTIVES AND NEEDS

### LEVEL OF SPENDING

- SIZE, SCALE, SATURATION

### PLANNING INCONSISTENCY

- ACTUAL vs. PLANNED ALLOCATIONS

### CONCENTRATION OF TARGETING

- CONCENTRATION VS DISPERSION ACROSS MEASURES

### TARGETS-NEEDS ALIGNMENT

- CAPTURES OPTIMAL TARGETING (PRIORITISING OF 'ON THE GROUND' NEEDS)



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## EFFECTS ON GROWTH

### RESULTS OF STATISTICAL ANALYSIS

- **DIRECT EFFECT**
  - 3-6% PER DOUBLING OF SPENDING
  - ROBUST, STRONGEST IN 1994-06
  - STRICTLY LINEAR – NO 'SATURATION'
- **SHORTFALL (PLANNING)**
  - STRONGLY NEGATIVE & ROBUST
- **CONCENTRATION/TARGETING**
  - DISPERSION EFFECT IS NEGATIVE
  - HIGHEST GAINS IN 'ENTERPRISE', 'SECTORAL DEVPT' & 'SOCIAL'
- **REGIONAL CONDITIONING**
  - SIGNIFICANT OVERALL (FES)
  - BUT NOT ON SINGLE FEATURES (INCOMES, R&D, INFRASTRUCTURE, UNEMPLOYMENT, AND OTHERS)

## ACHIEVEMENTS

### RESULTS OF STATISTICAL ANALYSIS

- **DIRECT EFFECT:** STRONG ON REPORTED ACHIEVEMENTS; BUT VARIABLE ACROSS CATEGORIES
- **DISPERSION:** WEAKLY NEGATIVE EFFECT; MAINLY ON SPECIFIC REGIONS
- **SHORTFALL:** NEGATIVE BUT MAINLY IN 2007-13
- **MISALIGNMENT (TARGET-NEED):** BY FAR THE STRONGEST EFFECT, ALSO APPLICABLE FOR MOST CATEGORIES (EXC. 'LABOUR MARKET?'), ADDITIONALLY, CONDITIONING (NEGATIVELY) THE IMPACT OF EXPENDITURES

## POLICY CONCLUSIONS

- LESSONS LEARNT
  - IN TREATED REGIONS, SPENDING HAS BENEFICIAL EFFECTS, BOTH OBJECTIVELY & SUBJECTIVELY, WITHOUT SATURATION
  - CONDITIONING IS MAINLY ON STRUCTURE OF SPENDING (TARGETS-NEEDS; ACTUAL-PLANNED), THAN ON LOCAL VARIABLES
- POLICY GUIDELINES
  - SPENDING IS NOT WASTEFUL, BUT NEEDS TARGETING
  - EFFECTIVE TARGETING REQUIRES, ABOVE ALL
    - CONFIDENT IDENTIFICATION OF REG. NEEDS, CLEAR ALIGNMENT OF TARGETS
    - CONCENTRATION OF EFFORTS ON FEW OBJECTIVES AND FEW MEASURES

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## THE ACHIEVEMENTS OF COHESION POLICY

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## INTRODUCTION

Research on the ex-post evaluation of the impact of Cohesion Policy can largely be classified along two groups: case-study analyses, which rely on qualitative techniques and focus on interventions in specific case-regions; and econometric analyses, which rely on increasingly sophisticated identification techniques applied to large samples of beneficiary and non-beneficiary regions. Our approach in this paper stands in-between these different approaches. We focus on **a small number of beneficiary** (15 regions), for which we observe **a large number of characteristics and contextual detail on the intensity and nature of regional interventions** (similar to a case-study approach); but examine **the effectiveness and economic impacts** ('success and failure') of these interventions by means of econometric tests that allow us **to unveil the specific circumstances that may lead to success or failure** in the achievements of the EU Cohesion Policy.

We perform two sets of analyses: one concerning the economic growth effects of various features of the EU Cohesion Policy spending; and a second concerning the impact of such features on subjective - but qualified and triangulated - assessments of the achievements of the policy interventions under analysis.

We find a large, strictly linear and significantly positive influence of Cohesion Policy spending on economic growth - especially in the 1994-1999 and 2000-2006 periods. Although this finding concerns a small selected sample of beneficiary regions, it is very robust and shows clearly that - **when applied to selected regions - Cohesion Policy matters and is potentially effective in mobilising economic dynamism**. Moreover, we find that the concentration of expenditure - in specific areas and in specific measures within priority areas - is an important factor conditioning their effectiveness. Even more important is planning consistency (alignment between planned allocations and actually realised interventions). Regional differences exist, but they have to do more with the overall regional environment than with any one single regional feature.

More importantly, we find that the level of spending also matters for the overall achievements of the policy interventions. The concentration of expenditure contributes significantly to reported achievements. But the key result that stands out from this part of the analysis - which is unique to the



data this study draws upon - is the important role played by the **effective targeting** of policy interventions on objectives that correspond to actual and pressing regional needs. **Alignment between targeted objectives and identified needs** is perhaps the single most important factor conditioning the overall effectiveness and achievement of policy interventions.

The results all point to a single general conclusion: **concentration of funding and effective targeting are key, both for the effectiveness and for the overall achievement of Cohesion Policy**, in a way that goes beyond the specificities of each region and the differences in their contextual conditions.

## RELATED RESEARCH AND EMERGING QUESTIONS

Econometric research on the impact of Cohesion Policy has burgeoned over the years, especially as detailed data on actual expenditure by region and programme started becoming available. Still, the main body of available evidence is still based on information concerning eligibility or allocations (than actual expenditures) and, on the whole, the empirical literature on the topic is rather inconclusive. For example, some papers have found Objective 1 eligibility to be associated with higher regional GDP growth (e.g. Fiaschi et al., 2009; Becker et al., 2010; Rodriguez-Pose and Novak, 2011), albeit possibly with differences across programming periods; while others have found no statistically significant impacts, especially when conditioning growth on other local and national factors (e.g. Dall’erba and Le Gallo, 2007 and 2008; Hagen and Mohl, 2008; Falk and Sinabell, 2008).

With regard to the latter, a range of possible conditioning factors have been identified in the literature: economic openness (Ederveen et al., 2003), agglomeration (Falk and Sinabell, 2008), the scale of expenditure (Hagen and Mohl, 2008), industrial structure (Cappelen et al., 2003), quality of national institutions (Freitas et al., 2003; Bradley and Untiedt, 2008), type of prioritised expenditures (Rodriguez-Pose and Fratesi, 2004), territorial capital (Fratesi and Perucca, 2014), the alignment of expenditure with the underlying comparative advantage of a country or region (Midelfart-Knarvik and Overman, 2002) or their socio-economic structure (Crescenzi, 2009) and the top-down vs. bottom-up nature of the various interventions (Crescenzi and

Giua, 2016). Still, no consensus exists in the literature about either the relative or the absolute - importance of these factors.

The variety of conditioning factors identified in the literature, and the overall inconclusiveness of the results, motivate our exploration of the achievements of Cohesion Policy interventions using a unique dataset with extensive and detailed information on both regional conditions and policy interventions. We explore two sets of questions. First, we look into the growth effects of Cohesion Policy: (i) is there a **link between level of expenditure and growth performance** in our ‘selected’ sample of beneficiary regions? (ii) is this link non-linear? I.e. is there **evidence of threshold or saturation effects**? (iii) does the **composition** (diversification / concentration into specific measures within priority areas) **and targeting of expenditure** (in specific priority areas) affect policy effectiveness? (iv) is effectiveness conditioned by **location-specific features** such as road infrastructure, level of development, sectoral specialisations, R&D spending, etc.? Second, drawing on our unique-to-this-dataset qualitative assessment of achievements, we can address a set of questions of policy effectiveness in relation to the specific features of the policy interventions: (v) do policy interventions perform better when expenditure is concentrated on a more limited number of objectives and/or measures within objective categories? (vi) **are deviations from planned expenditure detrimental to overall achievements**? (vii) how important for this is the **alignment between targeted objectives and perceived regional needs**?

## DATA AND APPROACH

Formally speaking, identifying the causal effects of Cohesion Policy by the means of sound statistical methods requires the application of highly advanced techniques on matched randomised samples of ‘treated’ and ‘non-treated’ regions/cases<sup>6</sup>. Our approach in this paper is different. We rely on

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<sup>6</sup> By ‘treated’ and ‘non-treated’ regions we mean, as in the economic jargon, respectively regions receiving policy support and regions which are not eligible for it.



data for a small sample of ‘treated’ regions, for which we have detailed information on expenditure (by programme, axis and measure) for four programming periods; and assess the effectiveness of Cohesion Policy in this ‘treated-only’ sample. Our objective is not to identify ‘causal effects’ in a formal sense but rather to understand the context and conditions under which the “treatment” (i.e. EU Cohesion Policy funds) produce some effects on the ‘treated’ (i.e. beneficiary) regions. To achieve this, we incorporate in our analysis a unique set of qualitative assessments - expert assessments informed by document analyses, interviews and focus groups and triangulated with quantitative data by the authors - which provide detail on the specific ‘regional needs’ that policy interventions ought to be targeting, the actual objectives / targeting of these policy interventions, and their overall achievements. To collect this information in a way that is consistent across regions and programming periods, we grouped the full population of measures implemented in our sample regions since 1989 into eight categories of “targeted needs” and acquired a qualitative assessment for each of these as follows: an assessment of “achievements”, i.e., of how successful was policy in each category in each programming period and in each region; an assessment of “needs”, i.e., of how important a need was for the region each specific objective in each particular programming period; and an assessment of “objectives”, i.e., of how important was the particular category in the prioritising of policy interventions in the given region and programming period. These three sets of assessments were subsequently quantified in a 5-point scale for use in the econometric analysis.

As discussed earlier, our empirical focus starts with the question of the relationship between spending and regional growth. For this, we follow a simple growth regression framework which, by construction, provides only a descriptive association, insofar as it relies on a linear model to detect statistical correlations between variables, being unable to test the direction of causality which comes therefore from informed expert judgement. Using the same framework we also examine a number of complementary issues that are of interest: the threshold effects of expenditures (non-linear effects); the relative performance of actual expenditures versus programmed allocations (shortfalls); and the impact of composition and targeting.

The results from this analysis provide a first indication about the effectiveness of Cohesion Policy interventions in our sample but also a benchmark for

comparison with other similar findings in the literature. Our core analysis, however, concerns the identification of the contribution made by some key features of the policy interventions on the overall achievements of these interventions, as follows:

- Total spending as a share of regional gross value added: this mirrors the earlier analysis (on GDP growth) and provides a reference point concerning the role of the size of the policy interventions for their overall effectiveness.
- Concentration of targeting: measured as the inverse of the coefficient of variation of expenditures across measures within each category, region and programming period; and showing whether interventions were narrowly focused or dispersed across measures within each intervention.
- Planning inconsistencies: measured as the percentage difference (in absolute terms) between expenditure and allocations; and capturing the impact of ‘unexpected’ deviations from planned interventions.
- Targets-needs alignment: measured as the absolute distance in the assessment scores of the “objectives” and “needs” variables; and capturing the effect of optimal targeting (i.e., policy prioritising on ‘on the ground’ needs).

Since the dependent variable in this specification is ordinal (with 5 ordered categories rather than a full cardinal scale of the variable), we use here an Ordered Logit model estimated via Maximum Likelihood. The model includes a number of variables added to avoid detecting spurious correlations, such as fixed effects for regions and programming periods, as well as other controls (as appropriate) and various interaction terms that try to capture the differentiation of the effects of the above-listed features across space (regions) and time (programming periods).

## ANALYSIS AND RESULTS

The empirical investigation produced a large number of results that cannot be presented, or discussed, in their entirety here. In this section we discuss the main findings. More detailed results can be made available upon request.

**Regional growth.** Our results reveal a strong positive association between the level of expenditure (as a share of regional GVA) and the rate of output growth for each region (see Table 6). In the fixed effects model the estimated coefficient (32.34) corresponds to an annualised growth elasticity of about 5.8%, suggesting that a rise in spending by 1 percentage point (approximately, a doubling of spending) could increase growth by 5.8 percentage points per annum. Although this effect seems to be almost implausibly high, it is very consistent across alternative specifications. Looking specifically into the different programming periods (interaction effects) reveals that the association between economic growth and expenditure was strongly positive in the 1994-1999 and 2000-2006 periods; strongly negative in 2007-2013 (possibly related to the impact of the crisis), and insignificantly negative in 1989-1993. This result is contrary to some previous literature evidence which finds an increasing impact in more recent programming periods (which was discussed earlier) but of course it applies here to a much smaller and more ‘selected’ sample.

Concerning possible threshold or saturation effects, our evidence suggests rather a strongly linear link between regional growth and cohesion spending (this comes to the evidence that in all econometric specifications examined, the quadratic term is negative but not statistically significant). Also not statistically significant is the interaction between the level of expenditure and various local characteristics (income levels, unemployment rates, R&D spending, road density, and others). Seen in conjunction with the significance of the regional fixed effects, this suggests that while the overall local context matters for Cohesion Policy, no one single regional feature can capture this contextual local-specific influence. More important - and statistically very significant - is the finding concerning the shortfall between programme allocations and actual expenditure (absolute percentage deviation): here we find consistently a strong negative association, with an increase by 1pp in the deviation between allocations and expenditure reducing growth by 0.16pps. The opposite effect is found for the concentration of expenditure (in fewer

measures within each priority axis): a one-point reduction in concentration (rise in the coefficient of variation) is found to reduce growth by 0.2pps. Concentration may also be beneficial with regard to the directing of expenditure not only to specific measures within objective categories but also to specific categories of objectives at large. Our empirical results show that there are substantial differences in this regard - with the strongest effects found for expenditure in 'Enterprise', 'Sectoral development' and, somewhat unexpectedly, 'Social cohesion'; while the effect for expenditure in the 'Innovation' category is negative.

**Overall achievement.** The heterogeneity of results across categories of objectives, but with a strong overall effect of cohesion expenditures, is also confirmed in the analysis of reported achievements (see Table 7). Here, spending in 'Environment' and 'Infrastructure' appears to have the highest effectiveness while, as before, spending on 'Enterprise', 'Sectoral development' and 'Social cohesion' is also positive. Spending concentration is also found to have a positive effect, although this varies often significantly across regions and across categories of objectives. The negative effect of planning inconsistency is also found here, although it appears strongest in the last programming period and thus possibly related to the effects of the crisis. By far, however, **the strongest effect comes from the measure of misalignment between targeted objectives and identified needs. Misalignment in this respect is found to reduce significantly the reported achievements of Cohesion Policy**, with an effect that is statistically strongest than any other of the estimated effects. Moreover, this type of misalignment also seems to affect directly the effectiveness of cohesion spending: the interaction term between expenditure and misalignment in targets/needs is negative and statistically significant, showing that any euro spent on Cohesion Policy interventions becomes potentially less effective when actual expenditure deviates from ex ante planning. This is the strongest - and most novel - effect emerging from our analysis and comprises the strongest conclusion for policy, as is discussed next.

## POLICY CONCLUSIONS

The analysis presented in this chapter has some unique features relating to the uniqueness and level of detail of our data. Based on this unique data source we were able to examine in close detail the association of Cohesion Policy with economic growth and, - even more importantly - with context-informed reported achievements over the long time-horizon covered by the four programming periods since 1989. Our results show that **Cohesion Policy expenditure has an unequivocally positive association with regional growth in ‘treated’ regions. The scale of the effect, however, is conditioned** on a number of characteristics which, crucially, have more to do **with the structure of the expenditure than with individual regional characteristics.** Above all, **concentration and effective targeting of expenditure** - both in terms of planning consistency and in terms of consistency between targeted objectives and on-the-ground needs - **appear to be the most critical factors conditioning the overall effectiveness, and the successes and failures in terms of achievements,** of Cohesion Policy. This result resonates well with studies that have unveiled significant planning problems in countries with known limited effectiveness of public spending (e.g. for Greece see Monastiriotis and Psycharis, 2014).

Two important research-based policy conclusions emanate from these observations. **First, cohesion spending seems to have the potential to mobilise regional growth with limited signs of saturation or conditioning on regional parameters.** On the basis of this, cohesion spending should continue to be made available to all lagging or declining regions, especially given the known effects that national capacities have on regional growth potentials (Monastiriotis, 2014). **Second, the effectiveness of spending depends crucially on the alignment between targeted objectives and identified needs** (Crescenzi, 2009). Cohesion Policy should thus encourage targeted interventions that concentrate spending on few well-prioritised objectives that will correspond well to appropriately-identified regional needs. Dispersed spending with limited targeting may prove wasteful and achieve significantly less, in both ‘more able’ and in ‘lower capacity’ regions.

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## ANNEX

**TABLE 6. THE CHARACTERISTICS OF ERDF EXPENDITURES AND THEIR IMPACT ON REGIONAL GROWTH**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Tot. exp. (%GVA)	20.27***	32.34***		27.03	23.13**	21.85***	
1989-1993 p			-25.37				
1994-1999 p			26.76***				
2000-2006 p			23.41***				
2007-2013 p			-27.05***				
Tot. exp. squared				-249.2			
Shortfall (abs % dev. from allocation)					-0.17***		-0.13***
Dispersion (across measures in cat.)						-0.20***	
Targeting (exp. per category)							
Enterprise							25.52**
Sect. dev.							41.14**
Innovation							-121.9*
Environment							13.02
Soc. cohesion							374.5**
Labour mkt							28.92
Community							65.00
Infr.							-0.19
Constant	-0.29***	-0.25	-0.18**	-0.25***	0.13	0.10	-0.09
Fixed eff.		Yes			Yes		
Obs.	59	59	59	59	51	51	51
R-squared	0.175	0.285	0.526	0.178	0.473	0.262	0.497

Notes: Data as described in the text. Further details about estimation methods and specification issues are available from the authors. \*, \*\* and \*\*\* show significance at the 10%, 5% and 1% levels, respectively.



**TABLE 7. REGIONAL AND POLICY-DESIGN CHARACTERISTICS AND THEIR EFFECTS ON PERCEIVED ACHIEVEMENTS BY AREA OF EXPENDITURE (OBJECTIVES/AXIS)**

	ALL	ALL	ENT.	SECT. DEV.	INN.	ENV.	SOC. COH.	L. MKT	COM.	INFR.
Total exp. (%GVA)	155.8***	192.5***	394.4	138.4	-471.3	1,0**	831.1	279.0	72.3	406.9*
Target-needs missal.	-									
	0.695***	-0.542***	-3.5***	0.3	-2.7***	-4.9***	0.6	1.9***	-0.6	-0.4
Interaction		-137.2*								
Spending dispersion (across measures)			0.2	-0.7	0.9	-2.5***	-0.2	1.4*	0.1	-1.4**
Shortfall (std% dev.)	-0.099**		4.5*	0.1	0.7	-4.0**	-0.8	1.9	14.6	7.0*
1989-1993 effect		-0.001								
1994-1999 effect		0.120								
2000-2006 effect		0.480								
2007-2013 effect		-0.127***								
Fixed effects	Inter-acted only	Obj. (axis) & interact.	Regions and programming periods							
Reg. Dummies	Incl.	Incl.								
Constant	2.049*** (0.517)	3.624*** (0.647)	7.9*** (2.4)	36.0 (3,3)		7.2** (2.9)		29.5 (1,5)	37.2 (5,0)	
Obs.	416	416	52	52	52	52	52	52	52	52

Notes: Data as described in the text. Further details about estimation methods and specification issues are available from the authors. \*, \*\* and \*\*\* show significance at the 10%, 5% and 1% levels, respectively.

## 7. IMPACT EVALUATION OF AIR QUALITY: A STEP TOWARDS IMPACT EVALUATIONS ON HEALTH AND QUALITY OF LIFE

*Oto POTLUKA (University of Basel)*

*Jan BRUHA (University of Economics in Prague)*

### ABSTRACT

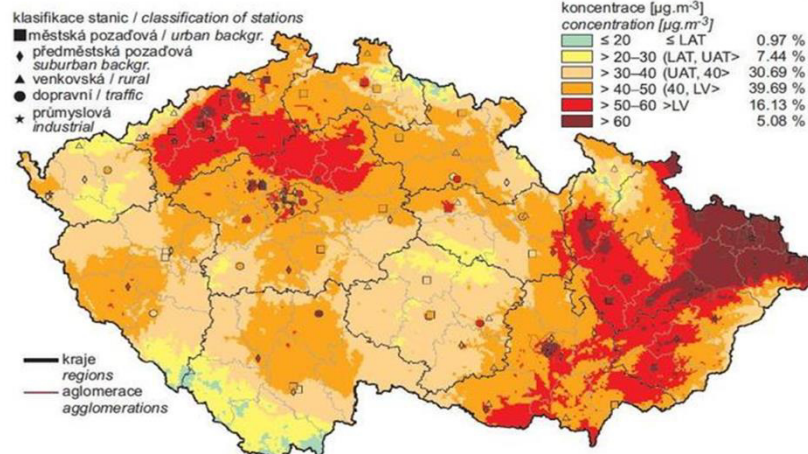
Evaluation of impacts of the EU investments on the quality of life and health is still a neglected topic. Health is one of the factors influencing the quality of life and it is closely linked to the quality of air. Our study evaluated whether the EU investment led to decrease air pollution. We have not found a significant influence of the EU investments on air pollution. Our policy recommendation concerns the need to perform a further analysis in a longer time span. It is apparent that further evaluations of investments on the issues of quality of life are needed.

## PRESENTATION

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 <b>IMPACT EVALUATION OF AIR QUALITY: A STEP TOWARDS IMPACT EVALUATIONS ON HEALTH AND QUALITY OF LIFE</b>  Oto POTLUKA (CEPS, University of Basel) Jan BRUHA (University of Economics in Prague)  <b>LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016</b>

## AIR POLLUTION – PM<sub>10</sub>

IMISE – Česká republika  
AIR POLLUTION – Czech Republic



Obr. II.4.2.7 Pole 36. nejvyšší 24hod. koncentrace PM<sub>10</sub> v roce 2010  
Fig. II.4.2.7 Field of the 36<sup>th</sup> highest 24-hour concentration of PM<sub>10</sub> in 2010

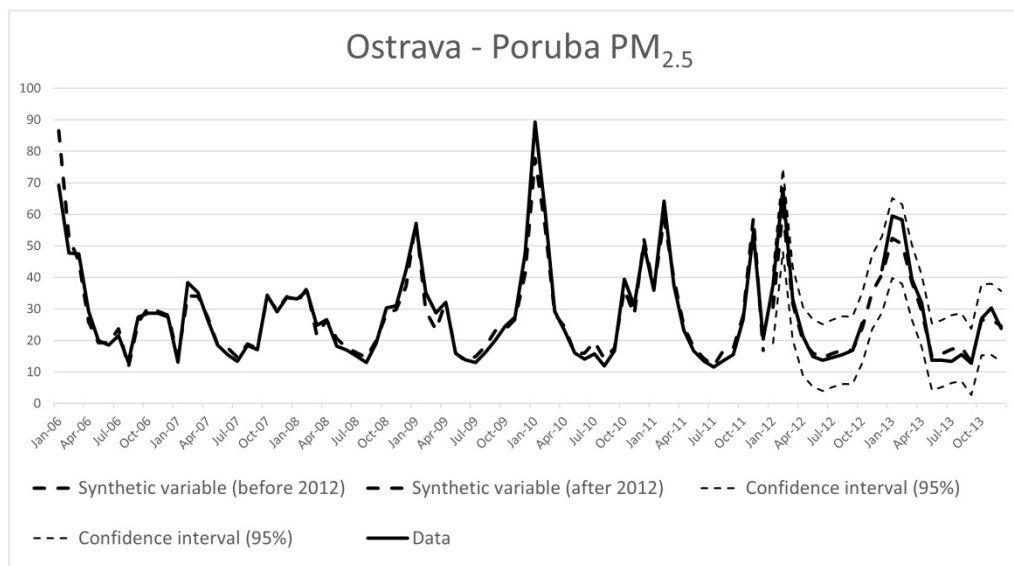
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## APPROACH TO THE RESEARCH

- EVALUATION OF THE OPERATIONAL PROGRAMME "ENVIRONMENT", INTERVENTIONS AIMED TO DECREASE AIR POLLUTION
- RQ: HAVE LED THE INVESTMENT OF 267.5 MILLION EUR TO A DECREASE IN AIR POLLUTION (PM<sub>2.5</sub> AND PM<sub>10</sub>) IN THE OSTRAVA REGION?
- DATA: CZECH HYDROMETEOROLOGICAL INSTITUTE (POLLUTION AT 72 STATIONS ACROSS THE CZECH REPUBLIC, WEATHER),  
MA – DATA ON PROJECTS' IMPLEMENTATION.

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## POLLUTION IN TIME: SCM



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## CONCLUSIONS

- WE HAVE NOT FOUND IMPROVEMENT IN AIR QUALITY IN THE SURVEYED REGION
- SUPPORT INTENSITY HAS INCREASED AT THE END OF THE PROGRAMMING PERIOD
  - NECESSITY TO APPLY THE METHOD IN THE POST-INTERVENTION PERIOD
- NECESSITY TO COLLECT ALSO DATA FROM POLAND
- SOLID BASIS FOR A START OF A SCIENTIFIC AND POLITICAL DISCUSSION ABOUT IMPACT EVALUATIONS ON QUALITY OF LIFE

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# IMPACT EVALUATION OF AIR QUALITY

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## INTRODUCTION

The EU Cohesion Policy aims to promote four objectives: economic growth, job creation, the competitiveness of companies, and the quality of life (EC, 2016). Among the increasingly prominent rigorous research belong studies on impacts of support programs for companies (Alecke, Mitze, Reinkowski, & Untiedt, 2012; Einiö, 2014) or on employment (Abramovsky, Battistin, Fitzsimons, Goodman, & Simpson, 2011; Hamersma, 2008; Lechner, Miquel, & Wunsch, 2011). Thus, there are many studies concerning evaluation of impacts of this policy on the first three objectives, but the evaluation of the fourth one is still neglected. Our research aims to fill this gap by evaluating impacts of EU Cohesion Policy (CP) on quality of life by evaluating impacts on air quality.

Recent studies addressing the importance of air quality and pollution on health clearly evidenced effects of pollutants PM<sub>2.5</sub> and PM<sub>10</sub> on human

health (Garshick, 2014; Wilker et al., 2014). Although there are a number of studies examining the effects of pollution on human health, the evaluation of the impact of EU Cohesion Policy's programmes on the environment and human health is an omitted theme. Research presented here fills this gap and contributes to the political discussion and evaluation methods. The research question we want to answer is: **what is the impact of EU investment on air pollution?** The Moravian-Silesian region is of our interest. It belongs to places the most exposed to air pollution in the Czech Republic. Moreover, air quality in Ostrava region is in focus of the Czech Operational Programme Environment.

## EXAMINED PROGRAMME OF AIR PROTECTION

The Czech Operational Programme Environment is a program focusing on investments of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) on environment. The object of our research in the OPE is the priority axis 2 aiming to improve air quality and to reduce emissions. The first specific objective of this priority axis is to reduce public exposure to excess concentrations of PM<sub>10</sub> and PM<sub>2.5</sub>, which are pollutants of our concern. An objective indicator in this priority axis is the proportion of the population of the Czech Republic exposed to high concentrations of PM<sub>10</sub>. The aim is to reduce this exposition from the level of 66% in 2005 to a level of 60% at the end of the programming period in 2013.

In this research, we focus on investments in the Moravian-Silesian region which obtained the highest number of projects in priority axis 2 (12.7%) among all Czech regions. Of the whole allocation in the priority axis 2, 41.0% was invested in the Moravian-Silesian region.

## DATA AND METHODOLOGY

The data used for the analysis comes from the monitoring system of the Operational Programme Environment and the Czech Hydrometeorological Institute. Data on the projects allows the identification of areas of support,

start and end dates of projects, short verbal description of the activities implemented, the amount of financial support and a municipality in which the project was implemented. Data about pollution and weather contains information from 72 monitoring stations across the entire Czech Republic. Data covers the concentration of pollutants PM<sub>2.5</sub> and PM<sub>10</sub>, NO<sub>x</sub>, SO<sub>2</sub>, monthly averages on air temperature, length of sunshine, and precipitation. Data of the Czech Hydrometeorological Institute cover the period between the years 2006 and 2013. The data from the monitoring system cover a shorter period 2007-2013.

Statistical methods usually require samples of large number of cases. In our case, investments in air protection, however, will hardly find a large number of regions which we could compare. With regard to the type of intervention, it is necessary to use another method. That is the Synthetic Control Method. This is an evaluation method that is applied, if there are a small number of cases (usually cities, regions or countries). This differentiates this method from methods based on matching treated and control groups that require data for many cases (e.g. individuals or companies).

**The Synthetic Control Method**, developed by Abadie and Gardeazabal (2003), is based on the creation of a hypothetical synthetic unit that is very similar to the observed characteristics of the treated unit in the period before the intervention. Subsequently, the difference between the tested variable of synthetic and treated unit is taken as an estimate of the impact of the intervention. In our case, we have synthesized development of pollution by PM<sub>2.5</sub> and PM<sub>10</sub> for measuring stations in the Moravian-Silesian region.

The general principle of the method is to establish a synthetic “counterfactual” region on the data of other regions. In our case, the synthetic region is based on the data preceding 2012 to compare development since January 2012. However, we conducted analyses also for other periods.

In our case, the aid intensity gradually increases. There were only two projects in size of 0.6 million EUR implemented in 2010. The disadvantage is that the data cover the period in which the support intensified, and therefore may influence the results. Thus, we concentrated only on impacts of 87 projects of size of 10.0 million EUR implemented till 2012, although there were implemented 298 projects of size of 267.5 million EUR till 2015.



## DESCRIPTIVE STATISTICS

This section describes the basic characteristics of the data sample. The monthly time series of pollution starts in January 2006 and ends in December 2013. For PM<sub>10</sub>, however, we work with data from January 2007. The reason is the lack of data for a large number of stations in 2006 for PM<sub>10</sub>. We use data from the measuring stations which have at least 80% of the data available during the period.

Table 8 shows the descriptive statistics for PM<sub>2.5</sub>. For this type of pollutant we have data for the five monitoring stations in the Moravian-Silesian region. The table shows that average concentrations before and after 2012 are not significantly different from each other and therefore we do not accept the hypothesis that after 2012 the concentration of PM<sub>2.5</sub> declined. Simultaneously standard deviations are quite high due to high seasonal component in time series.

**TABLE 8. DESCRIPTIVE STATISTICS FOR MONTHLY CONCENTRATIONS OF PM<sub>2.5</sub> IN OSTRAVA REGION (MG/M<sup>3</sup>)**

INDICATOR	OSTRAVA-PORUBA	OSTRAVA-PŘÍVOZ	OSTRAVA-ZÁBŘEH	TŘINEC-KOSMOS	VĚŘŇOVICE
Mean concentration (all cases)	28.27	37.50	32.54	29.58	41.01
Mean concentration (before 2012)	28.37	38.25	32.64	28.97	42.43
Mean concentration (after 2012)	27.97	35.34	32.22	31.37	36.43
Std. deviation (before 2012)	15.34	19.20	16.50	15.34	26.41
Std. deviation (after 2012)	16.38	18.16	15.87	19.23	19.21
p-value	0.54	0.74	0.54	0.73	0.83
N of observations (before 2012)	72	70	72	70	71
N of observations (after 2012)	23	24	24	24	22
N of observations (total)	95	94	96	94	93

*Source: CHMI, own calculations, p-value less than 0.05 would indicate statistically significant differences before and after January 2012.*

We perform additional statistical tests whether there is a statistically significant decrease in the concentrations after 2012, at least in winter months. This test does not show a statistically significant decrease in concentration. The estimates of impacts are similarly not statistically significant also PM10 for all above-described models.

## SYNTHETIC CONTROL METHOD

Although the mean concentrations have not decreased, it does not necessarily mean that the intervention has no effect. It is possible that without intervention, the mean concentrations would rise and the effect of the intervention is then actually a difference between this hypothetical increase and the actual value. In order to sort this issue out, we apply a synthetic control method.

Our dependent variable is pollution concentration at time  $t$  for a particular measuring station. We have then used the available characteristics of all regions to synthesize “the treated region” after the intervention (i.e. after 2012). Thus, we can then estimate the values of pollution in the region in question, which would occur if the intervention was not present. The difference between such “synthesized” values and actual values is the estimated impact of intervention.

The method is dependent on selection of appropriate key explanatory variables. In our case, we have used socio-economic data for individual regions which could affect the level of pollution. We have taken into account the level of economic activity such as per capita GDP, unemployment, the number of workers in the industry, the number of cars and trucks registered and indicators of weather (temperature, precipitation). We were, however, limited by data that are available for all regions of the Czech Republic.

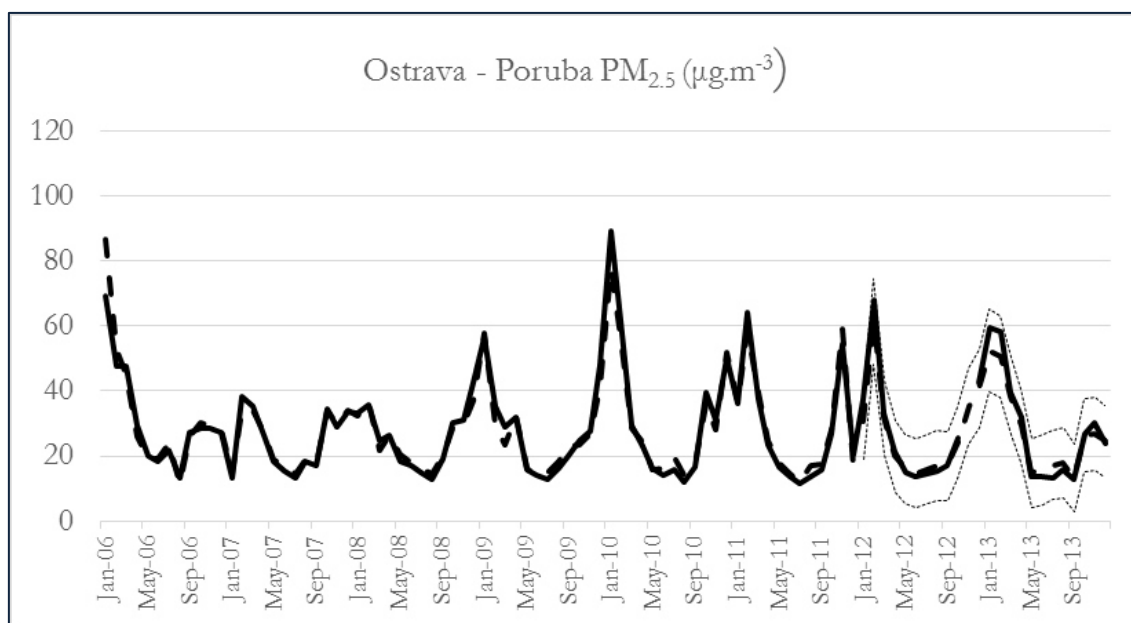
One variable explains the concentration of pollution in the Moravian-Silesian region very well. It is pollution measured on stations from all other regions of the country. If we include it into the regression, we can explain more than 90% of variability of the data and the estimates for other variables are insignificant. Of course, it does not mean that economic activity, the number

of cars or the weather are not relevant to the concentration of pollution, but it means that these variables are highly correlated at the national level.

As an example of the results, we use one measuring station and two pollutants in the region (see Figure 3). It describes the data for PM<sub>2.5</sub> and PM<sub>10</sub> concentrations. Continuous line indicates the observed data. The dotted line characterized both synthesized data before 2012 and estimated one after 2012. We see that the actual and the synthesized data are very similar and hence our estimations on the data before 2012 have a very good fit.

After January 2012, the development of pollution is similar for both synthetic and actual regions. If the intervention had a significant effect on the reduction of pollution, the synthetic variable would be located significantly above the observed data. A similar analysis was performed for all measuring stations and all pollutants and **we have not found a single case where it would be possible to say that the intervention had a significant effect on the reduction of pollutant concentrations after 2012.**

The last remark refers to seasonal component. As we discussed in the description of data and as seen on the Figure 3, data on pollution concentrations are very seasonal. For this reason, we estimate the robustness of our results using the SCM method rather than the level, but also on annual changes, while the annual changes remove the seasonal factors. Our conclusions remain valid even when using this transformation.



**FIGURE 3. DEVELOPMENT OF CONCENTRATIONS OF POLLUTION (SOURCE: CMHI, OWN CALCULATIONS)**

## CONCLUSIONS

To conclude, the implementation of the Operational Programme Environment did not make the air pollution better in the Moravian-Silesian region after 2012. From this perspective, it is also possible to conclude that if the intervention had no impact on pollution, then neither could affect the health of the population in the region in question.

The way we have used synthetic control method has its limits. Specifically, investment intensity increased with the approaching end of the programming period and we had included only dozens of projects in our analysis. Therefore, we plan to repeat the analysis when there will be available longer time series in data for years 2014 to 2016 and include also data for Polish measuring stations. By doing this, we want to continue the discussion on impacts of EU investments on health and quality of life as one of the main objectives of the EU Cohesion Policy.

## AUTHORS

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## DISCLAIMER

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## 8. WHY DOES POLICY LEARNING HAVE LIMITED IMPACT ON POLICY CHANGES?

*Marek W. KOZAK (University of Warsaw)*

### ABSTRACT

Evaluation studies are important for the adequate allocation of public financial resources and for the checking of the adequacy of the needs of the EU Cohesion Policy as well as structure and structural policy of the EU and member states. The main hypothesis of this chapter is: the drivers of policy change are outside the evaluation and monitoring system.

*Methodology:* the article is based on literature review and overview of documents and statistical data available in one of the MS and on the experience of the author as evaluator, author of numerous papers, empirical researcher.

## PRESENTATION

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 <b>WHY DOES POLICY LEARNING HAVE LIMITED IMPACT ON POLICY CHANGES?</b>  Marek W. KOZAK (University of Warsaw, EUROREG)
LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016



## AIM AND HYPOTHESIS

- **AIM**  
ANALYZE WHY POLICY LEARNING  
(BASED ON EVALUATION & MONITORING) HAS LIMITED  
IMPACT ON POLICY CHANGE
- **HYPOTHESIS:** DRIVERS OF POLICY CHANGE ARE EXTERNAL  
TO THE EVALUATION & MONITORING SYSTEM, WHICH HAS  
INTERNAL CHARACTER

## THE WORLD IS CHANGING

- THE WORLD IS COMPLEX AND GLOBAL,  
THE DEVELOPMENT PARADIGM IS CHANGING  
(MORE IN REALITY THAN IN OUR MENTALITY)
- DEVELOPMENT DRIVERS ARE MORE INDEPENDENT  
FROM INTERVENTION MANAGEMENT INFLUENCE

### **IT HAS IMPACTED** THE ADMINISTRATION:

- **FROM** CLASSICAL MODEL OF IDEAL ADMINISTRATION  
(WEBER)
- **TO** NEW FORMS OF GOVERNANCE: MULTILEVEL  
GOVERNANCE, NEW PUBLIC MANAGEMENT, ...

## EVALUATION AND MONITORING AS A SOURCE OF INFORMATION

- THE EU CAUSED INCREASE OF FUNDING FOR POLAND;
- POLAND ESTABLISHED «EVALSED»  
AS METHODOLOGY FOR EVALUATION AND MONITORING
- OPEN ISSUE: WHAT HAPPENS TO «EVALSED»  
AFTER 2020 (WHEN THE EU POLICY POSSIBLY ENDS)?

## EVOLUTION OF EVALUATION

- FOUR PERIODS:
  - PREACCESSION, 2004-2006, 2007-2013 AND 2014-...
- QUANTITATIVE RATHER THAN QUALITATIVE DEVELOPMENT  
REPORTED
  - 5 IN 2004, 172 IN 2010, 99 IN 2013, INCREASE PLANNED
- DOMINANT OPERATIONAL STUDIES,  
NOT ABOUT RESULTS OR IMPACTS

## MAIN BARRIERS AND CONCLUSIONS

- EVALUATION UNITS ARE PART OF MANAGEMENT SYSTEM
- MANY OPERATIONAL STUDIES BECAUSE OF LARGE SPENDING
- EX-POST EVALUATIONS DO NOT HELP TO DEVELOP NEXT PROGRAMMING PERIODS

### CONCLUSIONS

- EVALUATION HAS SMALLER IMPACT THAN EXPECTED
- IF EVALUATION IS DEPENDENT ON MANAGEMENT AUTHORITY (OR POLICYMAKERS), RESULTS WILL BE OVERLY OPTIMISTIC
- THE DRIVERS OF POLICY CHANGE ARE OUTSIDE THE EVALUATION AND MONITORING SYSTEM.

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**WHY DOES POLICY LEARNING HAS LIMITED IMPACT  
ON POLICY CHANGES?**

## INTRODUCTION

Evaluation (based mostly, but not exclusively, on monitoring data) is officially supposed to contribute to policy quality and its adequacy to the development needs. In fact, against our expectations, the learning process is not that easy: evaluations are neither used for the next programming period, nor used to develop the subsequent programming period. There is a simple reason for this. In the first case, this is due to the fact, that as the programming period is developed (strategies approved, operational programmes drafted and negotiated) the previous period is still fully operational, not finished. Therefore, no final conclusions stemming from ex-post evaluations can be used, as they do not exist. In the second case it is just too late: policy changes are much more important than previous experience. That is why the main hypothesis says that the drivers of policy change are outside the evaluation and monitoring system, therefore evaluation has more than limited impact on policy creation. In order to corroborate this hypothesis the following issues shall be analysed:

- The basic definitions;
- The quantitative and qualitative evolution of evaluation studies (with Polish examples);
- Reflections on barriers to the learning process.

The main methods used include literature, documents (both Polish and EU documents) and statistics review plus own experience as an evaluation lecturer. Sources of information are obviously limited by the methods described above. The analysis will be primarily focused on the 2007-2013 programming period. For a very simple reason: the 2007-2013 period was most active up to the end of 2015. Based on this analysis, conclusions and policy recommendations will focus on how to change the evaluation process and improve its impact on the quality of intervention.

## DEFINITIONS

Against expectations, the definition of evaluation is relatively stable, but its role in policymaking is changing considerably. Evaluation in case of

organization is generally defined as a set of activities done with the idea of organisational performance and efficiency (Griffin 1986). One of the first well-known definitions of evaluation in the case of the Cohesion Policy is simple: “judgement on the value of a public intervention with reference to criteria and explicit standards” (European Commission, 1999, vol. 6, p.17). Recently the majority of researchers put additional emphasis on systematic collection and analysis of data gathered. The largest is the evaluation system created by the European Commission for the needs of the Cohesion Policy. While at the end of the 2007-2013 programming period evaluation was seen as “boosting regional innovation performance as a key EU priority that will directly contribute to the Europe 2020 strategy. (...) The Member State managing authorities are tasked with delivering and evaluating Structural Fund co-financed innovation measures. However, in some EU regions, the design and delivery of innovation measures is still a relatively novel form of policy intervention”. (European Commission, 2012, p.8).

Based on the EU regulations, evaluation is divided between ‘operational’ (monitoring needs and providing assessment of the implementation progress) and ‘strategic’ (relating to socio-economic objectives and horizontal policies), and can be carried out before (ex-ante), during (ongoing) and after (ex-post) the policy intervention. It is clear that evaluation started to be used instrumentally with increasing emphasis as a cohesion driver. As against expectations, many individual countries (in particular those less developed) did not use this opportunity to change internal development policy, in the period 2014-2020 the innovation policy (among others closely related to the strategic goals of Europe 2020) put serious emphasis on macro- and micro-conditioning and controlling of every member state. This influenced evaluation in this period, which was considered more subordinated to the goals and needs of the monitoring system. Interestingly, according to Common Provisions Regulation (European Parliament and Council, 1303/2013, p. 105-107, which was amending the regulation no. 1083/2006 for 2007-2013) evaluation is an instrument serving better monitoring (and not the other way round). This is definitely a very instrumental approach to evaluation.

## QUANTITATIVE AND QUALITATIVE EVOLUTION OF EVALUATION STUDIES

In the field of evaluation studies, Poland is considered one of the top evaluation experts due to a number of studies, the institutional evaluation system and the amount of funding spent (supposedly proportional to the large amount of evaluation studies). However, is evaluation itself better due to the quantity or quality of studies?

According to Bachtler (2012), **evaluation** refers to different elements of knowledge and learning processes, **but its utility depends** first of all on the proper **formulation of research (evaluation) questions by those commissioning, adequate knowledge and skills evaluators and general ability to communicate with the policymaking community**. The quality of evaluation, though, depends to a large extent on evaluation culture. What is the situation like in Poland, as it is one of the countries undergoing the transformation from a less developed to a better developed EU country?

In practice, the first condition seems to be met. From 2008 to 2014, the Poland's 'Evaluation Academy' (organized by EUROREG, University of Warsaw), trained the majority of the staff of the National Evaluation Unit at the Ministry of Regional Development (later Ministry of Infrastructure and Development, and recently Ministry of Development) and those in charge of evaluation in other national ministries as well as regional evaluation units. The high quality of the lectures and workshops ensured high quality of the staff trained, visibly influencing the quality of yearly evaluation plans and increased the quality of evaluation studies commissioned. However, in practice it turned out that the quality on this level depends not only on the quality of the evaluation staff (knowledge and skills), but also on the questions and topics imposed by top administrators and politicians (national and regional). This probably explains why meta-analyses of evaluation concentrate on the quantity rather than the quality of evaluations, and why so few studies were focused on systemic questions. The same goes for the knowledge and quality of staff members of Managing Authorities on the regional level. In practice, most of the numerous evaluations were of operational character only. Only in the case of ex-post evaluations more general questions were raised, however the most difficult problems were not explored and evaluation mainly focused on operational characters. Finally,

these evaluations did not have significant influence on the next programming period (for reasons explained).

In the development of evaluation practice, the following phase can be identified.

1. Pre-accession (until 2004). Few studies, no methodology adjusted to pre-accession programmes, painful shortage of monitoring and monitoring specialists (Kozak 2004a; 2004b).
2. Construction of the evaluation system (period 2004-2006). During the first post-accession period, a 'preparatory period' is managed by the National Evaluation Unit. This period was characterized by numerous weaknesses of the centralised management system of the numerous operational studies with problems on the identification of sources and formulation of proper recommendations. Shortage of staff and delayed financing were additional problems (MIR 2014a). Due to the fact that relatively simple Operational Programme Complement, required at that time by the Commission, had the status of Polish regulation, the process of any change was time consuming, thus leading to high uncertainty level among beneficiaries and potential beneficiaries.
3. Period of stabilisation (programming period 2007-2012). This period slightly reduced the pressure on operational studies. In the case of evaluation, this period was characterized by evaluation training and development both on the national and regional levels, thanks to the newly established Ministry of Regional Development. This, to a large extent, was possible thanks to the decentralization of structural funds management in Poland (2006) with regional operational programmes and managing authorities. The consultancy and advisory market developed steadily, there were more and more publications by, first of all, the Ministry and the Polish Agency for Entrepreneurship Development (PARP). Those publications increasingly referred not only to foreign, but also Polish experiences and concepts. The Polish Evaluation Association was strengthened. Increasingly, evaluation became an area of research innovation (see Olejniczak, 2012), which brought a number of valuable observations concerning the real impact of 'Europeanization' on ministerial structures. The Evaluation Academy established in 2008 played a significant role in this process (MIR 2014b).

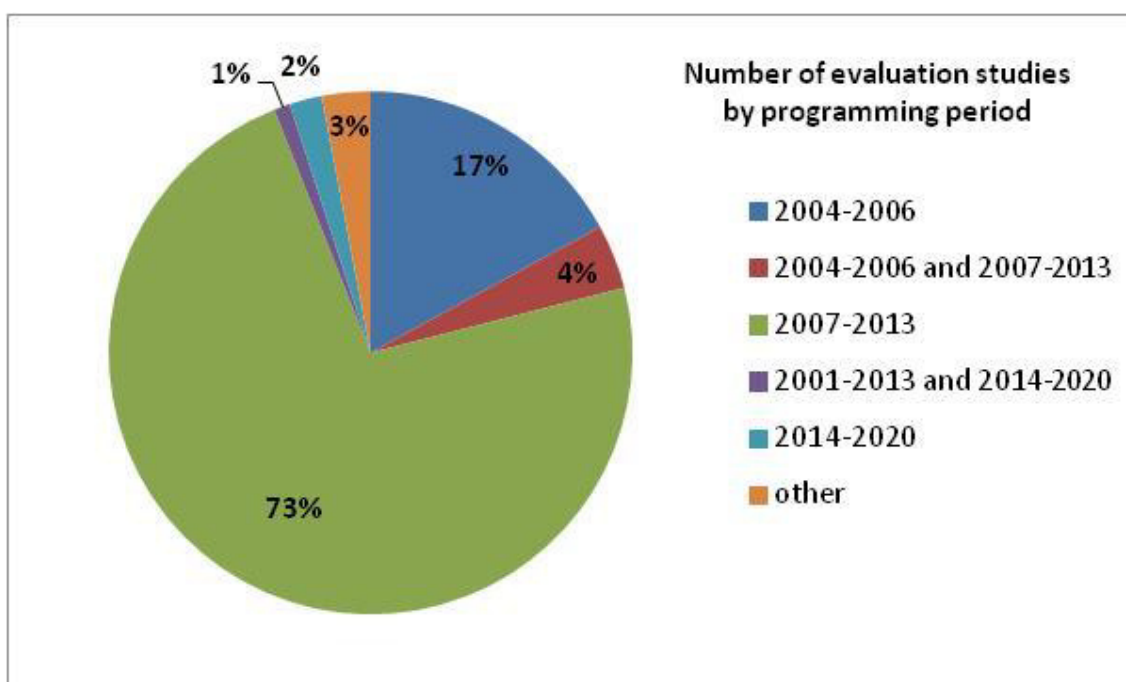


In that period, the requirement of ex-ante evaluations of national planning documents was introduced, which additionally had a positive impact on the quality of evaluation studies.

4. The maturity period that started around 2012. In this period, the number of evaluation studies started to diminish slightly, while their quality increased. The subsequent editions of the Evaluation Academy plus numerous publications played a significant role (MIR 2014b).

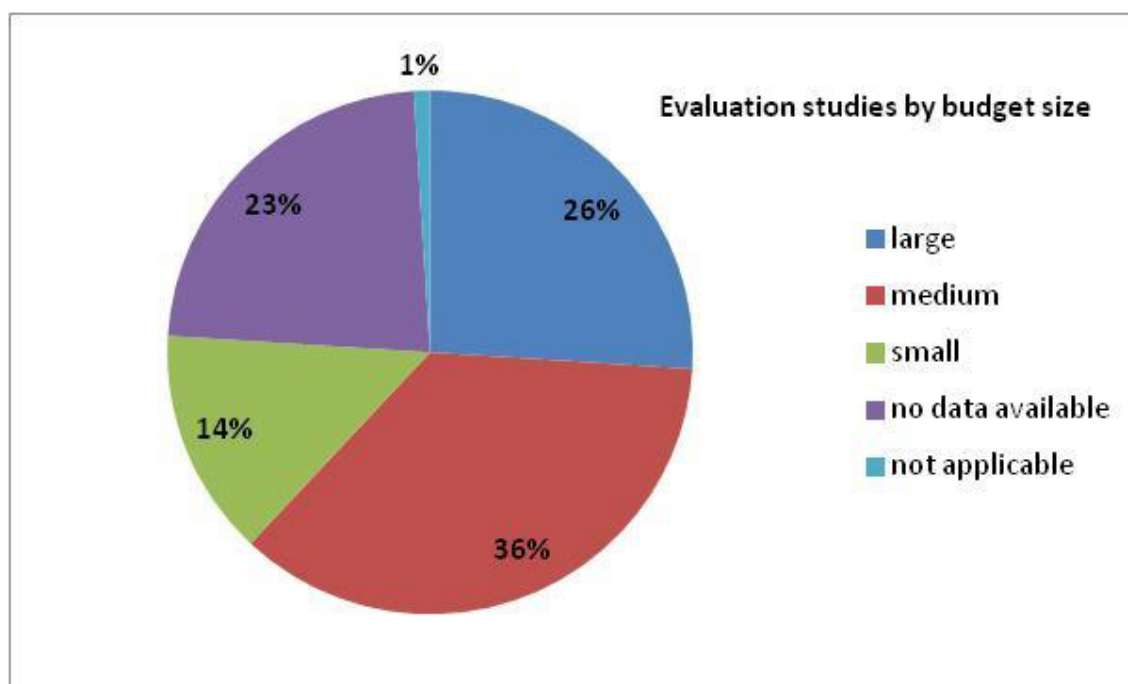
According to most of the publications based on ministerial data, the answer sounds: yes, up to date, the quantitative issues matter. What can we learn from them?

The most informative is the publication of MRR (2014b) which is trying to summarise the evaluation system and its evolution over time (see Figure 4 and Figure 5). Unfortunately, despite various remarks, the main presentation is based on quantitative, not qualitative assessment of evaluation. Most studies were done in 2007-2013 period (73%) and minor significant share in 2004-2006 (17%).



**FIGURE 4. THE EVALUATION RESEARCH STUDIES BY PROGRAMMING PERIOD (SOURCE: MIR, 2014b)**





**FIGURE 5. THE EVALUATION RESEARCH STUDIES BY SIZE OF THE BUDGET (SOURCE: MIR, 2014b)**

In terms of budget size, one fourth of the study was over 75,000 PLN large studies), one third were medium (30-75,000 PLN) and about one sixth were small (below 30,000 PLN), thus data for other evaluations are not available. Relatively high percentage of medium-budget evaluations confirms an increasing activity of evaluation units on the regional level, where many studies were of operational character (MIR 2014b). It also proves that on many occasions the studies were limited to solving minor managerial problems. Figure 4 suggests that the number of evaluation studies increased significantly from the accession period (5 in 2004) to 172 in 2010 and decreased to 99 in 2013. For the period 2013-2014 a significant increase is envisaged, probably due to the change of the programming period (MIR, 2014b). Until August 1, 2014, most studies reported were mainly dedicated to 'good governance' (28%), human resources development (26%), regional and territorial development (20%), infrastructure development and modernization (11%), economy innovativeness (10%), other 5% (MIR, 2014b).

**The majority of evaluation studies concentrate exclusively on quantitative data (output indicators). It does not say anything about the results, not to mention impacts.** This is well visible in the meta-evaluation carried out by

the Ministry of Infrastructure and Development, which is based on all sources of information available (MIR 2014b), where all information refers mostly to a number of projects, monies spent, kilometres of infrastructure built, and - only occasionally - the results indicators are used (e.g. shortening the time needed to access main cities). The 2013 MRR report gave a short explanation of the low influence of evaluation studies on general assessment of impact: ‘in the longer perspective along the demand factors there will be supply effects visible, caused mostly by public capital accumulation and support to private capital accumulation’ (MRR 2013). In short, this says that up to 2013 no supply effects were visible. In other words, this means that most European support was used to improve the quality of life instead of entrepreneurship and competitiveness of Polish economy. And despite the fact that Poland is among the fastest developing economies, there are countries developing faster (Lithuania with 25 percentage points, while Poland records 19 pp) (EUROSTAT GDP).

## BARRIERS OF LEARNING PROCESS

The main problem is that the drivers of evaluation change are outside the evaluation (of Cohesion Policy) system. This change was even easier as evaluation of this policy was (and is) a part of the management authorities (or central state authorities). **In theory evaluation is independent, but in fact it is just a myth.** For safety sake, the majority of evaluation units’ employees follow the rules and requirements of managers. Evaluation done by administrative staff should always be treated as part of managerial efforts to achieve the goals politically defined. This probably explains the dominating, very instrumental approach to evaluation, despite high skills of the staff. This goes both for the EU as well as for some Member States. Of course, to a large extent, this depends on national specificity (Jasiecki, 2013).

Another barrier seems to stem from a high propensity to lock-in trend, mainly in less developed countries with short experience in the post-industrial era and its paradigm. For instance, these countries tend to use industrial era development drivers (mostly infrastructure) in a post-industrial era, whereas the main development drivers are of ‘soft’ character such as human capital,

social capital, institutions, culture, innovation etc., as confirmed by the Europe 2020 strategy. This clearly says that nowadays **physical changes are much faster than mental ones**. This goes not only for main beneficiaries but also for the elites politically dependent on the voters.

The third barrier is once again of systemic character. As we know from the Learning Ministries study (Olejniczak, 2012), in some countries 'Europeanization' is limited to departments directly involved in various aspects of EU programmes dealing with siloes-type organisation and not cooperating departments and units, even within single ministries.

**To sum up: the quality of the evaluation system is still too weak to impact the learning process, as it is determined by other factors, remaining fully outside the policy system.**

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## 9. ESTIMATING THE IMPACT OF THE EU COHESION POLICY ON LOCAL LEVEL

*Dominika WOJTOWICZ (Kozłowski University)*

*Łukasz WIDŁA-DOMARADZKI (National Information Processing Institute)*

### ABSTRACT

The evaluation studies aimed at providing evidence on the impact of CP funds on economic growth are dominated by quantitative methods. In this paper, we focused on developing a research design, which combines two approaches: counterfactual and qualitative. The method enables the estimation of the net contribution of EU funds to the dynamics of economic growth and helps to determine types of projects most beneficial in specific local contexts. The results prove that CP projects work best for the growth in relatively well-developed NUTS4, especially if they concentrate the CP funds on the development of SMEs and entrepreneurship.

## PRESENTATION

Regional Studies Association
<b>COHESION</b> <i>POLICY</i>
Research Network
 <b>ESTIMATING THE IMPACT OF EU COHESION POLICY ON LOCAL LEVEL</b>  Dominika WOJTOWICZ (Kozłmiński University), Łukasz WIDŁA DOMARADZKI (National Information Processing Institute)  <b>LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016</b>

## EVALUATING THE IMPACT OF CP ON ECONOMIC GROWTH

- EVALUATIONS ARE DOMINATED BY **QUANTITATIVE METHODS**
- **COUNTERFACTUAL APPROACH** MORE SUITABLE TO ESTIMATE NET EFFECTS, BUT RARELY USE IN OVERALL EVALUATIONS OF THE CP IMPACT ON GROWTH
- **LIMITATION:** "BLACK-BOX" APPROACH
- VERY FEW OF SUCH STUDIES CONDUCTED ON LOCAL LEVEL

## COUNTERFACTUAL+QUALITATIVE APPROACH

- ADVANTAGES OF THE RESEARCH DESIGN PROPOSED:
  - PROVIDES ANSWERS TO: 'WHAT WOULD HAPPEN IF THE GIVEN NUTS4 RECEIVED MORE/LESS FUNDS?', OR 'WHAT WOULD HAPPEN IF A DIFFERENT DISTRIBUTION OF INVESTMENT WAS OBSERVED?'
  - ENABLES TO IDENTIFY DETERMINANTS DERIVED FROM SPECIFIC SOCIO-ECONOMIC CONTEXT: EVIDENCE ON WHICH TYPES OF PROJECTS "WORK" AND WHERE



## RESEARCH STEPS

1. DEFINING LEVEL OF SOCIO-ECONOMIC DEVELOPMENT BEFORE 2007
2. IDENTIFICATION OF 3 GROUPS OF NUTS4: AVERAGE, LEADING, LAGGING
3. IDENTIFICATION OF NUTS4 'STATISTICAL TWINS'
4. ASSIGNING THE PROJECTS TO DISTINCT THEMATIC AREAS
5. IDENTIFICATION OF THE NET IMPACT OF CP FUNDS
6. QUALITATIVE COMPARISON OF NUTS4 TWINS FROM EACH GROUP

## COUNTERFACTUAL ANALYSIS RESULTS

1. CP WORKS BEST IN LEADING NUTS4
2. AREAS TO SUPPORT:
  - **IN AVERAGE NUTS4:** ENTREPRENEURSHIP AND SMEs
  - **IN LEADING NUTS4:** LOCAL INFRASTRUCTURE IN RURAL AREAS, R&TD AND INNOVATIONS, TRANSPORT INFRASTRUCTURE
  - **IN LAGGING NUTS4:** LOCAL INFRASTRUCTURE IN RURAL AREAS



## CASE STUDIES RESULTS

### AVERAGE NUTS4

- **"SUCCESS"**: SUPPORT FOR COMPANIES OFFERING PRODUCTS FOR SUPRA-LOCAL MARKETS
- **"FAILURE"**: CONCENTRATION ON IMPROVING QUALITY OF LIFE

### LEADING NUTS4

- **"SUCCESS"**: URBAN AND SUB-URBAN INFRASTRUCTURE DEVELOPMENT + ATTRACTING FOREIGN INVESTORS
- **"FAILURE"**: NO CLEAR STRATEGY OF THE USE OF FUNDS

### LAGGING NUTS4

- **"SUCCESS"**: INVESTMENTS IN INFRASTRUCTURE OF RURAL AREAS, STRENGTHENING TOURIST POTENTIAL
- **"FAILURE"**: INVESTMENTS IN TRANSPORT INFRASTRUCTURE, RELATIVELY LITTLE USE OF AVAILABLE FUNDS

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## CONTEXT MATTERS: THE IMPACT OF EU COHESION POLICY ON LOCAL LEVEL

## INTRODUCTION

There are many evaluations concerning the impact of Cohesion Policy (CP) on economic growth (e.g. Rodriguez-Pose and Fratesi, 2004; Sosvilla and Murillo, 2005; María-Dolores and Garcia-Solanes, 2001; Brandsma et al. 2012). Most of them focus on the regional dimension without providing evidence of how the CP funds affect different areas within individual regions, while CP funds may play a crucial role in supporting the development of local entities. Moreover, evaluations focused on the impact of the EU funds on economic growth are dominated by studies, which base on econometric modelling. These methods have serious limitations resulting from tautological assumptions adopted within models. They usually simulate a positive change not capturing the negative effects of the EU funds, which may occur in the long-term, after the exhaustion of demand effects (Gorzalak, 2009).

Counterfactual approach seems to be more suitable in evaluations, which should answer the question on the net effects of a particular intervention. However, these methods are not very popular in overall evaluations of CP impact on economic growth of EU member states and their regions. Studies, which adopted quasi experiments in estimation of the structural funds impact mostly bases on econometric techniques, such as regression discontinuity design (RDD), generalised propensity score estimation and other non-parametric methods (e.g. instrumental variables estimation of local average treatment effect). These methods has been used to compare growth in less developed regions (below 75% of average EU GDP per capita in PPS) receiving much more substantial CP support (“treated group”) from regions receiving much lower or no Cohesion Policy funds at all (“control group”) (see Mohl and Hagen, 2008; Becker et al., 2010; Becker et al., 2011; Percoco and Gagliardi, 2014; Crescenzi and Giua, 2015). The results of these studies show the impact of the CP “treatment” but do not provide answers to important questions about the mechanisms and conditions for achieving “success”. We claim that only an integration of quantitative and qualitative (i.e. mixed) methods allows for a complete evaluation of the CP funds effects.

In this paper we propose a research design, which combines two approaches: **quantitative** (based on counterfactual methods) and **qualitative** (case studies of twin-pairs selected from quantitative analyses). The value and novelty of our method result on one hand from **the use of sophisticated statistical tools**

to group territorial units and select pairs of “NUTS4 twins” to counterfactual analyses. On the other hand in our methodology we differentiate types of investment projects to provide the evidence on which of the supported area give the most efficient results for given type of local economy. Our quantitative analyses are then supplemented by qualitative comparison of twin NUTS4, so we could identify types of projects that ‘worked’ in the specific socio-economic context.

Studies based on proposed methodology conducted in Poland provide an important contribution and a lesson for policy makers dealing with CP. The results shows that projects implemented with support from CP funds in 2007-2014 had a net impact on the observed differences in economic growth rate, while only in the case of leading NUTS4 can this impact be called significant. This means that investments supported by CP funds have the greatest rate of return in local economies, which previously showed positive values in socio-economic indicators. In particular, investments implemented in surrounding rural areas have a visible impact on the growth of these units.

## COMBINING THE COUNTERFACTUAL AND QUALITATIVE APPROACH

The first stage of the study involved defining the level of socio-economic development of units under existing intervention, and thus the start of support within the 2007-2013 programming period. For this purpose we used Structural Equation Modelling (SEM) synthetic indicators, which defined the economic structure, labour market situation, level of entrepreneurship, social capital, development level of transport and social infrastructures. Then we conducted hierarchical clustering and fuzzy hierarchical clustering. The analysis allowed the identification of three NUTS4 groups with similar levels of socio-economic development at the start of EU support within the 2007-2013 period (see Table 9).

**TABLE 9. NUTS4 GROUPS IDENTIFIED IN CLUSTERING ANALYSIS**

NUTS4 GROUP	CHARACTERISTICS
GROUP 1: 'average' NUTS4	Average units, undifferentiated by any particular feature from the rest.
GROUP 2: 'leading' NUTS4	Featuring high economic levels units, with slightly less than average levels of road infrastructure development in relation to the number of inhabitants, linked to the fact that this group included all the larger towns with poviat status (with higher than average numbers of inhabitants).
GROUP 3: 'lagging' NUTS4	Featuring weak socio-economic levels units, without large towns, having relatively high levels of road infrastructure development in relation to the number of inhabitants.

The discriminant analysis used in the next stage allowed us to group discriminant measures, which we treated as propensity scores. As a result, units that were closest to each other in terms of the discriminant measures formed pairs of 'statistical twins', and thus NUTS4 with very similar structures and economic development levels.

This method of selecting twinned units exhibits a range of improvements and changes compared to the classic 'propensity score matching' logistic regression method traditionally used in counterfactual studies, significantly broadening its application. In the classic approach, the 'propensity score matching' method is based on the logistic regression model, which means that the condition for using it is the identification of dependent binary variables. Naturally, in many cases this is possible, and the classic 'propensity score matching' can still be used to study the impact of funds in cases where there are distinct groups that receive or do not receive intervention. The problem comes when all the units we are interested in receive intervention, but the amount of allocated funds differs. In this case use of logistic regression is not

possible. The proposed solution addresses the problem in which the counterfactual situation does not relate to possessing or not possessing a given feature, and instead the dependent variable is a category variable or simply a continuous variable. This is particularly important when studying the impact of funds on cohesion policies, where each territorial unit receives intervention, but at different levels. **The proposed method - and this is where its counter-factuality lies - answers the question: ‘what would happen if the given territorial unit received more/less funds’, or ‘what would happen if a different distribution of investment was observed in a given territorial unit.**

Analysis of the net impact of CP funds on the economic growth dynamics was preceded by assigning the projects implemented in NUTS4 to 6 distinct thematic areas (see Table 10).

**TABLE 10. CATEGORIES OF PROJECTS IMPLEMENTED IN NUTS4 (2007-2014)**

CATEGORY	TYPES OF PROJECTS
Entrepreneurship and SMEs development	Advanced support services for firms and groups of firms, investments in firms focused on comparative advantages and innovations, support for start-ups.
Knowledge, innovations and cooperation	R&TD infrastructure and activities in research centres; technology transfer and improvement of cooperation networks between small and medium-sized businesses (SMEs), between these and other businesses and universities; investment in firms directly linked to research and innovation.
Rural areas development	Investments in transport, culture, social, tourism infrastructure and services in rural areas.
Urban areas development	Investments in transport, culture, social, tourism infrastructure and services in urban areas.
Transport and communication infrastructure	Transport and communication infrastructure, which go beyond local level (i.e. regional and national roads).
Sustainable development	Energy and environmental protection and risk prevention focused projects.

In the last stage, from the set of identified NUTS twin-pairs, we selected units for in-depth case study analysis, based on the maximum variation strategy proposed by Flyvbjerg (2006). For each group we chose one twin-pair, which exhibited an above-average difference in economic growth rate in the given period.

## RESULTS FROM THE QUANTITATIVE STUDY

All the identified groups were subjected to analyses, which were designed to show the net impact of implementing projects assigned to specific categories on the average difference in growth rate (measured by the share of taxes from natural or legal entities in local government budgets) between the identified NUTS4 twin-pairs. **The results show that the impact of funds on the differences, which occurred in the growth rate between NUTS4 in the 2007-2013 period, was considerable.**

**TABLE 3. THE CORRELATION BETWEEN CP FUNDS ABSORBED BY TWIN NUTS4 REGIONS AND ECONOMIC GROWTH DYNAMICS (NET IMPACT OF CP FUNDS)**

PEARSON'S R		ALL CP FUNDS	TRANSPORT. & COMM. INFR.	DEV. OF URBAN AREAS	ENTREPREN. & SMES	RTD & INNOVATION	DEV. OF RURAL AREAS	SUSTAINABLE DEV.
ALL NUTS 4 (n=290)	Pearson Corr.	0,308**	0,216**	0,184**	0,269**	0,260**	0,260**	0,257**
GROUP 1: average NUTS4 (n=176)	Pearson Corr.	0,270**	0,16*	0,300**	0,375**	0,320**	0,155*	0,215**
GROUP 2: leading NUTS4 (n=64)	Pearson Corr.	0,517**	0,429**	0,340**	0,317*	0,446**	0,537**	0,389**
GROUP 3: lagging NUTS4 (n=50)	Pearson Corr.	0,338*	0,138	0,124	0,287*	0,158	0,396**	0,375**

*\* and \*\* are significant at  $p < 0,05$  and  $p < 0,01$  (2-tailed) respectively*



For the NUTS4 that came within the average group, the influence of funds on the growth rate was shown to be relatively weak, although statistically significant. In analysing individual areas of support, the strongest impact came from projects supporting new enterprise and strengthening the competitiveness of existing firms. Interestingly, projects developing the transport and communications network on a supra-local level, as well as projects developing infrastructure in rural areas, were shown to have insignificant impact. These findings correspond to the regularities noticed by Crescenzi and Rodríguez-Pose (2012), who claimed that in peripheral regions, developing intra-regional as opposed to inter-regional networks is more beneficial for economic growth.

In the case of leading NUTS4 (generally represented by towns), a strong impact of funds on the difference in the growth rate was shown by funds supporting projects in rural areas surrounding the towns. This is confirmed by the findings of earlier studies conducted at regional level. The observations of Percoco and Gagliardi (2014) prove that the greatest positive effects of fund absorption relate to rural areas located in proximity to main urban agglomerations. Somewhat weaker, although still significant in the leading NUTS4 sector, was the impact of funds aimed at R&TD projects and innovations as well as transport and communications infrastructure.

In the last group - the least developed, often peripheral located NUTS4 - projects implemented with support funds turned out to have weak impact on the differences in economic growth rate. This may be related to the fact that most support areas identified in this study could not be implemented in this type of unit. Nevertheless, projects developing the local infrastructure had a visible impact on the difference in the growth rate of lagging NUTS4. It should be emphasised, however, that the average difference in the growth rate of units in this group is decidedly lower in comparison to other groups, which means that units from this group develop at a very similar pace.

## RESULTS FROM THE CASE STUDIES

The case studies representing the first group included two poviats located in southern Poland, situated at a similar distance from agglomerations (Katowice

and Cracow), and at similar distances from the A4 motorway. Despite the fact that the Limanow powiat has tourist potential, support funds were largely used to subsidise local enterprise - the projects implemented were dominated by those connected with a few sectors of economic activity (local smart specializations): furniture, metalworking and synthetic materials. Attention should be paid to the large group of projects relating to the establishment or modernization of pre-schools - providing care for young children could be a factor encouraging parents to enter employment. Prudnik powiat invested relatively more funds in developing towns' infrastructure - the projects implemented were aimed at improving living standards (projects included, among others, improving medical services and developing roads). The majority of enterprises supported (to a much lesser extent than in Limanowa powiat) offer products and services for the local market (e.g. funeral services, Internet provision, dental clinics). The owner of one of the few manufacturing firms, which received support, is the local government. Only a small level of investment was made in enhancing tourism in the powiat, although - perhaps to a lesser extent than in Limanowa - this powiat possesses development potential in this area, and the proximity of Katowice could provide a supply of tourists.

The towns chosen as case studies in the second group were: Siedlce and Piotrków Trybunalski. Both towns are situated within a radius of 130km of Warsaw, with the location of Piotrków being more advantageous - this powiat lies in the centre of the country, about 30km from the Łódź agglomeration, while Siedlce lies to the east of the capital. Moreover, transport access to Piotrków is much better. The A4 motorway will not connect Siedlce and Warsaw until 2020. Bearing in mind the above, the comparison of these two cases is all the more meaningful, since Siedlce showed a significantly higher growth rate than its twin.

Siedlce invested in town development, strengthening ties with the university, constructing a town by-pass and numerous projects implemented jointly with Marshal Offices in several poviats (e.g. Mazovia tourist trails). In contrast to the role played by strengthening urban areas in NUTS4 belonging to the first group - in most towns these funds turn out to be the most important in differentiating the growth rates of these units. Indeed, Siedlce implemented a range of projects improving the town infrastructure, altogether using up 40% of all the CP funds absorbed. These investments, combined with the active

engagement of local authorities and detailed strategy, meant that in 2007 it was possible to attract several major international firms (operating mainly in metalworking, railway locomotives and the construction sector). In the case of Piotrków Trybunalski, co-financed investments mainly concerned support for sustainable development. However, in contrast to Siedlce, the town did not designate new areas for potential investors and was less effective in attracting them - in the study period there were no new investors, and only the existing German firm Haering, which has been operating in Piotrków since 2002, invested in its development.

The twin-pairs from the last group are NUTS4 situated near larger agglomerations (Proszowice - near Cracow, Krasnystaw - near Lublin). In comparing the use of funds by this pair of twins, it should be pointed out that Proszowice powiat, disposing of less than half the revenues from share of taxes from natural or legal entities in the local budget, managed to gain more funds for implementing investments than Krasnystaw powiat, which could additionally tap into the pool of funds allocated to regions of Eastern Poland. While in the latter case, the majority of funds absorbed supported investments in transport infrastructure, Proszowice managed to implement projects improving the infrastructure of rural areas, enhancing their tourist potential (e.g. renovating the historic monastery in Hebdów, renovating the village centres of Nowy Brzesko, Przemyków and Palecznica). It should be emphasised that in the Krasnystaw area there are also places of cultural value, which could provide tourist attractions.

**TABLE 4. SELECTED TWIN-PAIRS OF NUTS4 FOR IN-DEPTH QUALITATIVE ANALYSES**

NUTS4	GROUP	RELATIVE GROWTH (2008-14)	TRANSP. & COMM. INFR.		DEV. OF URBAN AREAS		ENTREPREN. & SMES		RTD & INNOV.		DEV. OF RURAL AR.		SUST. DEV.		ALL CP FUNDS
			PLN (Mill.)	%	PLN (Mill.)	%	PLN (Mill.)	%	PLN (Mill.)	%	PLN (Mill.)	%	PLN (Mill.)	%	PLN (Mill.)
Limanowski	Average	High	6,5	3	24,3	11	35,5	15	12,6	5	96,0	42	54,4	24	229,3
Prudnicki	Average	Low	9,1	7	29,8	24	12,2	10	31,4	25	40,2	32	3,5	3	126,2
Siedlce	Leading	High	32,6	11	124,1	41	29,2	10	32,9	11	0	0	86,2	28	305,0
Piotrków	Leading	Low	29,5	12	60,5	25	9,6	4	19,6	8	0	0	118,4	50	237,6
Proszowicki	Lagging	High	4,5	2	44,0	20	20,1	9	14,0	6	116,2	54	17,5	8	216,3
Krasnostawski	Lagging	Low	34,6	18	24,1	13	21,5	11	9,2	5	66,3	34	37,1	19	192,9

## CONCLUSIONS

The proposed methodology appears to be useful in analysing the net impact of projects implemented with EU support funds on the growth rates of NUTS4. It could be applied in studies conducted in other EU countries. The evidences provided by the study on Polish NUTS4 can be used to improve adjustment of support to the specific socio-economic condition of smaller territorial units.

There are three main lessons that can be learnt from this analysis. First, **the CP support funds trigger the economic growth in the case of all NUTS4; while only in the case of ‘leading’ poviats can this impact be deemed significant. It is justifiable to use CP funds to improve infrastructure making these units more attractive both to inhabitants and potential investors. Meanwhile, projects aimed at strengthening the competitiveness of firms have no effect on growth rates.** We can assume that the large accumulation of firms operating in these towns means that they are subjected to strong competition and it is this which forces them to invest and seek an advantage - irrespective of whether EU funds are available to them. The case studies of Siedlce and Piotrków Trybunalski show that the effectiveness of infrastructure developments was conditioned by the active engagement of local authorities, which performed based on detailed strategic aims.

Second, **in the case of average NUTS4 the CP funds should focus on supporting SMEs and entrepreneurship.** As the in-depth analysis undertook within case study shows, a clear success turned out to be support for enterprises offering products with supra-local demand. Furthermore, these companies generally represented two sectors of economic activity. **This gives justification for implementing the smart specialization strategy and concentrating support on enterprises in a few leading trades, thereby creating ‘mini-clusters’.** The case of Prudnik powiat shows that the priority for utilizing funds in this type of NUTS4 should not be urban infrastructure investments. They are of too little significance in comparison with larger urban centres, and investment in these areas is practically limited to improving the living standards of inhabitants.

Third, in the weakest in terms of economic development NUTS4, investments supported by EU funds turn to be rather weak factor impacting on the differences in growth dynamics. In this group, the most effective CP co-funded investments are these addressed to strengthening local potential. As shown by the case of Proszowice powiat, this may focus on renovating historic monuments, or revitalizing villages and small towns, which may turn out to be major factors in developing local tourism.

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## **PART III - Evaluation for Administrative Capacity**



## 10. ADMINISTRATIVE CAPACITY AND COHESION POLICY: NEW METHODOLOGICAL INSIGHTS FROM ITALY AND POLAND

*Alba SMERIGLIO (Strathclyde University)*

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### ABSTRACT

The chapter offers a comprehensive analytical framework for the study of administrative capacity and administrative capacity-building in the Cohesion Policy domain. This includes individual, organisational, and socio-economic levels of analysis. The authors examine the administrative processes for Structural Funds implementation in four case study regions in Italy (Puglia, Sicilia) and Poland (Malopolskie, Pomorskie). Based on semi-structured interviews conducted with civil servants and key stakeholders at the regional level, the chapter presents the key variables (both administrative and institutional) which have an impact on the Managing Authorities' performance. Finally, the paper outlines the 'lessons learnt' from the implementation of EU Cohesion Policy in these regions.

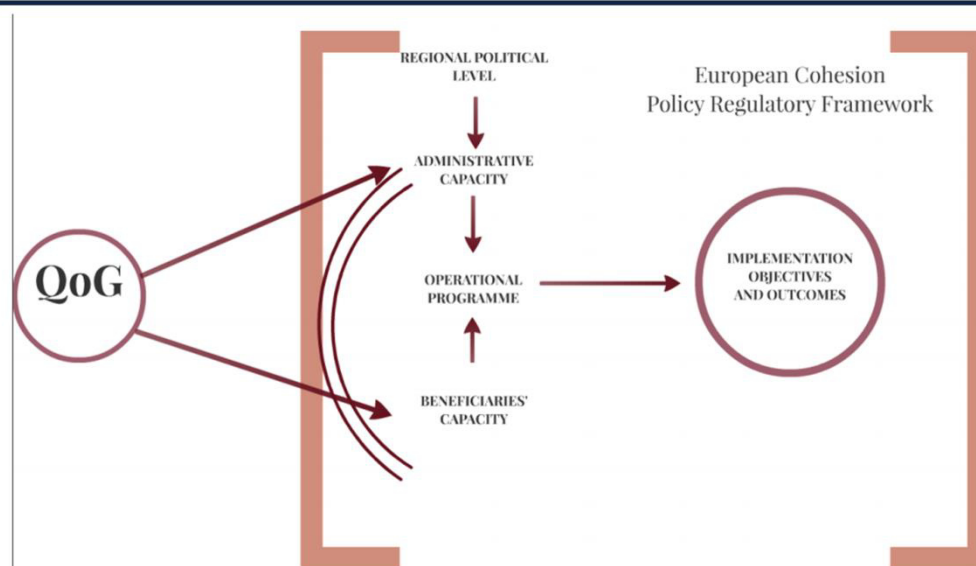
## PRESENTATION

Regional Studies Association
<b>COHESION</b> <i>POLICY</i>
Research Network
 <b>ADMINISTRATIVE CAPACITY-BUILDING AND EU COHESION POLICY</b>  Alba SMERIGLIO (Strathclyde University) Paweł ŚLIWOWSKI (Univ. of Warsaw) John BACHTLER (Strathclyde University)  <b>LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016</b>

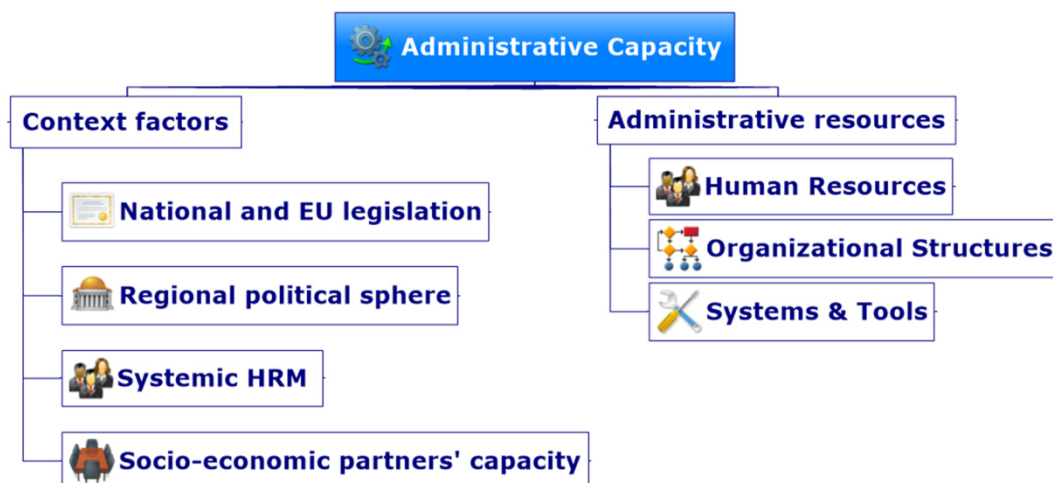
## AIMS & OBJECTIVES

- WHAT CONSTITUTES 'ADMINISTRATIVE CAPACITY' FOR MANAGING AND IMPLEMENTING COHESION POLICY?
- HOW ADMINISTRATIVE CAPACITY RELATES TO QUALITY OF GOVERNMENT?
- WHAT BUILDS ADMINISTRATIVE CAPACITY AND STRONG INSTITUTIONS FOR MANAGING COHESION POLICY EFFECTIVELY? WHAT FACTORS MAKE A DIFFERENCE?

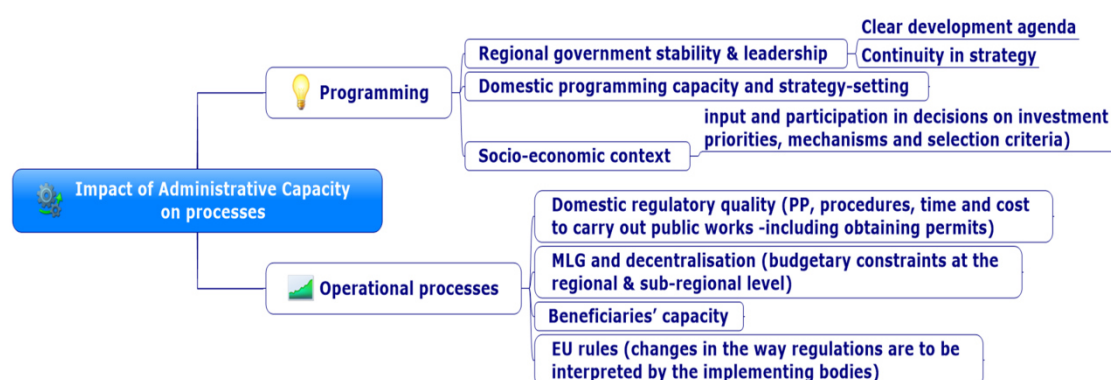
## CONCEPTUAL APPROACH



## EXPLAINING CP PERFORMANCE (I)



## EXPLAINING CP PERFORMANCE (II)



## IMPROVING CP PERFORMANCE

### PRELIMINARY LESSONS FOR ADMINISTRATIVE CAPACITY-BUILDING



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### ADMINISTRATIVE CAPACITY-BUILDING AND EU COHESION POLICY

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## INTRODUCTION

EU Cohesion Policy is under pressure because of perceived problems with its performance. The past two reforms of Cohesion Policy in 2005-06 and 2012-13 have been dominated by political and policy debates on the impact and added value of Structural and Cohesion Funds (Bachtler, Mendez, and Wishlade, 2010). Research and policy evaluation over the past decade has concluded that the variable performance of Cohesion Policy is partly associated with deficiencies in administrative capacity.

The argument being that weak capacity levels can hamper the effective management and implementation of the Operational Programmes, and, as a result, negatively affect the overall regional development outcomes (Ederveen et al, 2006; Cappelen et al, 2003; Milio, 2007; Bachtler et al, 2010; Bachtler, Mendez and Orazé, 2013).

The debate on administrative capacity is part of a wider discussion on the importance of quality of government or ‘good governance’. Some studies (i.e. Filippetti and Reggi, 2012) have found that there is a positive correlation between aggregate dimensions of institutional quality and selected proxies of CP performance (i.e. absorption of EU funds)<sup>7</sup>. Despite the growing attention being devoted to the topic of administrative capacity in the CP domain, there are still significant definitional and methodological challenges in conceptualising and measuring administrative capacity, explaining its influence on EU Cohesion Policy performance as well as understanding whether and how administrative capacity can be developed.

Firstly, previous studies have tended to focus on the individual productivity or efficiency of processes (i.e. Milio, 2007) with respect to a single administrative body - the Managing Authority (MA) - while largely disregarding the fact that EU co-funded Operational Programmes are not delivered through

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<sup>7</sup> Widely used quality of government indicators include data collected by the Quality of Government Institute and the World Bank Global Governance Indicators. For example, the World Bank reports aggregate and individual governance indicators for 215 economies over the period 1996-2014, for six dimensions of governance: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption.

a single organisation. Rather, they involve a whole range of actors, including the regional political sphere, the administrative units in the wider administration, intermediate bodies, and the representatives of the socio-economic interests as well as beneficiaries of the development programmes (i.e. municipalities, SMEs). Thus, the role played by these actors and their ability to govern processes is also of critical importance for the achievement of implementation objectives.

Secondly, aspects related to the quality and functioning of institutions should not be overlooked. The efficient delivery of public policies and public investment is also dependent upon the functioning of aspects related to, amongst others, the administrative burden placed on businesses (e.g. time and cost to start up a business, time needed to obtain licences, etc.), the efficiency of public procurement processes, regulatory quality and the intergovernmental relations within a given Member State.

This paper seeks to fill in the existing research gaps in this domain and aims to offer research-based policy lessons. Building upon previous studies, it identifies **‘administrative capacity’** as being a key determinant of CP performance (i.e. timely and legal spending). This concept is here defined as **‘the ability of the units tasked with the management and implementation of EU co-funded interventions to effectively and efficiently operate processes’**.

The research team has conducted semi-structured interviews with civil servants involved in the management and implementation of EU Cohesion policy at the regional level in Italy (Sicily - 10 interviews and Puglia -9) and in Poland (Pomorskie - 10 interviews and Malopolska - 10 interviews). Results have been triangulated with interviews conducted with General Managers at the national level (interviews) as well as with representatives of the socio-economic interests in the four case study regions. The systematic analysis of secondary data (Annual Implementation Reports, Evaluation Reports, and Documents) has also been conducted. The main unit of analysis is the regional OP, while the timeframe of interest is the 2007-2013 programming period. However, with a view to gauging change over time, comparisons are being drawn with 2000-06 (2004-06 for Poland) and 2014-20 programme period.

The chapter begins by mapping strengths and weaknesses in the implementation process and the implications of this for the effectiveness and



efficiency of the regional OP. Specific resource endowments which appear to be associated with higher/lower implementation performance are also outlined. Further, it identifies and discusses some of the key explanatory factors that seem to account for differences in administrative capacity in the four regions selected as a case study. Finally, the paper offers evidence to suggest that, while extremely relevant for the effectiveness and efficiency of the regional OP, administrative capacity is not the only explanatory variable capable of accounting for asymmetries in this policy domain. The capacity of sub-regional actors, selected dimensions of national Quality of Government and the availability of financial resources as a result of existing decentralisation arrangements are also key drivers of Regional Operational Programme performance.

## STRENGTHS AND WEAKNESSES IN THE IMPLEMENTATION PROCESSES

The empirical results show an extremely variegated picture of administrative capacity levels in the regions selected as a case study. The two Southern Italian regions display different levels of EU resources spending patterns, with Puglia reaching (95% paid/committed) and Sicily (66% paid/committed). Polish regions are relatively less diversified in this matter, with Pomorskie and Malopolskie both reaching 95% paid/committed.

In Sicily, the Managing Authority and the regional departments tasked with the management and implementation of their share of EU resources experience difficulties in effectively and efficiently operating processes. In particular, most respondents agreed that the investment priorities selected do not tend to be in line with the most pressing regional development needs. Further, interventions tend to be fragmented and not sufficiently integrated. Another problematic aspect relates to the capacity of the administration in this stage to include stakeholders in the decision-making process. Representatives of the regional employers' interests (Confindustria) and of municipalities (ANCI, the National Association of Italian Municipalities) agreed that the lack of effective partnership working has an extremely negative repercussion on subsequent stages of the policy process. An example of this is



the identification of selection criteria in the tendering process which cannot be met by project applicants (i.e. excessively high co-funding rate for SMEs). This delays the regional OP and works as to discourage potential beneficiaries from applying to public calls. Other bottlenecks include an excessive time gap between the publication of invitations to tender and the effective execution of interventions, scarce and fragmented programme marketing activities and failure to promptly detect irregularities from the beneficiaries' side.

All those interviewed in Puglia, Malopolskie, and Pomorskie emphasised the fact that there is effective partnership working in the Region, with a constant and continuous dialogue between the PA and the stakeholders. This is of paramount importance both in the programming and in subsequent stages. Openness and supportiveness from the administrative side have encouraged active participation of stakeholders and have worked as to avoid potential errors (i.e. presence of an early warning system) and increase their awareness of EU funding opportunities, rules and procedures. Yet, in the two Polish regions, respondents underlined that socio-economic partners still need to increase their awareness of the main rationale behind the regional OP<sup>8</sup>.

In Sicily, there are difficulties in regularly updating the monitoring system as projects progress leading to discrepancies between the financial data present in the regional monitoring system and the actual status of the projects being carried out. This means that expenditure cannot be certified, thereby delaying the pace of the regional OP. In both Southern Italian regions, municipalities have been reported to have a weak capacity to design high-quality projects and to do so in a timely manner. In Polish regions, the strategic and managerial capacity of institutional beneficiaries (municipalities and other public administration bodies) has significantly improved over the years. What is also important -and which further seems to differentiate the Italian and Polish cases- is the presence of an active private consultancy market in Poland. Here beneficiaries to a large extent use the support of external consultants (even up to 80% of implemented projects are supported

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<sup>8</sup> In particular the Polish respondents underlined that the primary function of Operational Programmes is not to finance all investment needs in both regions. Rather, the aim is to co-fund only those interventions that are in line with the CP strategic targets and according to thematic concentration.

by external managers - this could be helpful for short term goals, but raises serious doubts about long-term institutional development of beneficiaries).

For private beneficiaries, the more business-friendly regional environment in Puglia helps SMEs to bring their projects to completion and incentivizes their participation in EU co-funded interventions. The opposite is true in Sicily where this is combined with the identification of selection criteria in public tenders which have been defined as being 'unrealistic' as well as with delays in financial transfers from the Region. The above has resulted in low application rates, withdrawals, and insolvency. In addition both regions have explained that a reason behind delays in the implementation stage is linked to the existing weaknesses in the Italian Public Procurement legislative framework. As pointed out by respondents from the National level, this is a feature that characterizes the whole country, and that concerns all sources of funding. Bottlenecks and delays become particularly pronounced when it comes to planning, programming and implementing public works over a certain threshold. The overly complicated legal framework has been recognized as part of the country's low performance in the management and implementation of EU funds as it results in recurring errors and irregularities in the course of co-financed procurement procedures. Poor enforcement of convictions further creates incentives to abuse the system. Related to this, review proceedings appear to be slow and not particularly efficient.

Although both Polish regions perform relatively well in terms of the quality of programming and timely spending (fast absorption), the MAs face similar problems with the overregulated implementation system, dynamic changes within national and European legislations, the incoherence of legal interpretations, complicated and difficult to apply public procurement law. Those interviewed are though convinced that to some extent this is inevitable, and the only way organization could deal with such problems is to strengthen the adaptive capacity (via organizational learning and partnership) of the Managing Authority.

## WHAT CONSTITUTES ADMINISTRATIVE CAPACITY FOR COHESION POLICY?

In the following section, the most important factors contributing to a higher administrative capacity within the Cohesion Policy domain are presented. Firstly, **the quality of administrative leadership has emerged as being a key variable in this field.** This quality incorporates two dimensions: the first is related to the knowledge of the Cohesion Policy substance and experience in this area (which is paramount in the programming stage). The second dimension encapsulates the style of management, which in the scientific literature is referred to as a “transformational leadership”. In the presence of a complex legal framework and within a dynamic socio-political and economic context, organisations tend to perform better when endowed with an administrative leadership which is able to set clear and understandable objectives, manage personnel in an active way<sup>9</sup> while at the same time being open to feedback from employees. This allows MA staff to improve processes through non-formal practices of incremental organizational change. Such leaders play a fundamental role in building staff empowerment, which is key in self-reflective attitude and to strengthens decision-making processes (especially in the implementation phase).

Secondly, **the availability of skilled, experienced and motivated administrative personnel is another important component of administrative capacity.** This is consistent with results of previous studies (i.e. Horvat, 2005; Boijmans, 2013). Frequent staff turnover, lack of professionalization (i.e. skills) and of meritocracy in appointments, combined with an ineffective HR management system have been described by respondents as the central factors behind inefficiencies in operating processes. Frequent staff reshuffling hampers the sedimentation of competencies while the absence of well-functioning performance-based and rewards systems work as to demotivate staff and fuel a culture of impunity for underperformers. Another important theme which has emerged is that lack of ownership and skills within the administration is associated with a lower propensity towards being open and receptive to beneficiaries’ inputs and

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<sup>9</sup> For example, by providing guidance and feedback on expectations and outcomes as far as administrative tasks are concerned.

suggestions. This, in turn, undermines stakeholders' willingness to participate actively in discussions with the administration. Furthermore, staff reshuffling and delays accumulated in different stages of the policy process are reported to work as to undermine the ability of the administration to learn from evaluations being carried out as well as the time they can dedicate to exchange of best practice and meetings with stakeholders. In Puglia, and both Polish regions - Pomorskie and Malopolskie, investments in human resources - with the recruitment of young and highly skilled personnel - has been identified as a central reason behind increased efficiency in carrying out processes. Towards this end, technical assistance resources have been used to internalise competencies rather than outsourcing tasks to external consultants. This, coupled with administrative continuity, has increased the sense of ownership of processes and the efficiency with which these are carried out. Further, the political sphere has not re-shuffled administrative personnel, and it has reorganised the administrative structures as to increase efficiency in operations.

Thirdly, **effective intra-organisational coordination between units in the MAs is essential**. The different stages which make up the overall Cohesion Policy cycle are strongly interrelated - decisions made in the programming phase have a direct impact on project selection. This, in turn, influences subsequent implementation stages. Yet, each stage requires a separate set of competencies and administrative processes. This is why the right division of tasks between units in the MA combined with the excellent formal and informal communication rules and routines in the organization plays a vital role. Moreover, there is a clear need for the flexibility of organizational arrangements, which is extremely important to deal with workloads in certain processes (e.g. in some regions staff moves from one unit to another as the policy cycle changes, e.g. in later stages of Programme implementation staff from the units responsible for selection procedures move to work in units dealing with project management. This allows to building up of systemic knowledge on the whole Programme but also helps to manage temporary work overload in certain processes).

Lastly, building on the case study findings, it has emerged that **systems and tools (audit, monitoring systems, checklists, etc.) can be useful in improving processes**. However their quality and usefulness in a given organization are subject to the presence of factors such as the

**organizational culture in place, leadership and staff expertise.** For example, in one of the studied regions internal audit is being used not only as a “box-ticking” and document checking exercise; rather, it helps to identify weaknesses in processes and provides insights for organizational change. This was achieved as a result of additional training undertaken by the auditors as well as the presence of an overall open attitude and excellent communication with organization leaders.

## HOW CAN VARIATION IN ADMINISTRATIVE CAPACITY BE EXPLAINED?

Administrative capacity is not only the sum of available resources and organizational arrangements within the Managing Authority. It is strongly dependent on other factors. First of those is **the type of administrative culture in a member state or region.** In studied cases wider Human Resources Management rules are set at the national level, which gives little flexibility in staff motivation for MAs’ leaders. Additionally, the legalistic (procedural-oriented, rather than performance based) culture of the administration creates a dysfunctional system of incentives for the personnel. This, in turn, creates a situation in which individual motivation at the level of managing authority is low.

Another important factor that has an impact on the administrative capacity is the role played by the political sphere or the overall **political influence** over administrative processes. This influence is multifaceted. A more integrated and coherent approach to programming, for example, is associated with the presence of a political sphere which offers a clear vision for regional development and which abstains from favouring short-term objectives which are not in line with the most pressing regional development needs. Government stability is of key importance in this context. In fact, lack of continuity in the political mandate appears to lower incumbents’ incentives to adopt a long-term vision for regional development. Thus, regional political stability can directly affect programming performance, in particular with regard to the extent to which investment priorities are in line with the socio-economic needs of the territory.

Political decisions can strengthen or impair the use of available organisational resources. The regional political level has been identified as the main responsible for the suboptimal endowment of administrative resources by those interviewed (i.e. political turnover is accompanied by high administrative turnover, even at the intermediary civil servants level). Moreover, political decisions can also affect the degree to which Technical Assistance funds are used in an effective manner (e.g. funds not being used to fund top-ups and bonuses for civil servants implementing Ops, so as not to diverge their salaries from other administrative staff employed by the regional authorities). This hampers both the efficiency with which tasks are carried out by civil servants (i.e. lack of experience) as well as the building of administrative capacity (i.e. sedimentation of competence) as officers do not stay in their jobs long enough to accumulate experience.

Another factor that has an impact on the administrative capacity is **the quality and availability of external services**. In four selected regions our respondents told about problems with the low level of expertise of training providers, a limited supply of capable external evaluators and external experts supporting project selection committees. In the Italian cases, cartel behaviour of service providers has been mentioned as a potential threat to the effectiveness of the capacity-building initiatives carried out.

At the same time, CP performance at the regional level can be negatively affected by **institutional factors which do not fall under the realm of the regional administrations**. Firstly, there are specific Quality of Government sub-dimensions that tend to have an impact on the Operational Programme performance. These include the degree of overall stability and quality of national rules (i.e. public procurement Law and the overall quality of the legal framework - of key importance in specific stages of the implementation process), and judiciary quality (i.e. dispute resolution mechanisms).

Cumbersome and lengthy public procurement procedures can slow down processes and, thus, lead to delays in spending levels. Complexity in the Public Procurement process leads to an increased number of appeals and litigations, which delay processes due to the lengthy and costly judicial proceedings which follow. In the interviews, the Public Procurement aspect has been identified as being one of those context factors which slow down processes or negatively affect their quality (e.g. difficulties in the selection of external evaluators via public procurement law in Poland).

Last but not least, **beneficiaries' capacity is the key variable in the OP performance**. Municipalities are a key recipient of EU funding and their ability to, amongst others, carry out quality project planning and to do so in a timely manner, feed the monitoring system, co-fund interventions, is of critical importance for the effectiveness and efficiency of the Regional OP. The continuous and constructive dialogue with the administration is considered to be of paramount importance for the quality and coherence of investments. Policies which facilitate access to credit for start-ups and SMEs are of critical importance for enterprises' capacity to co-fund projects as well as to bring interventions to completion.

**TABLE 11. SUMMARY OF FINDINGS**

WHAT CONSTITUTES ADMINISTRATIVE CAPACITY FOR COHESION POLICY?
<p>The most important factors emerging from the research:</p> <ul style="list-style-type: none"> <li>- the quality of administrative leadership in the Managing Authority;</li> <li>- the availability of skilled, experienced and motivated administrative personnel;</li> <li>- effective intra-organisational coordination between units in the Managing Authorities;</li> <li>- quality and usefulness of the systems and tools in place (audit, monitoring systems, checklists, etc.). These are subject to the organizational culture, leadership, and staff expertise.</li> </ul>
HOW CAN VARIATION IN ADMINISTRATIVE CAPACITY BE EXPLAINED?
<p>There are certain intervening variables impacting the administrative capacity:</p> <ul style="list-style-type: none"> <li>- the type of administrative culture in a member state or region;</li> <li>- the multifaceted political influence;</li> <li>- the quality and availability of external services;</li> <li>- institutional factors (Quality of the national legal framework);</li> <li>- strategic and operational beneficiaries' capacity.</li> </ul>



## IMPLICATIONS FOR ADMINISTRATIVE CAPACITY BUILDING

The empirical results suggest that **administrative capacity is of critical importance for CP performance**. However, **investments in training, exchange of best practices and other interventions aiming at boosting capacity should be tailored to the specificity of a given territorial context** in which they are to be deployed. Addressing knowledge needs and gaps might be helpful in the short term. However, it will not be sustainable in the presence of politicisation of the civil service and might be hampered by frequent staff turnover. In all regions selected as case studies an increase in administrative capacity is accompanied by investments in resource factors, particularly the recruitment of skilled personnel, the retention of experienced and competent staff and the reorganisation of administrative structures, with a view to increasing efficiency. In this context, the availability of Technical Assistance resources has proved invaluable. However, the preliminary findings suggest that presence of a supportive regional political environment is a precondition for the effectiveness and durability of initiatives targeting administrative knowledge needs and gaps.

Administrative capacity-building interventions can go a long way in addressing resource needs and gaps within the administration. However, their effectiveness and durability appear to be conditional upon the presence of specific institutional factors. For example, the presence of an enabling regional political environment has emerged as being a powerful element in this context due to the discretion it exercises over administrative resource endowments.

As hypothesised, besides administrative capacity factors, there are other explanatory variables which interact with the performance of the Regional OP. In the Italian case, despite the differences in administrative capacity levels, both Southern regions have encountered difficulties in the implementation process due to national level specific constraints. These cannot be tackled through administrative capacity-building interventions and should be addressed through systemic reforms. However, as the empirical results presented in this article suggest, it is of paramount importance that existing institutional constraints are acknowledged and factored in when designing initiatives tackling administrative capacity deficits. Indeed, depending on the country-specific institutional context, the effect of



administrative capacity-building initiatives might have a different magnitude and durability.

## AUTHORS

Alba Smeriglio was appointed in May 2014 as a Researcher and Ph.D. candidate on the EIBURS project, a three-year study on administrative capacity-building and EU Cohesion Policy, funded by an EIB University Research Scholarship. She has research interests in administrative capacity, administrative capacity-building and quality of government (QoG) in the Cohesion Policy domain.

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Professor John Bachtler has research interests on regional and industrial development in Europe, encompassing the regional policies of the Member States and Candidate Countries and the Structural and Cohesion Policies of the European Union. Director of a comparative research programme on implementation of Structural Funds in Objective 1 and 2 regions (IQ-Net). Publication of books, chapters, articles and research papers on the regional development and regional policy as well as on policies for the service sector, multinational location factors, inward investment policies in Europe, reform of the Structural Funds and EU enlargement.

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## 11. EVALUATION OF CAPACITIES IN MULTI-LEVEL GOVERNANCE NETWORKS: THE GOCAPASS TOOL

*Silke N. HAARICH (Spatial Foresight GmbH)*

### ABSTRACT

The proposal of the Governance Capacity Assessment (GOCAPASS) tool focuses on the measurement of capacities in a multi-stakeholders' governance environment. The tool responds to a two-fold need. First, administrative capacities are a pre-condition for EU Cohesion Policy effectiveness. Second, Cohesion Policy increasingly supports collective frameworks of action. The new GOCAPASS tool has several advantages that make it a powerful instrument for policy learning. It allows the comparison over time and among systems. It helps to operationalise and visualise the quality of governance systems. It can be used to enhance knowledge on policy implementation through cooperation and coordination.

## PRESENTATION

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**EVALUATION OF CAPACITIES IN  
MULTI-LEVEL GOVERNANCE  
NETWORKS: THE GOCAPASS TOOL**

Silke N. HAARICH  
(Spatial Foresight GmbH)

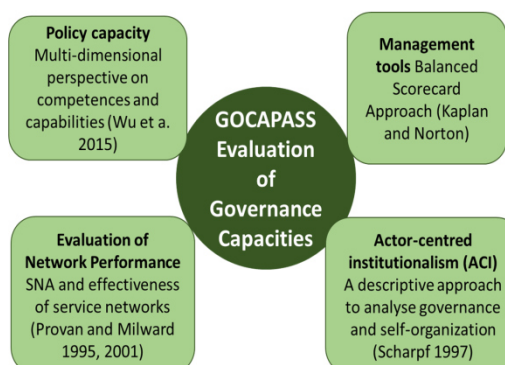
LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY  
LESSONS FOR A *RESEARCH-POLICY* DIALOGUE. Brussels, 13 June 2016

## GOVERNANCE AND NETWORKS

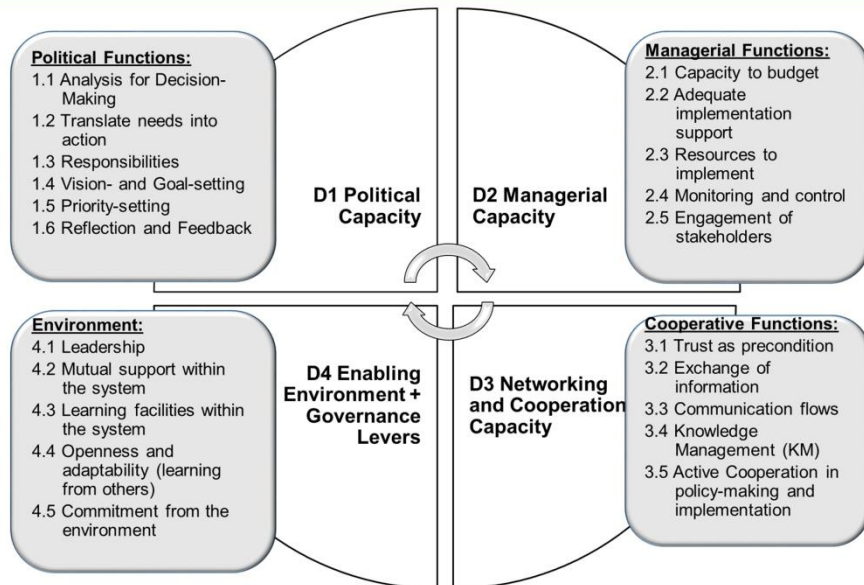
- WHY GOVERNANCE SYSTEMS ARE IMPORTANT IN EU COHESION POLICY (CP)?
  - ADMINISTRATIVE AND POLICY CAPACITIES ARE A PRE-CONDITION FOR EFFECTIVE CP.
  - CP TARGETS COLLECTIVE FRAMEWORKS OF ACTION (E.G. RIS3, CLLD, ITI, MACRO-REGIONAL STRATEGIES ETC.)
- BUT: SUPPORT VIA GOVERNANCE SYSTEMS REQUIRES NEW EVALUATION APPROACHES.

## THEORETICAL BACKGROUND

- RESEARCH ON NETWORKS, GOVERNANCE AND CAPACITIES TO PERFORM POLICIES
- IN PARTICULAR, EVALUATION OF NETWORK/GOVERNANCE PERFORMANCE
- PRACTICAL APPROACHES (CAPACITY DEVELOPMENT, MANAGEMENT TOOLS)



## THE GOCAPASS TOOL (1)



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## THE GOCAPASS TOOL (2)

ADVANTAGES OF GOCAPASS IN CP:

- OPERATIONALISATION AND VISUALISATION OF GOVERNANCE SYSTEMS
- QUASI-OBJECTIVE AND COMPARABILITY
- NEW DIMENSION TO EVALUATION
- LEARNING FOR EU POLICY-MAKERS



Government Capacities Assessment-GOCAPASS				
GOCAPASS Dashboard				
Legend: 0 = not observed, addressed, documented, defined; 1 = partially observed, addressed, documented, defined; 2 = fully observed, addressed, documented, defined				
Rating	Structure	Content	Process	Functional Sub-Score
1.1 Analysis for Decision-Making	0	1	1	2
1.2 Translation of needs into action	1	0	0	1
1.3 Responsibilities	2	1	1	4
1.4 Vision- and Goal-setting	2	2	2	6
1.5 Priority-setting	1	0	1	2
1.6 Reflection and Feedback	0	0	0	0
D1 Sub-Score	6	4	5	15
2.1 Capacity to budget	0	0	0	0
2.2 Adequacy of resources (human, financial)	1	0	0	1
2.3 Organising implementation	2	1	1	4
2.4 Monitoring and control mechanisms	0	0	0	0
2.5 Engagement of stakeholders	1	0	0	1
D2 Sub-Score	4	1	1	6
3.1 Communication	2	0	0	2
3.2 Information exchange	2	1	1	4
3.3 Knowledge Management (KM)	2	0	1	3
3.4 Active cooperation in policy-making and implementation	1	1	1	3
D3 Sub-Score	7	2	3	12
4.1 Leadership	2	0	1	3
4.2 Mutual support within the system	2	1	1	4
4.3 Learning facilities in the system	2	1	0	3
4.4 Openness and adaptability (learning from others)	0	0	0	0
4.5 Commitment from the environment	1	0	0	1
D4 Sub-Score	7	2	2	11
Total Score	24	9	11	44

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## POLICY LESSONS

- GOCAPASS IS CURRENTLY BEING TESTED IN TWO DIFFERENT CP FIELDS: REGIONAL INNOVATION AND TERRITORIAL COOPERATION/ MACRO-REGIONAL STRATEGIES.
- GOCAPASS MAKES CAPACITY DEVELOPMENT MUCH MORE EVIDENCE-BASED.

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## EVALUATION OF CAPACITIES OF MULTI-LEVEL GOVERNANCE NETWORKS – THE GOCAPASS TOOL



## INTRODUCTION

EU Policy more and more goes beyond the support of individual actions (e.g. infrastructure), targeting collective frameworks of action, networks and governance systems (e.g. Smart Specialisation Strategies, Cluster, Leader Action Groups, integrated urban projects, climate partnerships, macro-regional strategies etc.). The support to collective frameworks of action represents a rather complex, non-linear policy approach that requires a different approach to evaluation. The GOCAPASS tool has been developed to better understand how EU Cohesion Policy Programmes work when they support networks and governance systems. GOCAPASS is an analytical tool that helps to open the ‘black box’ of governance performance and ‘meta-governance’ that relies on adequate capacities to make decisions, implement and cooperate in a favourable environment. Therefore, it is well suited to complement existing evaluation approaches in policy fields where EU policy targets the development of capacities (political, analytical and administrative) and the strengthening of networks and multi-stakeholder governance. The GOCAPASS approach has several advantages that make it a powerful tool for policy learning. First, it helps to operationalise and visualise the functional capacities that make governance systems successful. It can be used for awareness-raising among stakeholders or as a tool to enhance governance quality. Second, the general architecture of the tool allows for comparison over time and with other systems. Third, the tool brings in a new systemic dimension of analysis to other existing evaluation approaches in EU Cohesion Policy focussing on quality and learning. Fourth, with GOCAPASS EU policymakers might enhance their understanding about how to optimise their support to networks and governance systems.

## GOVERNANCE AND NETWORKS IN COHESION POLICY

The proposal of a new tool to evaluate capacities of multi-level governance systems responds to a two-fold need. In the first place, it has been already acknowledged that administrative and policy capacities are an important precondition for EU Cohesion Policy (CP) and that there is a need to further develop capacities. However, how to evaluate the capacities at a systemic

level is still an open question, not only in Cohesion Policy but also in current academic debates (Wu et al., 2015; Hertting and Vedung, 2012). Secondly, EU Policy more and more goes beyond the support of individual actions (e.g. infrastructure), targeting collective frameworks of action, networks and governance systems (e.g. Smart Specialisation Strategies, sustainable urban projects, macro-regional strategies etc.). These collective frameworks of action represent complex policy systems (Sanderson, 2000) and multi-actor contexts in which “a different kind of knowledge is required” (Van der Meer and Edelenbos, 2006). Even if most networks or multi-actor governance systems that are supported by the EU do have a bottom-up approach and tend to self-organise, they usually need a kind of facilitation, process management or ‘institutional design’ to start and grow (Klijn and Edelenbos, 2007). This network guidance is generally referred to as ‘meta-governance’ (Hertting and Vedung, 2012; Sørensen and Torfing, 2007) and requires policy learning processes. Practical knowledge on what makes ‘meta-governance’ effective is still very disperse, although it can become highly relevant, the more the EU Cohesion Policy turns to support networks and multi-actor governance structures.

In the case of governance evaluations, usual evaluation approaches that focus on goal achievement and effectiveness quickly reach their limits, since they cannot analyse the ‘black box’ of governance performance that lies between inputs and outcomes as part of the assumptions of traditional rationalist approaches. But networks and governance systems differ from other demand or supply-oriented policy approaches as they try to generate necessary conditions and capacities (e.g. strategic alignment, cooperation, and learning) for an improved goal achievement (Hertting and Vedung, 2012; Kickert et al., 1997). Therefore, the evaluation of governance systems must explore these capacities rather than the final goals that eventually would be the result of the (improved) collective action. Of course, socio-economic impact still is important. But EU Cohesion Policy that supports governance systems and capacity development cannot solely look at goal attainment and also needs to focus on governance performance if it wants to know if its policy support is being effective.

## THEORETICAL BACKGROUND ON GOVERNANCE CAPACITY

The support to multi-stakeholder and multi-level governance systems is based on the generally accepted assumption that many socio-economic problems require a coordinated and collaborative solution and that there are ways to achieve goals more effectively and efficiently together (Olson, 1965/1971; Ostrom, 1990). However, even if the benefits of collective action for an enhanced problem-solving capacity have been acknowledged and confirmed in practice (e.g. Agranoff, 1986), the review of relevant literature on networks, governance and policy capacities indicates, that, on the one hand governance systems are not free of failure (Jessop, 2000), and on the other hand evaluation of governance performance is still a rather complex and unsolved issue (Hertting and Vedung, 2012).

The development of the GOCAPASS tool to assess functional capacities in order to evaluate the effectiveness of network and multi-actor governance systems is based on elements from four different backgrounds.

First, there is the notion of ‘capacity’ as the ability of governments or multi-actor governance systems to successfully perform policy functions (Wu et al., 2015) and the capability to act, implement, grow and adapt to changes of the environment (Ubels et al., 2010). The somehow fuzzy concept of ‘capacity’ describes intangible elements of collective policy processes such as vision, strategy, culture, structure (Ubels et al., 2010), but also different functions of policy processes, e.g. analytical, political or operational capacities (Baser and Morgan, 2008; Wu et al., 2015).

A second background relates to the extensive body of knowledge related to network theory, network governance and, in particular, network effectiveness. Networks can be described and analysed through specific methods known as Social Network Analysis (SNA). However, even if this method SNA allows to compare networks and to draw conclusions on their relative effectiveness (Provan and Milward, 1995), it is still a leap from quantitative description to meaningful insights into understanding if and why networks are effective (Provan and Milward, 2001). Therefore, further research is necessary.

Thirdly, another relevant element has been the ‘actor-centred institutionalism’, a rather descriptive approach in policy research that applies elements of game theory to multi-actor policy frameworks (Scharpf, 1997). In

a nutshell, this approach promotes the idea that the analysis of networks and partnerships has to target not only the actors themselves, but also institutional settings, constellations of actors and their relationships ('modes of interaction').

Finally, management tools such as the Balanced Scorecard (Kaplan and Norton 1994) have been examined regarding their methodological potential to analyse and evaluate intangible assets in public management.

## THE GOCAPASS TOOL

The **Governance Capacity Assessment tool (GOCAPASS)** is based on the hypotheses that **specific systemic 'functional' capacities that go beyond personal skills and organisational capabilities, are both the pre-condition and the outcome of effective multi-level governance systems.** Therefore, they should be evaluated in order to know if and how governance systems work (and can work better). The GOCAPASS framework is based on the definition and measurement of functional capacity factors in four dimensions that are considered relevant for governance success (Table 12).

**TABLE 12. GOCAPASS – DIMENSIONS AND FACTORS OF GOVERNANCE PERFORMANCE**

GOVERNANCE CAPACITY DIMENSION	GOCAPASS FUNCTIONAL CAPACITY FACTORS
D1 Political Capacity	<ul style="list-style-type: none"> <li>1.1 Analysis for Decision-Making</li> <li>1.2 Translate needs into action</li> <li>1.3 Responsibilities</li> <li>1.4 Vision- and Goal-setting</li> <li>1.5 Priority-setting</li> <li>1.6 Reflection and Feedback</li> </ul>
D2 Managerial Capacity	<ul style="list-style-type: none"> <li>2.1 Capacity to budget</li> <li>2.2 Adequate implementation support</li> <li>2.3 Resources to implement</li> <li>2.4 Monitoring and control</li> <li>2.5 Engagement of stakeholders</li> </ul>
D3 Networking and Cooperation Capacity	<ul style="list-style-type: none"> <li>3.1 Trust as precondition</li> <li>3.2 Exchange of information</li> <li>3.3 Communication flows</li> <li>3.4 Knowledge Management (KM)</li> <li>3.5 Active Cooperation in policy-making and implementation</li> </ul>
D4 Enabling Environment and Governance Levers	<ul style="list-style-type: none"> <li>4.1 Leadership</li> <li>4.2 Mutual support (within the system)</li> <li>4.3 Learning facilities in the system</li> <li>4.4 Openness and adaptability (learning from others)</li> <li>4.5 Commitment from the environment</li> </ul>

This basic GOCAPASS architecture can be adapted to particular policy frameworks (innovation, territorial cooperation, macro-regional strategies, local partnerships etc.) with more detailed research questions and indicators for each factor. In order to allow a more thorough analysis, three elements - Structures, Contents and Processes (S-C-P) - should be examined for each factor (Table 13).

**TABLE 13. THE S-C-P GRID TO DESCRIBE FUNCTIONAL CAPACITY FACTORS**

STRUCTURE (S)	CONTENTS (C)	PROCESSES (P)
Structures and bodies in charge of ...	Documents, reports, stories, anecdotes, images that reproduce or reflect ...	Procedures and protocols that facilitate that there is ...

For a specific evaluation, data should be gathered to identify evidence for the S-C-P grid for each of the functional factors. Data might be collected through documentary review, interviews, surveys, observation, focus groups etc. After that, the development level of each functional factor will be rated, according to their level of fulfilment. A priori, the proposed rating method for new governance systems is a 1-3 rating scale (not developed, weak, strong); for mature systems a 1-5 rating scale (not developed, basic, intermediate, advanced, full) is recommended.

The GOCAPASS tool has been designed to support the analysis and improvement of governance systems as part of an on-going learning process. Therefore, it is considered useful to visualise and communicate the results of the assessment in order to raise awareness within the system and as a necessary condition to build up new capacities. This is achieved by a traffic light dashboard visualisation (red-weak, green-strong) that comes with GOCAPASS.

GOCAPASS makes capacity development much more evidence-based. The tool can be used as a means to develop more focused capacity development programmes or to design action plans or pilot projects to improve specific aspects in governance, e.g. monitoring and evaluation, knowledge management, cooperation in implementation. The use of GOCAPASS itself can be already part of a strategic reflection or awareness-raising processes on the benefits of cooperation. Furthermore, GOCAPASS can help to overcome hurdles in operational implementation and in day-to-day business.

Currently, GOCAPASS is being tested in two different policy fields: 1. It has been applied in the Chilean region of Aysén as part of the implementation of the first Regional Innovation Strategy. In 2015 a baseline measurement of the

regional innovation governance system took place, whereas the 2016 up-date measurement is still in the evaluation phase (Haarich, 2016c). 2. A specific GOCAPASS application to be used in EU transnational and macro-regional frameworks is currently being developed (Haarich, 2016a, 2016b). Both practical applications are presenting promising results that feed back into the overall concept and basic architecture of GOCAPASS.

## POLICY LESSONS - EVALUATING GOVERNANCE CAPACITY

The tool has been developed as a possible response to the need to understand how EU Cohesion Policy Programmes work. GOCAPASS is an analytical **tool that helps to open the black box of governance performance** and ‘meta-governance’ that relies on adequate capacities to make decisions, implement and cooperate in a favourable environment. Therefore, it is well suited to complement existing evaluation approaches in policy fields where the ESIF support targets the development of capacities (political, analytical and administrative) and the strengthening of networks and multi-stakeholder governance.

The GOCAPASS approach has several advantages that make it a powerful tool for policy learning. First, as the tool helps to **operationalise and visualise the functional capacities that make governance systems successful**, it is able to **raise awareness among stakeholders** on the purpose and benefits of cooperation as well as on the basic rules for interaction and coordination. In multi-level governance systems this knowledge can then be communicated to the stakeholder’s constituents. This can be extremely **useful in complex governance systems** that still depend on external support to become stable (e.g. new macro-regional governance systems). In the case of rather mature governance systems, for instance, well-established regional innovation clusters, GOCAPASS can be used as **a tool for critical reflection on governance quality**, identifying specific areas where further improvement is needed. In this sense, the tool would **allow to define more targeted (and effective) programmes for capacity development and training** or for pilot projects to improve certain aspects, such as knowledge management, learning, more efficient internal processes.

Second, although **the tool can be flexibly adapted to specific policies and levels** (from local to macro-regional), the common architecture of dimensions and factors guarantees certain comparability. It allows not only an on/off assessment but a **comparison of ratings over time and with other systems**. Consequently, it can be used to work within a common framework of understanding on policy capacities and governance effectiveness across different geographical areas and EU policy fields. Within this framework of understanding, **valid lessons and good practices could be elaborated** that would support the transfer of experiences to other governance systems, if needed.

Third, the tool brings in a **new dimension of analysis to other existing evaluation approaches** in EU Cohesion Policy that are rather focusing on the accountability of specific organisations. While concentrating on the systemic - network, interaction, multi-organisational - level of policy action, GOCAPASS **avoids the negative consequences of external evaluation**, such as critique and blame of particular stakeholders.

Fourth, with GOCAPASS not only stakeholders in the member states can learn how to improve the effectiveness of their interaction and cooperation processes. Also, **EU policymakers might enhance their understanding about how to optimise their support towards networks and governance systems** through external facilitation and process management ('meta-governance').

## AUTHOR

Silke Haarich holds a PhD in Economic Sciences and a Master's Degree in Spatial Planning. She specialises in the design, implementation and evaluation of regional and economic development strategies and programmes, especially in the field of EU Cohesion Policy, innovation strategies and capacity building. She has widespread professional experience in Europe and Latin America.

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## DISCLAIMER

An early draft of the GOCAPASS tool (at that moment still called GOA tool) and elements of this paper have been described in the Spatial Foresight Brief 6:2016 (Author: Silke Haarich), to be found at:  
<http://www.spatialforesight.eu/publications.html>

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## 12. BUILDING CAPACITY FOR EVALUATION USE: THE KNOWLEDGE BROKERS GAME

*Karol OLEJNICZAK (University of Warsaw)*

*Dominika WOJTOWICZ (Kozłowski University)*

### ABSTRACT

A clear gap exists between producing research results and using them to improve public policies. Studies point to "knowledge brokering" as an effective way of addressing this challenge.

The chapter discusses the effective use of simulation gaming to teach knowledge brokering to public professionals. Trainings with 198 practitioners from EU, US, and Canada confirm that simulation helps understanding the role of research in Cohesion Policy, mastering six activities of knowledge brokering, and recognizing limitations of broker influence in policy decision-making.

Institutions across Europe responsible for Cohesion Policy can use the Knowledge Brokers Game for training personnel and improving institutional capacity for evidence-based policy.

## PRESENTATION

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Research Network
 <b>BUILDING CAPACITY FOR EVALUATION USE: THE KNOWLEDGE BROKERS GAME</b>  Karol OLEJNICZAK (University of Warsaw), Dominika WOJTOWICZ (Kozłmiński University)
LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016

## LESSONS FOR COHESION POLICY

- **KNOWLEDGE BROKERING** MAKES RESEARCH RESULTS **USEFUL FOR PUBLIC POLICY**
- INSTITUTIONS OF COHESION POLICY NEED TO TRAIN THEIR STAFF IN KNOWLEDGE BROKERING
- WE CAN USE SERIOUS GAMES TO LEARN BROKERING SKILLS IN PRACTICE, BUT WITHOUT BEARING THE COST OF MISTAKES

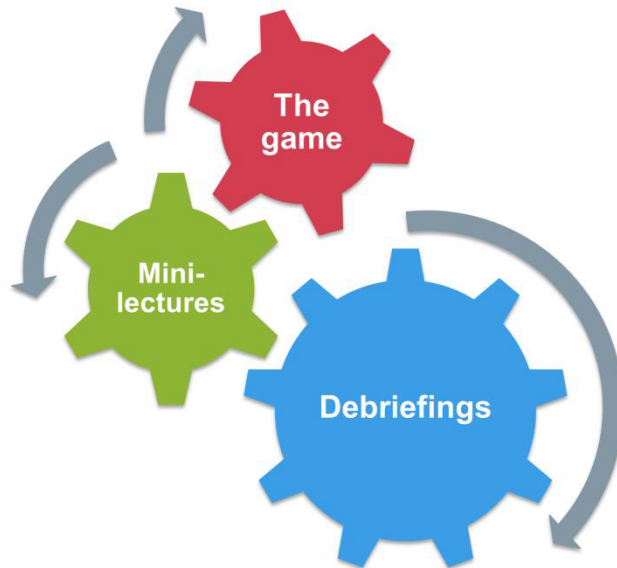
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## KEY SKILLS OF KNOWLEDGE BROKERS

1. IDENTIFYING KNOWLEDGE NEEDS OF USERS
2. ACQUIRING CREDIBLE KNOWLEDGE
3. FEEDING KNOWLEDGE TO USERS
4. ACCUMULATING KNOWLEDGE OVER TIME
5. BUILDING NETWORKS WITH PRODUCERS AND USERS OF KNOWLEDGE
6. MANAGING TIME AND RESOURCES

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## WORKSHOP CONTENT



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## GAME SCENARIO

- PLAYERS MANAGE AN EVALUATION UNIT FOR TWELVE MONTHS
- DIFFERENT PUBLIC INTERVENTIONS ARE IMPLEMENTED IN THE REGION
- DURING INTERVENTIONS' STAGES, DECISION-MAKERS EXPRESS KNOWLEDGE NEEDS
- PLAYERS PROVIDE CREDIBLE KNOWLEDGE TO THE KEY USER ON THE RIGHT MOMENT IN AN ACCESSIBLE WAY

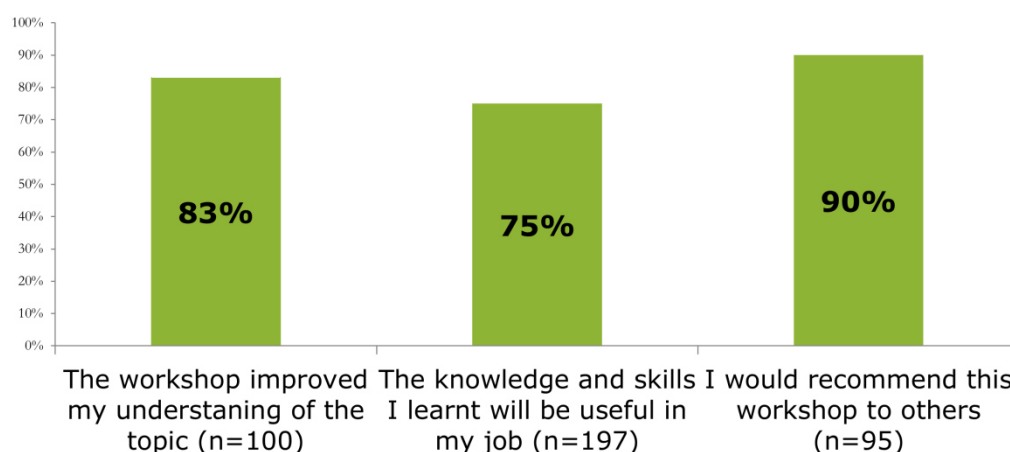


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## CONCLUSIONS

11 TRAININGS WITH 198 PROFESSIONALS FROM EU, USA, CANADA CONFIRM:

### **WORKSHOP WORKS WELL AS A METHOD OF LEARNING KNOWLEDGE BROKERING SKILLS IN PRACTICE**



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### **BUILDING CAPACITY FOR EVALUATION USE: THE KNOWLEDGE BROKERS GAME**

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A VIDEO WITH MORE INFORMATION IS AVAILABLE USING THE FOLLOWING LINK  
<HTTP://KNOWLEDGEBROKERS.EDU.PL/>

## INTRODUCTION

The opportunity to improve effectiveness of Cohesion Policy (CP) with the use of research still remains largely untapped. Despite extensive production of evaluation reports, the practitioners implementing Cohesion Policy still have limited insight into "what works, for whom, and in what context" (Olejniczak, 2013; Wojtowicz and Kupiec, 2016).

Recent literature on evidence use in public policy argues that bringing credible and rigorous evidence to decision makers is not sufficient; the evidence needs to be 'brokered' (Olejniczak et al. 2016). That is because decision makers and researchers are driven by different imperatives and time frames, using different language. Studies point to "knowledge brokering" as an effective way of addressing this challenge (Meyer, 2010; Olejniczak et al. 2016).

**Knowledge brokers** are individuals or units that serve as intermediaries between the worlds of research and policy-making practice. They **help decision makers in acquiring, translating into practice, and using existing knowledge for better planning and implementation of public interventions** (Turnhout et al., 2013).

The training of Cohesion Policy practitioners in knowledge brokering could substantially improve effectiveness of public policies. Staff of CP programs would be able to acquire relevant studies and better use their results in program management. However brokering entails a set of specific skills that can be learnt most effectively by experience. That requires a practice-based training method. This gives rise to a key question: **How can public sectors professionals learn new skills of knowledge brokering in practice but without bearing the costs of mistakes that are an inevitable part of the learning process?**

The paper reports on the use of specially designed serious game as a method of teaching public policy professionals the skills of knowledge brokers. Serious games are effective adults learning method (Kapp, 2012). The game called "Knowledge Brokers" was designed over the period of two years by the team from Pracownia Gier Szkoleniowych (PGS) and Evaluation for Government Organizations (EGO).

The paper is based on extensive research of knowledge brokering in different policy areas, survey of evaluation units in Cohesion Policy and eleven game sessions with over 190 public policy practitioners from European Union, United States and Canada.

The paper is divided into four parts. It starts with an overview of the learning content - the system of knowledge use in public policy and the logic of knowledge broker actions. Then it briefly describes learning method - the game. In the third part the initial lessons from the game application are discussed. The paper concludes that the **Knowledge Broker game is a unique and useful training method for public professionals**. It helps learning in practice three things: **(1) role of research in policy and program implementation, (2) six broker's skills that increase effectiveness of public programs and (3) limitations of brokers work coming from user behaviours, organizational behaviours and policy process dynamics**.

Institutions across the EU responsible for design and implementation of Cohesion Policy can use the game for practice-based training of their professional staff. This innovation could improve their capacity for more effective evidence-based policy.

## THE LEARNING CONTENT

Knowledge Brokers, in order to be effective in helping decision-makers, require three things:

- Understanding the system of relations between research evidence and policy cycle, and the key factors that drive that system;
- Mastering sets of activities of knowledge brokering that can increase the chance of evidence use in public policy;

- Recognizing limitations of knowledge broker's influence in public policy decision-making.

Empirical studies and policy literature offer a good insight into the role of research knowledge in policy (Nutley et al., 2007; Prewitt et al., 2012; Shulha and Cousins, 1997). It can be summarized by the following narrative.

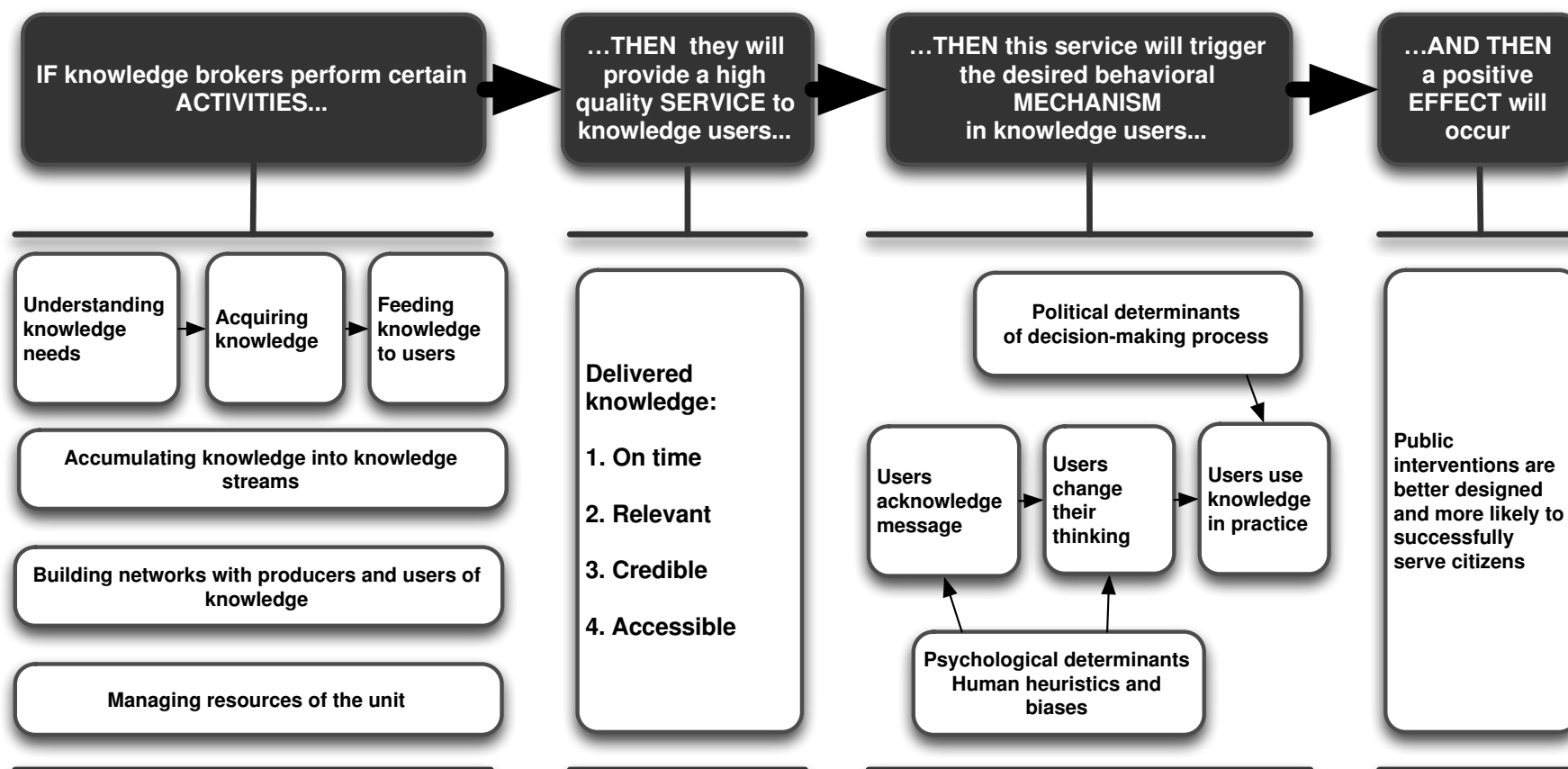
The focal points are public interventions that aim to address socio-economic issues. They proceed in stages - from agenda setting through planning and implementation to completion and assessment of outcomes (Howlett et al., 2009).

In order to run interventions successfully, different types of knowledge are required at different stages. They span from questions on diagnostic knowledge (know-about the policy issue), through know-what works and know-why things work, to technical know-how (Nutley et al., 2007).

Running the interventions is the business of policy actors. Numerous types of actors engage at certain policy stages e.g. politicians, high-level civil servants and public managers. They have different information preferences ranging from strategic issues to technical matters. They are potential knowledge users because, once involved in a particular stage of an intervention, they face certain knowledge needs.

Knowledge needs can be addressed by different sources including evidences coming from research studies. Their credibility is determined by the quality of methodological rigour - a match between research design and the research question (Stern et al., 2012).

Policy actors have certain preferences for forms and channels of communication. Some of them favour detailed form and formal contacts while others favour a concise message and face-to-face discussion. The range of these preferences can be labelled as "feeding methods". Knowing this narrative, knowledge broker can help policy practitioners to run better policies by providing credible knowledge, to the key user, on the right moment and in an accessible way. The detailed logic of knowledge brokering activities can be formulated as a theory of change (see Figure 6).



**FIGURE 6. THE LOGIC OF KNOWLEDGE BROKER ACTIVITIES (SOURCE: OLEJNICZAK ET AL., 2016)**

A few things should be pointed out in relation to this theory of change. The knowledge broker controls the first two blocks (activities and services), while the two consecutive blocks (the mechanism and effect) can only be influenced by the broker.

The key success factor of knowledge brokers is quality of their service. The four aspects of quality are: (1) delivering knowledge when users need it, (2) being relevant to their information needs, (3) keeping methodological rigour of the particular study and (4) using right feeding method (form of presentation and channel of delivery).

The mechanism of user's knowledge absorption and decision-making is complex. It is influenced both by human constraints and political dynamics. A high quality service of knowledge broker substantially increases the chances of knowledge use, but it is rarely decisive because evidence is just one of the factors in the complex decision-making (Nutley et al., 2007; Tyler, 2013).

This insight from policy practice and research has been turned into game. Whole game design, that means options available for players, their activities and scoring points, has been aligned with these findings.

## THE LEARNING METHOD

The game session has been designed as a one-day training event consisting of three integrated elements: the game, mini-lectures and debriefings.

The **game** allows participants to experience the real challenges of a knowledge broker and to test their own brokering skills in a safe and engaging environment. Knowledge Brokers game is designed as a high quality board game, with sophisticated graphics and carefully crafted playing pieces. It mirrors reality by bringing cases of projects and studies from Cohesion Policy.

**Mini lectures** provide participants with concepts on public policy and social research that are crucial for effective knowledge brokering. Delivered by experts in the field of evaluation, the lectures cover: stages of the policy cycle, research questions and research designs, policy actors and knowledge dissemination strategies. Experts often use examples from real life cases of Cohesion Policy.

**Debriefings** transfer the game experience back into the real world. Carefully animated sessions, supported by real-time feedback from game results, allow players to reflect on their strategies within the game. On that basis they transfer key-learning points into the practice of their organizations.

**The central point of the workshop is game.** Participants are divided into 6 groups (with a maximum of 5 persons in each). Each group manages an evaluation unit in a region for twelve rounds (1 round represents 1 month in real life). Their mission is to help decision-makers with expertise in implementing four different types of socio-economic projects. These are: combating single mothers' unemployment, developing a health care network, revitalizing a downtown area, and developing a public transportation system for a metropolitan area. The spectrum of projects has been based on the real, popular cases from Cohesion Policy. Each project is at a different stage of its development and faces different challenges.

With each turn knowledge needs appear for each project. They can relate to diagnostic issues (know-about), the mechanisms or effects of the implemented or planned solutions (know-what works and know-why), explanation of project problems or technical issues (know-how). Knowledge needs take the form of concrete questions. Over the course of the game players have to deal with 19 different knowledge needs.

Players have to react to knowledge needs by: contracting out studies with an appropriate research design (they have eight design to choose), targeting the key users potentially interested in study results (three types of users) and choosing methods for feeding study results to users (ten methods available).

The available resources - the number of staff in their units and the time required to complete each task, determine the choices of players. By investing additional human resources teams can act proactively: they can network (which allows them to recognize knowledge needs in advance) or search archives (to find already existing studies that will strengthen their body of evidence).

After each turn, groups of players that have completed their reports receive detailed feedback, in the form of infographics, on their timing, relevance, credibility, accessibility and information on the final effect - if a policy actor made a decision based on the delivered knowledge or on other premises (e.g. political rationale). Groups of players compete with each other. The winning

team is the team with the highest score in terms of reports used by policy actors.

## FIRST LESSONS FROM GAME APPLICATION

The game has been used in eleven training sessions with 198 public sector professionals (two games with international professionals, seven games with Polish civil servants and policy makers).

In the post-training survey the majority of the participants confirmed the usefulness of the workshop as a training tool for professionals dealing with evaluations of public policies. Knowledge Brokers game improved players understanding of the topic and provided them with knowledge and skills used in their everyday work. 90% of the post-training survey respondents would recommend participation in the workshop to the others (especially, to directors and heads of departments, colleagues, evaluation units' officers and researchers).

The participants were also asked in a survey about the most valuable thing at the workshop. Their answers can be grouped in three groups.

The first group of answers points at a unique form of learning that combines theory and examples with a hands-on experience. According to surveyed participants game increased engagement, fostered cooperation with other participants and provoked interactions. **Participants stressed that this form of workshop allows better absorption of knowledge in comparison to traditional lectures.** They were describing game as: “very developing and creative tool; an interesting way of improving knowledge about evaluation; engaging and interesting way to learn and acquire knowledge; the practical approach combined with the theory (in a very good proportion)”.

The second group of opinions on the benefits of game related to the reality of the game scenario, which - in players view - covered the knowledge and skills required at each stage of the evaluation of public projects. **Players valued gaining a holistic understanding of mechanisms that drive system of evaluation. This is a unique opportunity, especially for the staff of bureaucratic organizations that often have a fragmented view of the policy-making process.** When describing this game value, participants wrote

about: “comprehensive identification of factors, which influence the effectiveness of decisions; general view of knowledge management - a level higher than the daily routines; awareness of importance of each phase of the study (from the selection of the research design to dissemination of results between knowledge users); a comprehensive overview of the projects' evaluation”.

The third group of opinions pointed at specific knowledge gains. **The workshop allowed participants to acquire and combine particular knowledge and skills they have to use in their everyday work.** They stated that the most valuable things at the workshop were: “[gaining] knowledge on methods of transferring evidences and research designs; knowledge on report readers as well as ways of feeding evidence to the decision-makers; understanding the relationship between purpose of the study - method - users; [gaining knowledge on] knowledge users profiles and in-depth knowledge on research design”. These declarations were confirmed by the self-assessment of acquired knowledge.

It has to be noted that the current assessment of the game is limited to self-reporting of the participants. In order to establish a strong evidence of workshop effectiveness in teaching professionals, authors plan to conduct a pre-test post-test experiment comparing professionals learning with game-based workshop to group taught with traditional lecture.

## CONCLUSIONS

Recent policy practice and literature on public decision-making shows that **bringing credible and rigorous evidence to decision makers is not sufficient; the evidence needs to be ‘brokered’.** That requires skilled knowledge brokers, usually located in public administration, who can help decision makers in acquiring, translating into practice, and using existing knowledge for better planning and implementation of public interventions. Specially designed serious simulation game can help building the skills of knowledge brokers between the staff of Cohesion Policy programs.



The **Knowledge Broker game** showed to be useful for public professionals in three things. Firstly, it helps learning about role of research in policy and program implementation.

Secondly, it teaches key broker's skills:

- Understanding the knowledge needs of different policy actors;
- Acquiring credible knowledge by matching optimal research designs to the knowledge needs;
- Feeding knowledge effectively to users by choosing the dissemination methods preferred by different decision-making actors;
- Strengthening evidence by combining the results of different studies into a concise policy argument;
- Getting better insight into knowledge needs and speeding up the circulation of knowledge by using networking with producers and users;
- Managing an evaluation unit with limited time and human resources.

Lastly, game helps professionals to understand the limitations of brokers' work. At the end of the day, research findings are just one of the factors in the complex, non-linear dynamics of policy-making.

Based on the game sessions executed with public sector professionals, authors conclude that training of Cohesion Policy staff with the Knowledge Brokers game could improve their capacity for more effective evidence-based policy.

Game is useful for two groups of professionals in Cohesion Policy system. The first group is the staff of evaluation and analytical units. The workshop can be used to develop and test their strategies for effective knowledge brokering. The second group is public sector decision-makers - managers, directors of strategic or implementation units. Game helps raising their awareness on the utility of research evidences in their job, help them becoming more mindful users of knowledge.

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For more information about the game-based workshop visit:  
[www.knowledgebrokers.edu.pl](http://www.knowledgebrokers.edu.pl)

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## 13. POLICY LABS: THE NEXT FRONTIER OF COHESION POLICY DESIGN AND EVALUATION

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### ABSTRACT

The fundamental challenge for policy practitioners is how to obtain research-based feedback on “what works and why” early enough to allow for improvement of policy solutions. This chapter proposes ‘policy labs’ as a solution to this challenge. It draws on the established tradition of program evaluation, the emerging practice of social labs, and insights from institutional analysis and applied behavioural science. Policy labs offer three tools to assist Cohesion Policy practitioners: a new framework for designing policy interventions, space for safe, collaborative learning from implementing experimental solutions within existing programs, and a diverse research method to provide credible knowledge.

## PRESENTATION

Regional Studies Association
<b>COHESION</b> <i>POLICY</i>
Research Network
 <b>POLICY LABS: THE NEXT FRONTIER OF COHESION POLICY DESIGN AND EVALUATION</b>  Karol OLEJNICZAK (University of Warsaw), Kathryn NEWCOMER (George Washington University), Sylwia BORKOWSKA-WASZAK (Strathclyde University)  <b>LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016</b>

## THE CHALLENGE

**PROBLEM:** INSUFFICIENT FLEXIBILITY  
AND LEARNING FROM EVALUATION  
IN COHESION POLICY (CP)

**AIM:** PROVIDING POLICY DESIGNERS WITH  
FEEDBACK ON *WHAT WORKS AND WHY* EARLY  
ENOUGH IN THE PROCESS TO IMPROVE POLICY

**IDEA:** POLICY LABS – SPACES WHERE  
PRACTITIONERS MEET RESEARCHERS  
AND USERS, TO CO-CREATE SOLUTIONS  
AND TEST THEM ON A SMALL SCALE

Regional Studies Association  
**COHESIONPOLICY**  
Research Network

## L1: FRAMEWORK OF THINKING

### WE CAN INFLUENCE BUT NOT ADMINISTER THE CHANGE

- TYPICAL POLICY DESIGN AIMS TO CHANGE BEHAVIOURS
- RECENT STUDY FINDINGS: PEOPLE HAVE BOUNDED RATIONALITY AND USE SHORTCUTS IN DECISION-MAKING
- IMPLICATIONS:
  - TREAT POLICY INTERVENTION AS ONE OF MANY TRIGGERS
  - UNDERSTAND BENEFICIARIES AND THEIR CONTEXT
  - IDENTIFY MECHANISMS TO TRIGGER
  - DESIGN ENABLERS, DRIVERS AND CHOICE ARCHITECTURE
  - TEST YOUR THEORY

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## L2: SPACE FOR LEARNING

### WE NEED SPACE FOR SAFE, COLLABORATIVE LEARNING

- PRACTITIONERS BRING TO LABS A POLICY ISSUE THAT NEEDS TO BE ADDRESSED
- PRACTITIONERS FORM A TEAM WITH RESEARCHERS AND STAKEHOLDERS, TOGETHER THEY:

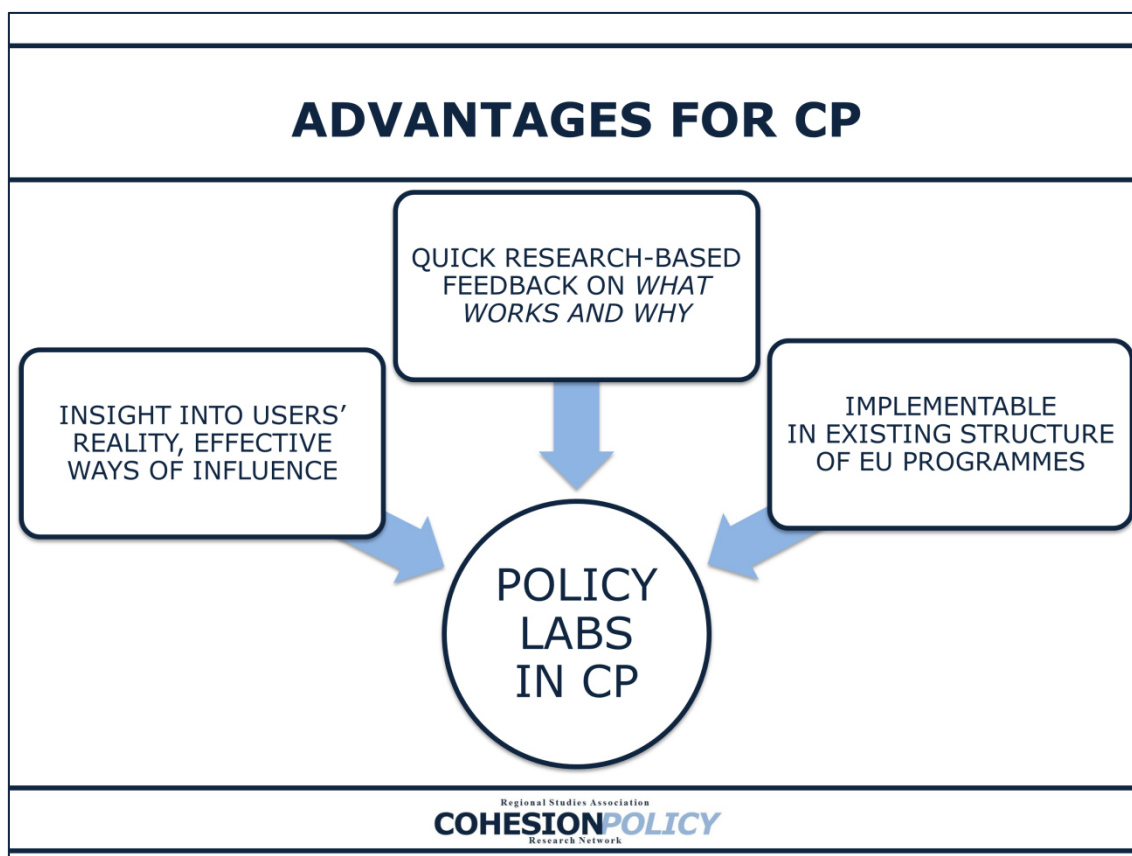


- SMALL SCALE EXPERIMENT = LOW RISK & LOW COST OF FAILURE

## L3: METHODS FOR LEARNING

### WE NEED DIFFERENT RESEARCH FOR DIFFERENT TYPES OF KNOWLEDGE NEEDS

- **ANALYSIS** (*KNOW ABOUT THE ISSUE*)  
ETHNOGRAPHIC STUDIES, CASE STUDIES
- **CO-CREATION** (*KNOW WHY THINGS COULD WORK*) SYSTEMATIC  
REVIEWS, CREATIVE SESSIONS
- **TESTING** (*KNOW WHAT WORKS*)  
EXPERIMENTS AND SIMULATIONS



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**POLICY LABS: THE NEXT FRONTIER OF COHESION  
POLICY DESIGN AND EVALUATION**



## INTRODUCTION

Public policy making is a trial and error process of finding solutions for socio-economic challenges. The main tools of policy are public interventions - projects, programs or regulations. The tools are designed to deliver services that address the needs of citizens, create a favourable environment for economic development, and guide citizens towards socially desirable behaviours. In order to design interventions to be effective in reaching espoused goals, public practitioners need knowledge on “what works, why and in what context” (Pawson, 2013).

The fundamental problem for practitioners of public policy is that evidence on the effectiveness of applied solutions comes late in the implementation process, giving very limited space for adaptations and improvements. This problem is common in all public policy areas, however, in Cohesion Policy it is particularly severe due to its complexity - the multi-objective orientation of the interventions, multi-level governance arrangements and the long timeline of the policy cycle.

Thus, the key challenge can be framed as follows: **How can researchers provide feedback on “what works and why” early enough in the policy process allowing policy designers and implementers to improve policy solutions?**

To address this challenge, we propose the strategy of policy labs. **Policy labs are practitioner-centric learning systems incorporated within existing programs.** In policy labs practitioners come together with researchers and program stakeholders, including beneficiaries, to quickly identify and analyse problems with policy design or implementation, collaboratively create solutions, and then rigorously test new solutions. Tests are done on a small scale to get quick feedback, and limit the costs of failure.

The policy lab framework builds upon a rich tradition of program evaluation and the emerging practice of social labs. The strategy offered here reflects current knowledge obtained through: a review of experiences with emerging social labs; a systematic review of evaluation practices in the EU Cohesion Policy, with complementary evidence from the US; a literature review of institutional analysis and social mechanisms; and a review of cases of governments’ use of applied behavioural science in policy design.

**Implementing policy labs** entails adopting three key components: **(1) a new framework** for designing public policy interventions, **(2) space for safe, collaborative learning** from implementing experimental solutions, and **(3) a diverse set of methods to help practitioners co-create useful and timely knowledge**. These three components are discussed in more detail in the next sections of this chapter. Each section begins with an assessment of current challenges, then discusses solutions offered by policy labs, and closes with examples from recent policy practice. The chapter ends with a summary of the potential contributions of policy labs for Cohesion Policy.

## A NEW FRAMEWORK FOR POLICY DESIGN

The majority of public interventions are based on a logical, linear framework consisting of inputs, program processes, outputs, and outcomes. With this model both program implementers and final beneficiaries are assumed to be rational actors, who are well informed, able to assess all options and follow instructions laid by program designers. This logic assumes simple, automatic reactions of the implementers to instructions and of the end users to the activities undertaken in programs. However, these assumptions do not match either the complex reality of social life, or the biology of human cognition and decision-making (Kahneman, 2011; World Bank, 2015). Thus, there is a need for a better conceptual framework to guide policy design.

A more realistic, and likely successful, approach to policy design needs to be informed by knowledge about five key areas.

**(1) Understanding context.** We should understand the socio-economic entities in which we impose policies as complex systems of actors and factors that interact over time in often-unexpected ways (Ostrom, 2005). Public interventions present only small impulses within these dynamic evolving systems. Policy tools need to be designed intentionally to be embedded effectively in each particular context in order to bring about intended change.

**(2) Understanding users.** We should focus on the perspective of the final users affected by each intervention. It is crucial to recognize how those users make decisions, what behavioural models drive their choices, and what

cognitive heuristics and biases shape their judgments (Shafir, 2013; World Bank, 2015).

**(3) Triggering mechanisms.** Policy interventions cannot directly change the behaviour of users, but they can, if well designed, trigger mechanisms that will lead to change in thinking, and ultimately, change in behaviours. When designing policy interventions we should think about the mechanisms we want to activate in intended users, or beneficiaries (Pawson, 2013; Lourenco et al, 2016).

**(4) Designing the game.** When designing interventions we should not think solely in terms of investing static inputs. Rather, we should think in terms of building a set of required actions, or games, that involve users and guide them towards behaving in desired ways. The game, or desired set of interactions, is composed of: (a) enablers (required resources), (b) drivers (users' internal motivations or external motivators) and (c) choice architecture (ways the choices are structured and presented to users). Together, those elements can then trigger mechanisms for behaviours, and facilitate changes in users' behaviours (Ostrom, 2005; Olejniczak and Sliwowski, 2015).

**(5) Testing theory.** The design of an intervention is essentially a "theory" - or set of assumptions about a chain of causal interactions. The desired effects are produced from the interactions of users who are provided with enablers, drivers and choice architecture, and the results can be validated through real life application (Donaldson, 2007).

The framework we describe here has already been used in some social labs for prototype building and experimenting with solutions to influence behaviour. Two examples of the application of this framework are presented in Table 14.

**TABLE 14. EXAMPLES OF APPLYING BEHAVIOURAL SCIENCE INSIGHTS TO INFORM POLICY DESIGN IN SINGAPORE AND COPENHAGEN**

EXAMPLES	OVERCOMING SUNK COST EFFECTS IN THE TRANSPORT SYSTEM (Singapore)	ENCOURAGING PRO-ENVIRONMENTAL BEHAVIOUR OF CITIZENS (Copenhagen)
AIM	To minimize traffic congestion in Singapore.	To encourage inhabitants and tourists to dispose of their rubbish in bins, and contribute to keeping the city cleaner, thus generating savings in the local budget of funds allocated to street cleaning.
BEHAVIOURAL MECHANISM	When people are charged once for using a certain service, regardless of the number of times they use it, the sunk costs pushes them to use the service as often as possible, without thinking about the rationality of their actions.	Showing people the way to the trash bin in a simple, visible, engaging and humorous manner can trigger their emotional commitment, enhancing their desire to act appropriately.
METHODS	A small-scale experiment of changing the system of payment for using roads from a fixed-charge to pay-when-you-use scheme, in which the prices depend on the timing (higher in rush hours).	A small-scale experiment of placing colourful footprints leading to brightly marked garbage bins in the city and observing the reaction of 1000 pedestrians.
EFFECTS	The traffic volumes during tests decreased by about 7-8% in comparison to the control periods.	Enjoyment in following the steps encouraged 46% more people to throw trash in the bins, instead of disposing of it on the pavement.

(Source: Olejniczak and Sliwowski, 2015)

## NEW SPACE FOR LEARNING

Current public management provides little space for learning on “what works and why” from experimentation with innovative solutions. For example, the multi-annual, complex design of Cohesion Policy, once set in motion, makes experimenting a very costly, and unlikely, tool to support learning.

Designers of policy interventions are often isolated from users of interventions. They prepare multi-annual grand design programs, based on general trend analysis, and may solicit, at a later stage, feedback from stakeholders. Even at the level of project implementation, innovation is limited because: (a) initial selection criteria are pre-set, (b) rigid requirements drive the implementers to employ ideas that are already tested and safe, and (c) there is little flexibility - once projects start, they have to be executed in line with the initial plan.

**The evaluations of the utility and effectiveness of the solutions typically come too late for their findings to be used to improve current interventions, and often even too late to be used in planning of the next generation of programs. As a result, policy designers and implementers tend to view ex-post evaluation as an accountability exercise, with little learning value.**

**We propose policy labs to provide problem-driven learning space for safe development and testing of new Cohesion Policy solutions.** The labs offer two important benefits. First, they are the space for truly collaborative processes involving practitioners, researchers, and stakeholders, including final beneficiaries, in the co-creation of solutions (Hassan, 2014). Second, they provide space for safe experimentation, where ideas can be developed and tested, while mistakes can be made at low costs (Haynes et al., 2012).

Policy labs are not intended to replace existing programs. Instead, they can be designed as small entities within the structure of existing, multi-annual programs. They could have a form of an on-going project, funded within an existing program.

They could function as follows. Policy practitioners would bring particular policy problems to the open space. Then they would collaborate with researchers and representatives of stakeholders and final users to (a) analyse roots of the problem, (b) create a spectrum of solutions in the form of intervention prototypes, and then (c) test those solutions on a small scale with the use of credible research designs. Solutions that prove to be effective at addressing the problem could be scaled-up to support mainstream program operations.

The approach to problem solving offered here is similar to existing innovative projects within Cohesion Policy. However, there are five substantial

differences: (a) policy practitioners who identify the policy problem are involved in the deliberative process, (b) solutions are co-designed with final users, (c) ideas are thoroughly tested with the use of rigorous research methods, (d) failures are viewed as acceptable as a learning opportunity, and (e) the learning cycle is quick.

**TABLE 15. EXAMPLE OF COLLABORATIVE POLICY DESIGN FROM MINDLAB IN DENMARK**

EXAMPLE	CO-CREATING A REFORM TO KICK START ENTREPRENEURSHIP	RETHINKING THE REFORM OF DISABILITY PENSIONS AND FLEXIBLE WORK SCHEMES
KEY PRACTITIONER	Ministry of Economics and Business Affairs	Ministry of Employment
MOMENT OF LAB'S ACTIVITY	Before the policy was designed & implemented.	After the first period of implementation
AIM	How government initiatives can help growth entrepreneurs realize their businesses potential.	How the reform was implemented and how to further improve effectiveness.
STAKEHOLDERS	8 growth entrepreneurs, 3 potential growth entrepreneurs, Experts in innovation and entrepreneurship. Danish Enterprise and Construction Authority, Min. of Economics & Business Affairs	6 clients, 7 dept. managers of job centres and local authorities, 5 managing case officers, 5 operational case officers, Nat. Labour Market Authority, Min. of Employment
ANALYSIS AND CO-CREATION OF USER-ORIENTED SOLUTIONS	Visit and interviews with growth entrepreneurs. Brainstorming session to co-create potential support. 8 ideas chosen to be tested.	After desk research, 5 case studies with interviews and ethnographic observation of 7 meetings of the new rehabilitation teams.
CONCLUSIONS FOR POLICY	Implement an entrepreneurs-driven network. Public sector's role should be limited to supportive background; entrepreneurs should be active in sharing knowledge and experiences.	Active participation of the client is the key for success. Pursue the benefits application process not only through paper, but also interviews with clients.

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(Source: [www.mind-lab.dk/en](http://www.mind-lab.dk/en))

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## NEW METHODS OF LEARNING

The credibility of social science findings is largely determined by the match between research design and research questions. For example, case study research is appropriate to implement when in-depth knowledge on how policies are being implemented is needed. And the optimal design for establishing the extent to which a policy option produces the desired effect is an experimental design (in EU policy often called “counterfactual analysis”).

Typically when evaluating the impact of public policies, including Cohesion Policy, the credibility of the methodology is limited. Many, if not most, of the evaluation studies collect data without adequately tailored research designs. They frequently try to address too many questions, and try to achieve descriptive breadth at the expense of producing analytically targeted, in depth knowledge.

As a result little credible knowledge is gained on what works, under what circumstances, and why. Evaluation studies in Cohesion Policy provide mostly technical knowledge on implementation processes, and little insights to inform strategic decision-making.

**We propose employing a collaborative process to design and implement smaller studies that provide practitioners with the knowledge they need to solve specific policy problems.** Each study would be designed to produce the knowledge needed at a certain stage in policy design and testing. Appropriate research designs would be used to ensure the study results are credible and immediately useful.

Policy labs can provide at least three types of knowledge useful to inform practitioners (Nutley et al., 2003). Within the policy lab the design process starts with understanding the context and target group of an intervention. The first type of knowledge to generate is about the policy issue and context (know-about). It covers the users of the policy, their expectations, motivations and context in which they operate. The most useful way to

generate this first type of knowledge is through exploratory, ethnographic research that allows seeing the world through the eyes of users.

Generating knowledge about potential solutions is the second task. Knowledge of triggers and mechanisms that could drive users to certain behaviours (know-why things will work) is needed. Within policy labs brainstorming sessions that involve diverse stakeholders to generate solutions can be employed. In addition, systematic reviews may be used to inform practitioners about solutions that have worked in similar contexts.

The third type of knowledge comes from obtaining information on how well trial solutions work. The optimal research approach for this purpose is a controlled comparison between situations with and without a trial intervention. Depending on the policy domain, and resources available, research approaches may include randomized controlled trials, quasi-experiments or simulations.



**TABLE 16. EXAMPLES OF APPLYING BEHAVIOURAL SCIENCE INSIGHTS TO INFORM POLICY DESIGN IN THE UNITED KINGDOM**

EXAMPLE	LABOUR MARKET REFORM	BUILDING YOUTH SKILLS THROUGH SOCIAL ACTION
KEY PRACTITIONER	Job Centre Plus in Loughton, Essex	The Cabinet Office's Social Action Team
AIM	To identify obstacles that beneficiaries of unemployment benefits face during seeking for jobs.	To measure the impact of youth taking part in social action on building their key skills for work and adult life.
MOMENT OF LABS' ACTIVITY	During every day work of the unemployment centre.	After first implementation, before its next edition.
METHODS	User-perspective analysis to identify demotivating obstacles; Co-creation of a prototype of a new procedure; Experiment: six month randomised controlled trial to test the new procedure in comparison to existing one.	Data analysis combining the collected data with the conclusions from the programme evaluation; Experiment: randomized controlled trials, testing behaviours and decisions of the programme's participants.
EFFECTS	The new procedure increased the centre's effectiveness by 15-20%. Main changes: 1. Meeting already on the 1st day of unemployment (instead of after 2 weeks); 2. focus on planning new job-seeking activities (instead of reporting); 3. additional psychological support.	Providing evidence that young who take part in social action initiatives develop skills for employment and adulthood. Distinction between eagerness to commit time for voluntary job and to support a charity financially.

(Sources: *The Behavioural Insights Team, 2015; World Bank, 2015; Kirkman et al. 2016*).

## CONCLUSIONS

A fundamental problem for public policy practitioners is how to get research-based feedback on “what works and why” early enough in the policy process to inform the adaptation and improvements of policy solutions. In this paper

we proposed policy labs as a solution for this challenge. We offer three main lessons for the Cohesion Policy context.

**Lesson 1: Influencing but not administering change.** Policy labs provide a new, more realistic way of thinking about public interventions. Interventions are small impulses that trigger changes in complex socio-economic settings. The focus of policy designers should be on the intended users and beneficiaries of policies - their actual behaviour. Policy designers should think in terms of behavioural mechanisms they want to activate in policy users and beneficiaries. The design itself needs to include enablers, drivers and choice architecture to guide users. Proposed interventions can be tested at a small scale to see if the assumptions of designers are realistic.

**Lesson 2: Space for safe, collaborative learning.** Policy labs provide spaces within existing programs that allow co-creation of innovative solutions and safe experimentation. Practitioners come together with researchers and stakeholders, including beneficiaries, to quickly analyse problems, creatively develop solutions, and rigorously test innovative ideas. They do it on a small scale to get quick feedback, and limit the costs of failures. The knowledge on “what works and why,” gained in policy labs, can be then scaled up to be implemented more broadly.

**Lesson 3: Matching research approaches to addressing knowledge needs.** Different questions arise at each stage of policy processes that can be addressed by matching research appropriate to informing specific knowledge needs. To foster understanding of the nature of the policy problem (know-about the issue) labs can support exploratory, ethnographic approaches. For development of solutions (know-why things could work) they offer systematic reviews of existing practices, and stakeholder brainstorming sessions. For testing of prototype solutions (know-what works) they can support controlled comparisons, e.g. experiments, simulations.

There are at least four benefits that policy labs offer to enhance the design and implementation of Cohesion Policy.

- Policy labs provide policy designers with **better insight into the context** in which Cohesion Policy users operate. As a result, the designers can choose better instruments to trigger the desired changes with more targeted and efficient tools.

- Policy labs provide practitioners with **quick, research-based feedback** on what works and why, moving the role of evaluation research from ex post accountability to truly learning function.
- Policy labs combine **quantitative and qualitative methods of enquiry**, providing a fuller, richer picture of the socio-economic systems in which policies operate, and the role of public programs in addressing societal problems.
- The implementation of **policy labs does not require substantial changes** in the structure or procedures of the multi-annual programs. Labs can be used within the structure of existing programs.

To conclude, the development of policy labs could enhance Cohesion Policy implementation through the use of these practitioner-centric learning systems. Evaluative thinking can be employed in real time to provide practitioners with research-based evidence about what works and why. Ultimately, such timely innovative feedback could increase the effectiveness and utility of public policies.

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## **PART IV - Cross-thematic Topics**

## 14. CRITICAL REFLECTIONS ON THE EVALUATION OF EUROPEAN TERRITORIAL COOPERATION PROGRAMMES (2007-2013)

*Lidia GRECO (Università degli Studi di Bari)*

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### ABSTRACT

This paper presents some preliminary reflections on the ex-post evaluation process of the European Territorial Cooperation Programmes (2007-2013). It focused on cross-border, trans-national and inter-regional cooperation using a mix of quantitative and qualitative methods. The paper has a twofold aim to explore some of the findings and to reflect on the evaluation process itself. Ultimately, it aims to provide some reflections for policy learning. As for the findings, an issue of isomorphic tendencies emerges. With regards to the evaluation, the paper stresses the need for the specificity of ETC programmes to be taken into greater consideration.

## PRESENTATION

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<p><b>CRITICAL REFLECTIONS ON THE EVALUATION OF EUROPEAN TERRITORIAL COOPERATION PROGRAMMES (2007-2013)</b></p> <p>Lidia GRECO (Università degli Studi di Bari) Benito GIORDANO (University of Liverpool)</p>
LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016



## POLICY FOCUS AND APPROACH

- EUROPEAN TERRITORIAL COOPERATION PROGRAMMES 2007-2013;
- TWO ASPECTS TO BE CONSIDERED:
  - (A) **LESSONS LEARNT** FROM THE EX-POST EVALUATION;
  - (B) PRELIMINARY REFLECTIONS ON THE **EVALUATION PROCESS**.

## SOME KEY FINDINGS

- EUROPEAN TERRITORIAL COOPERATION PROGRAMMES ARE DEVELOPING AN '**ISOMORPHIC EFFECT**': **POLICY CONVERGENCE ALSO IMPLIES OUTPUT CONVERGENCE**;
- BUT THE **NATURE AND TYPE OF 'COOPERATION'** IS **PLACE AND TIME SPECIFIC**

## REFLECTIONS ON THE EVALUATION PROCESS I

1) QUANTITATIVE ANALYSIS OF OUTPUTS AND  
'ACHIEVEMENTS' MAKES IT DIFFICULT TO FULLY 'CAPTURE'  
**PROCESSES AND CONTEXTS;**

2) NEED TO **ASSESS** BETTER STAKEHOLDERS  
**PARTICIPATION.**

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## REFLECTIONS ON THE EVALUATION PROCESS II

3) **TIMING** IS A CRUCIAL ISSUE  
TO ENHANCE REFLEXIVE LEARNING

4) NEED FOR **NEW APPROACHES AND INDICATORS**  
TO FULLY GRASP (UN)INTENDED CONSEQUENCES  
OF SOCIO-ECONOMIC INTERVENTIONS

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**PRELIMINARY REFLECTIONS ON THE EVALUATION  
OF EUROPEAN TERRITORIAL COOPERATION  
PROGRAMMES (2007-2013)**

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## INTRODUCTION

This paper explores some preliminary reflections on the ex-post evaluation process of the European Territorial Cooperation (ETC) Programmes (2007-2013). The ETC evaluation was part of the suite of thematic ex-post analyses carried out on the 2007 to 2013 programme commissioned by DG-Regio. Focusing on cross-border, trans-national and inter-regional cooperation, the evaluation involved a quantitative analysis of relevant secondary sources including Operational Programmes, ex-ante evaluations and annual implementation reports. The components of the evaluation included a one-page summary, developed by a range of national experts, for each programme in the three respective ETC strands, focusing on outputs and achievements. Then, a series of nine qualitative case studies were carried out from selected Operational Programmes across the EU.

Several key reflections emerge. First, the evidence suggests that **the ETC programmes**, which have a clear set of priorities at the European level, **are arguably producing a kind of ‘isomorphic effect’ especially regarding the objectives and priorities set by respective individual Operational Programmes (OP)**, which ultimately tend to converge. Second, it is apparent that **‘cross-border’ cooperation is very much territorially contingent**. The nature and type of ‘cooperation’ is place and time specific ranging from well-established cooperation with high levels of policy coordination to nascent interactions between institutions.

In terms of the evaluation techniques employed, several other reflections emerge. ETC Operational Programmes are inherently different to the mainstream ERDF in terms of size, scope and added value. Notably, the focus is investments to encourage cooperation ‘between’ regions whilst mainstream programmes focus on encouraging economic development ‘within’ particular regions. Consequently, for the ETC programmes it is arguably more problematic to “measure” and carry out a quantitative analysis of outputs and achievements. In other words, it is difficult to fully ‘capture’ for instance the causal relationships that explain how and why interventions work (or do not work). So, if the policy objective is to produce a desirable change, then it is crucial to be able to emphasize the mechanics of such a change, by analysing for instance actors’ behaviour and providing hypotheses on their causes. Therefore, besides the quantification of the outputs and achievements, it is also important to explain in what conditions, contexts and following what strategies, a policy intervention achieves specific results. **Timing in the policy development cycle is also a crucial issue**. Stakeholders were involved in the ex-post evaluation whilst also developing the new 2014-2020 Operational Programmes. Consequently, this restricts the scope for reflexive policy learning to build on the experience of the current to directly shape the subsequent OP. In summary, there is need to develop new approaches and indicators to effectively evaluate ETC Operational Programmes which can more fully grasp the (un)intended consequences of EU policy implementation as well as reflections on timing and processes for this.

## PRELIMINARY KEY FINDINGS

Better known as Interreg, the overarching objective of the programmes is to promote a harmonious economic, social and territorial development of the EU as a whole. Interreg is built around three strands of cooperation: cross-border (Interreg A), transnational (Interreg B) and interregional (Interreg C). Combined, the budget amounted to EUR 8.7BN for the 2007-13 period. The respective programmes provide a high-level policy framework for the implementation of joint actions and policy exchanges between national, regional, and local actors from different member states. Several findings emerge regarding the ETC programmes. First, as mentioned, the evidence suggests that the ETC programmes, which have a clear set of priorities at the European level, are arguably producing a kind of ‘isomorphic effect’ especially regarding the objectives and priorities set by respective individual Operational Programme, which ultimately tend to converge.

This is particularly evident with reference to the quality of objective setting; this refers to actors’ capacity to tackle the area’s specific needs through the programme’s objectives, in other words, to pursue socio-economic change according to the priorities identified at the local level. Interestingly, the analysis carried out on the range of ETC Operational Programmes arguably looks similar in terms of the objectives pursued and ultimately they tend to converge, irrespective of the particular region in question. To better understand such a phenomenon, the analysis should therefore be accompanied by the examination of the context and environment in which any given institution/organization is located. The underlying idea is that there might exist institutional pressures that heavily influence social actors’ decision making and their course of action. In this respect, it appears useful to consider the insights coming from the influential work of DiMaggio and Powell on **isomorphism** (1983). In this specific case, it would seem that isomorphic tendencies are the result of a mix between coercive and normative pressures. Coercive pressures are more likely to be evident in environments where actors (i.e. the EU, governments, professional bodies, credential organizations) set specific rules and standards that organizations must follow to receive benefits. Normative isomorphism instead derives from education institutions and professional networks that transfer norms and behaviours onto individuals who, in turn, tend to work and behave similarly within different organizations. In addition, the shaping and approval of the

Operational Programmes goes through a multi-level approvals process involving regions, Member-States and the EU Commission. Again, this tends to encourage a form of policy isomorphism.

Consequently, it is apparent that there are not really vast differences in substance and focus between the various Operational Programmes. This poses some pertinent questions. First, isomorphic pressures concern not only the general aims of the programmes but arguably end up affecting the concrete actions, initiatives and ultimately achievements made at the local and regional level. For example, cross-border areas with radically different environmental, socio-economic and institutional resources as well as problems tend to follow similar policy interventions. It seems therefore, from an analysis of secondary sources and data, that the ‘local appropriation’ of these programmes is relatively limited; in other words, it seems rather more difficult for local actors to be able to forge territorially specific interventions from the ‘bottom-up’ in order to focus solely on their socio-economic development needs and aspirations.

Second, questions arise about the need to valorise the system of multilevel governance. **The preliminary analysis highlights a tension between, on the one hand, the high level strategic goals and requirements of the respective ETC programmes and, on the other hand, the specific “bottom-up” territorial and socio-economic challenges and needs.** Consequently, it would seem that the process of policy convergence is also implying output convergence. The complexity of contemporary dynamics that see the interdependence (co-variation) of processes articulated at different scales (i.e. supra-national, national, regional and local) urges to take into account such different scales and levels of regulation that do not replace each another but that work side by side. In this picture, the role of the State is of particular importance both as container of traditional socio-economic relationships and as the organizational mediator (interface) of sub-national and supra-national scales (Sassen, 2007). In other words, the State re-articulates its role as the gatekeeper of new institutional compromises in the framework of structural mutations of inter-organizational relationships (Gualini, 2006; Hooghe 1996): the new configuration is organized vertically on sub-national and supra-national relations and horizontally on transnational relations (i.e. among cities). It is important to say that such scales are all, but natural entities: they are the result of contingent and emergent spatial practices and forms of

social actions that are also the outcome of spatially selective political strategies.

Regions and local authorities are arguably fundamental actors in the ‘bottom-up’ strategic implementation of the EU Cohesion Policy, together with Member States and the EU institutions. Sub-national stakeholders have considerable experience in delivering territorial cooperation programmes and the capitalisation of the main initiatives may be very useful in identifying problems and opportunities also for the drawing up of flagship projects. For this reason, the benefit (added-value) of ETC programmes should be a real multi-level collaboration between the central, regional and local authorities. Third, having said that, **the processes of cooperation at a horizontal level are very much territorially contingent and highly path dependent**: the history of cooperation matters and place-dependent mechanisms may allow changes or make them difficult (Martin, 2009; Martin and Sunley, 2006). At this level, therefore, a process of local appropriation necessarily occurs and diversity becomes more evident. For example, the role of local stakeholders is crucial in this regard as they play an important role in not only implementing projects, but also in cultivating trust, continuity, tacit knowledge, learning and reciprocity between institutions in particular places. The findings demonstrate the existence of cases in which cooperation is well-established and regional authorities look for a distinctive added value from their cooperation (‘maximization’); in these cases, the emergence of strategic behaviour can be detected. In other cases, cooperation is at a more nascent stage; in some cases, it is hardly conceivable as local actors are busy establishing the basics for interactive social exchanges, form trust to common languages and cognitive codes. There are therefore different qualitative relations at the institutional level that should be taken into account, especially when evaluation is carried out (see infra).

## PRELIMINARY POLICY REFLECTIONS

In terms of the evaluation techniques, several policy reflections emerge. First, **ETC Operational Programmes are inherently different to the mainstream ERDF in terms of size, scope and added value**. They aim to



tackle common challenges identified jointly in the border regions and to exploit the untapped growth potential in border areas, while enhancing the cooperation process for the purposes of the overall harmonious development of the EU. From a quantitative analysis of outputs, results and impacts (the latter very often explicitly neglected), which was rather privileged in this evaluation, it seems quite **difficult to fully ‘capture’ the extent of the effectiveness of ETC Operational Programmes in terms of cross-border value added, transnational dimension, critical mass and border challenges.**

In general terms and assuming the ‘learning’ dimension and purpose of the evaluation, there is a need to appreciate and assess processes and contexts that can explain in what conditions, in what ways and why a policy intervention has achieved its objectives or not. In other words, besides a conventional evaluation approach, aiming to quantify a policy intervention effect, more emphasis should be put on alternative approaches that consider the role of context and mechanisms that make that effect (partially or completely) possible. By contrast, the ex-post evaluation of the ETC Programmes 2007-2013 was rather based on standard criteria that are usually used to identify change: effectiveness, relevance, efficiency, impacts, sustainability. Even when ‘success stories’ are identified, success is defined in standard terms: i.e. in terms of budget spending, goals achievement, quantity of actors involved. However, it would be interesting and useful to develop and advance other, more qualitative, criteria that could be used in a complementary way to more conventional evaluation techniques. Besides a positivist approach to evaluation, satisfying an accountability purpose, there is also scope for the EU Commission to enhance evaluation exercises that have much deeper learning purposes, i.e. to address the improvement of organizational capacity to deliver programmes, to pursue policy learning, to sustain the planning performances and capacities, etc.

For instance, it seems important that the evaluation process considers the experimental and innovative character of cooperation initiatives. Innovation can occur in relation to the theme/topic, to the activities carried out, to the institutional dimension, to the processes undertaken, etc.

Another important aspect concerns participation. The findings suggest that there exist multiple ways for stakeholders’ involvement at horizontal level. The definition of some Operational Programmes was the result of an intense collaboration (i.e. the setting up of thematic groups) among cross-border



communities with the aim of building a truly cross-border programme and of having a truly added value. However, such important **aspects of participation become rather neglected in the evaluation exercises**. At the same time, cooperation problems, that also existed in some cases and that restricted the level of achievements made, remain somewhat secondary rather than being tackled and possibly solved.

In general terms, there is a need to grasp the (un)intended consequences of social and economic action and interventions and to be able to assess the quality and nature of initiatives and relationships. For instance, albeit crucial, it does not seem sufficient and useful to provide an indicator stating the number of jobs created or the number of stakeholders involved without questioning job quality and governance dynamics. Insights from socio-economic literature suggest that the nature of personal, network and institutional relations have important effects on economic outcomes.

Lastly, **timing is a crucial issue**. Direct conversations with local stakeholders highlighted a generalised concern about the timing of the evaluation and its effectiveness. Two issues are specifically relevant. First, monitoring and evaluation activities are on-going practices that, while recognised as useful, are often perceived as detracting from the ‘day job’, requiring considerable time and effort for stakeholders, that are already under pressure to deliver. Second, whilst being involved in the ex-post evaluation stakeholders were involved in developing the Operational Programmes for the new 2014-2020 programming period. Consequently, questions were raised about the effectiveness of the ex-post evaluation exercise as it arguably restricts the scope for reflexive policy learning to build on the experience of the current to directly shape the subsequent Operational Programmes. Thus, while one could argue that the alignment between the cycles of policy, programme and evaluation may not be desirable and indeed that the evaluation exercise should be conceived as a process - occurring therefore along a continuum -, it is also important to adapt such a process not only to the objects of the evaluation (outcomes, needs, processes), but also to the actors’ needs and to the goals of the evaluation itself (i.e. proactive, clarificative, monitoring evaluation and policy learning).

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## DISCLAIMER

The views expressed are those of the authors and do not represent the official views of the European Commission.

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## 15. EU COHESION POLICY: GROWTH OR COHESION? THE CASE OF GENDER MAINSTREAMING

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### ABSTRACT

This chapter examines EU Cohesion Policy considering i) the new macro-economic conditionalities and thematic priorities in response to the financial crisis and their implications for social inclusion and equal opportunities, ii) whether the approach of mainstreaming gender and equal opportunities has been effective in Scotland This chapter examines a cross-section of ESF and ERDF funded projects which supported labour market participation within the Scottish Structural Funds Programme 2007-2013 were evaluated. iii) Recommendations for the implementation of the thematic priority to promote social inclusion and combat discrimination in 2014-2020 programming period.

Ultimately, this chapter questions whether the increasing demands on Cohesion funding to deliver jobs and growth and contribute to Europe 2020 macro-economic targets is jeopardising the fundamental principles of Cohesion Policy itself, such as social inclusion and more specifically gender equality.

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# EU COHESION POLICY: GROWTH OR COHESION? THE CASE OF GENDER MAINSTREAMING

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## GROWTH OR COHESION? THE CASE OF GENDER MAINSTREAMING

RESEARCH EXAMINES POLICY LESSONS LEARNED  
FROM **GENDER MAINSTREAMING** AND ITS ROLE IN PROMOTING  
ACTIVE **LABOUR MARKET PARTICIPATION** AND IMPROVING  
THE FEMALE **EMPLOYMENT RATE**

- EVALUATION SCOTTISH STRUCTURAL FUNDS PROGRAMME 2007-13
- ANALYSIS OF NEW ESIF THEMATIC PRIORITIES  
AND IMPLICATIONS FOR GENDER MAINSTREAMING
- POLICY RECOMMENDATIONS FOR THEMATIC PRIORITY:  
PROMOTING SOCIAL INCLUSION AND COMBAT DISCRIMINATION  
FOR ESIF 2014-20

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## GENDER MAINSTREAMING AND COHESION POLICY

ADDITIONAL RESOURCES TARGETED AT STIMULATING REGIONAL ECONOMIC  
GROWTH ARE NOT GENDER NEUTRAL

- => POLICIES AND PROJECTS WILL IMPACT ON MEN AND WOMEN  
DIFFERENTLY
- => THEY CAN BE BETTER TARGETED AND MORE EFFICIENTLY  
IMPLEMENTED
- VARIATIONS IN FEMALE EMPLOYMENT RATES ACROSS MEMBER  
STATES AND REGIONS PRESENT AN OPPORTUNITY FOR ESIF  
TO DELIVER EUROPE 2020 EMPLOYMENT TARGETS  
(75% EMPLOYMENT RATE)
- HORIZONTAL THEME – CROSS-CUTTING ACROSS ALL FUNDS AND  
PRIORITIES

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## EVALUATION OF GENDER MAINSTREAMING

- **LESSONS LEARNT**
  - SCOTTISH STRUCTURAL FUNDS 2007-13
  - GENDER MAINSTREAMING TOOLKIT
  - INTERVIEWS WITH ACTIVE LABOUR MARKET PROJECTS
- **Q: IS GENDER MAINSTREAMING AN EFFECTIVE TOOL FOR INCREASING THE LABOUR MARKET PARTICIPATION OF WOMEN?**
  - DIFFERENCE IN UNDERSTANDING AND SUCCESS BETWEEN ESF AND ERDF PROJECTS
  - LACK OF DATA GATHERING AND EVALUATION RE: GENDER IMPACT
  - MID-TERM EVALUATION MOST USEFUL
  - RECESSION = INCREASED DEMAND AND REDUCED MATCH FUNDING
  - CONCERN GENDER MAINSTREAMING BECOMING LESS IMPORTANT/VISIBLE

## POLICY RECOMMENDATIONS (I)

- **LEADERSHIP AND OVERSIGHT:**
  - RESOURCES NEED TO BE COMMITTED TO PROVIDING LEADERSHIP AND OVERSIGHT OF GENDER MAINSTREAMING AS A HORIZONTAL THEME
  - THIS IS ESPECIALLY TRUE FOR NON-ESF FUNDS
- **PRACTICAL GENDER MAINSTREAMING GUIDANCE:**
  - PROJECTS REQUIRE GUIDANCE ON GENDER MAINSTREAMING
  - PARTICULAR FOCUS ON MEMBER STATES/REGIONS THAT HAVE NOT RECEIVED FUNDING IN PREVIOUS ROUNDS
- **GENDER DISAGGREGATED DATA AND INDICATORS**
  - REQUIRE PROJECTS TO GATHER DATA AND INDICATORS
  - THERE IS A NEED TO BETTER UNDERSTAND DIFFERENCES IN HOW MEN AND WOMEN ACCESS AND BENEFIT FROM THE ESIF



## POLICY RECOMMENDATIONS (II)

- **PROMINENCE FOR GENDER EQUALITY**
  - SET GENDER MAINSTREAMING OBJECTIVES IN THE 2014-2020 FUNDING PERIOD
- **THEMATIC OBJECTIVES AND INVESTMENT PRIORITIES**
  - THE REGULATIONS CLEARLY SET OUT GENDER EQUALITY & MAINSTREAMING REQUIREMENTS. THIS IS NOT FOLLOWED THROUGH IN THE THEMATIC OBJECTIVES AND INVESTMENT PRIORITIES (ALONG WITH THEIR EX-ANTE CONDITIONALITIES AND CRITERIA FOR FULFILMENT)
- **MID-TERM PROJECT EVALUATION**
  - MORE ROBUST APPRAISAL OF PROJECTS TO ENSURE EQUAL OPPORTUNITIES OBJECTIVES ARE MET
- **DON'T ASSUME MAINSTREAMING HAS BEEN DONE AND LESSONS HAVE BEEN EMBEDDED**

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**EU COHESION POLICY: GROWTH OR COHESION?  
THE CASE OF GENDER MAINSTREAMING**

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## INTRODUCTION: GENDER MAINSTREAMING AND STRUCTURAL FUNDS

The concept of gender mainstreaming was adopted by the EU in the mid-1990s and became a requirement for EU Cohesion Policy delivered through the 2000-2006 Structural Funds programming period, which continued into the 2007-2013 period. Gender mainstreaming implied the need to recognise that additional resources targeted at stimulating economic development and growth did not benefit men and women equally. Policy interventions could no longer be assumed to be gender neutral. Therefore, in order to maximise the economic impact of policies designed to stimulate regional development, they needed to be more ‘gender aware’ (European Commission 2010).

The EU has progressively promoted equality between women and men. Article 119 of the Treaty of Rome established the principle of equal pay for equal work for women and men. Since then, EU policy has evolved incrementally through various Directives and Action Programmes as the objectives have expanded from equal pay to equal opportunities (Pollack and Hafner-Burton, 2000).

The concept of gender mainstreaming was formally adopted by the EU as part of the Treaty of Amsterdam in 1997. At the time, it seemed to offer the potential to achieve greater gender equality in the labour market (Walby, 2005). There was also recognition at the time that previous attempts to achieve greater gender equality had failed:

“at the beginning of the 1990s, gender equality policy entered a period of crisis. In light of studies released by expert networks on gender equality, the gender equality policy community and member states’ representatives began to acknowledge that, despite more than 15 years of active and interventionist Community action, inequalities between women and men in the workplace and on the labour market had not significantly diminished.” (Jacquot, 2010: 122)

By building gender equality considerations into the core of policy formulation and decision-making, the likely consequences of such policy interventions for both men and women can be assessed as an integral and continuing part of policy development. Unintended consequences and/or effects that could undermine or prevent the achievement of stated policy aims for either men or

women can be identified, avoided or monitored from the earliest stages (McKay and Gillespie, 2007). This approach is now central to the EU's policy for equal opportunities and employment as well as being a key feature of its regional policy (European Commission, 2010).

The rationale for pursuing gender mainstreaming via the Structural Funds is as much about promoting economic efficiency as it is about promoting equity.

“The main aim of the Structural Funds to reduce economic and social disparities and to establish the conditions which will assure the long-term development of the regions depends upon the fullest participation of the active population in economic and social life.” (Braithwaite et al., 1999: 5)

If the less developed regions are to improve their comparative economic performance, then they have to make more efficient use of the resources available to them, particularly human resources. Within the EU, women account for the majority of the labour market that is inactive and unemployed (Rees, 2000). In addition, there is recognition of the need to expand the total number of people of working age in paid employment in order to accommodate the ageing population and the resulting fiscal consequences. The desire to increase women's participation in the formal labour market was also a key feature of the European Employment Strategy and the subsequent Lisbon Agenda (Rubery, 2005), and now of the Europe 2020 targets. However, the key question is whether gender mainstreaming is an effective tool for increasing the labour market participation of women.

## **EVALUATION OF GENDER MAINSTREAMING: SCOTTISH STRUCTURAL FUNDS 2007-2013**

This section considers whether gender mainstreaming has been an effective tool for supporting active labour market participation and female employment opportunities. Using the Scottish Structural Funds 2007-2013 programme, it provides the findings of primary and secondary research undertaken into the impact of gender mainstreaming within that programme.

This case study research was funded by ESF Technical Assistance funding and commissioned by the Scottish Government. The case study builds upon previous work undertaken by the authors into the impact of gender mainstreaming in western Scotland (Campbell, Fitzgerald and McSorley, 2009), where a gender mainstreaming toolkit was used to evaluate the policy's impact. The following 5 characteristics were identified as being crucial to its success:

- (1) Sound baseline data about the relative position of women and men across a range of areas.
- (2) Clear target setting and indicators for delivery.
- (3) A comprehensive, responsive and clearly communicated monitoring system.
- (4) Ongoing training and capacity building at all levels.
- (5) The systematic use of Gender Impact Assessment - an ex-ante method of assessment that utilises a set of questions to identify and respond to the different situations and needs of women and men (Campbell, Fitzgerald and McSorley 2009: 142-143).

A number of ERDF and ESF projects in both the 'Lowlands and Uplands' and 'Highlands and Islands' areas were selected for study. All projects were active labour market projects designed to get people into work or support them in work. A total of 19 projects were initially contacted and 13 agreed to be interviewed. Projects were selected to provide a cross-section of regional areas, a mix of public, private and voluntary sector projects and a mix of ERDF and ESF funding.

In terms of types of Structural Funds, nine of the participants interviewed were in receipt of ESF funding, compared to four with ERDF funding. Of the thirteen participants interviewed, three were from the private sector; seven from the public sector and three from the voluntary sector. The participants could be split into two distinct group: those projects that had a clear equal opportunities focus, of which there were six (five ESF and one ERDF), known as Group 1; and those projects that did not have a specific equal

opportunities objective, of which there were seven (four ESF and three ERDF), designated as Group 2.

The interviews were undertaken in order to elicit information about:

- understanding of gender mainstreaming;
- access and monitoring;
- the impact of the recession;
- the main legacy of these projects in terms of gender mainstreaming;
- recommendations for the 2014-2020 funding period.

The research findings showed that overall understanding of gender mainstreaming was varied across all of the projects. Despite the disparity in understanding, all of the projects had some form of equal opportunities policy in place.

Projects which were ERDF-funded infrastructure projects or provided business support services, did not consider gender to be an issue for them. This was very much the case with private-sector projects or those projects that were providing some form of business enterprise and innovation support services. For them, they viewed gender mainstreaming solely in terms of complying with equal opportunities requirements, and as a legal and administrative hurdle they had to overcome.

Some of the participants within Group 1 with experience in previous funding periods stated their concerns that the horizontal theme of equal opportunities was not as prominent as it had been in the 2000-2006 period. They felt that issues relating to gender had been subsumed within the broader horizontal theme of equal opportunities. This has resulted in what they felt was a lack of direction and less prominence afforded to the pursuit of equality within the 2007-2013 funding period.

Across all of the projects, there was a distinct lack of the systematic data-gathering that would facilitate a gender analysis of the impact of the projects. Although there was no requirement in the Regulations to gather such data, Group 1 participants did make some attempt to gather statistics that would enable them to have a better awareness of the impacts of the projects. However, despite this, there was no real evaluation of the impact of gender mainstreaming across all of the projects.

Many participants from Group 1 and a couple from Group 2 noted that it would be useful to have some practical advice, to be able to draw on experience from other organisations and to have the opportunity to share best practice. The majority of Group 1 noted that the current claim forms submitted to the Scottish Government were not sufficiently extensive in terms of the information that they were required to report on. It did not allow for the inclusion of details of what was being done at a project level to tackle the horizontal themes or gender issues. By contrast, monitoring visits, which were mid-term evaluations, provided a good point at which projects could take stock of what they could do over the next 18 months. The visits also provided them with the opportunity to show the managing authority what they had done to address horizontal themes and what they were going to do in the future.

The recession had an impact on projects both in terms of increasing the difficulty of attracting the required match-funding due to public expenditure reductions as well as resulting in increasing demand for those projects that had an employability dimension due to the rise in unemployment particularly amongst young people. A large number of projects within Group 1 reported that it was “more and more difficult to get public funding”.

For Group 2, the changing economic climate provided challenges for those projects that were looking for businesses, particularly SMEs, to invest in innovation, competitiveness and business start-ups. In other words, engagement with the private sector has also become more challenging.

All participants stated that demand for their services had increased as a result of the recession. In most cases, it was reported that demand had far exceeded their initial expectations at the outset of the project. In addition to more people accessing their services the type of people accessing their services was changing. For example, there was an increase in the number of university graduates approaching them for support.

In terms of legacy, interviewees expressed concerns that the gender mainstreaming objective would be further downgraded in the 2014-2020 funding period. On the positive side, however, there was some evidence to suggest that there were some spillovers from the funded project to the organisation as a whole in relation to gender mainstreaming. This applied equally to Group 1 and Group 2.

Going forward into the 2014-2020 programme, concerns were raised by a number of participants within Group 1 about whether there would continue to be a horizontal theme on equal opportunities and that there was a real danger that the gender equality strand would disappear.

## EUROPEAN STRUCTURAL AND INVESTMENT FUNDS REGULATIONS 2014-2020

The European Structural and Investment Funds (ESIF) Regulations 2014-2020 set out a number of articles and clauses that specifically relate to gender issues:

“In the context of its effort to increase economic, territorial and social cohesion, the Union should, at all stages of implementation of the ESI Funds, aim at eliminating inequalities and at promoting equality between men and women and integrating the gender perspective,” (Paragraph 13, Regulation (EU) No 1303/2013)

This commitment also works vice versa: eliminating inequalities and promoting equality will enhance efforts to increase economic, territorial and social cohesion.

At a strategic level, the regulations clearly set out the ambition of the ESIF to implement gender mainstreaming and tackle gender inequalities. However, at an operational level, the detail is weaker. Articles and clauses do require partnerships and multi-level governance in all member states to include representative gender organisations (Article 5, Regulation (EU) No 1303/2013). They also require that:

“The Member States and the Commission shall ensure that equality between men and women and the integration of gender perspective are taken into account and promoted throughout the preparation and implementation of programmes, including in relation to monitoring, reporting and evaluation.” (Article 7, Regulation (EU) No 1303/2013)

Nonetheless, analysis of the Thematic Objectives and Investment Priorities (along with their ex-ante conditionalities and criteria for fulfilment) shows that only a few of the Thematic Objectives have stated gender-specific investment priorities. The ESF has explicit objectives in relation to gender mainstreaming and achieving gender equality targets, but the other funds have no such obvious targets. The implication is that gender considerations are mainstreamed within the other funds - but with no visible specific strategy, actions or targets, it may send out the message that gender mainstreaming is not an objective for all funds.

For example, the Thematic Objective “Supporting the shift towards a low-carbon economy in all sectors” will use ERDF and Cohesion Policy Fund to deliver its Investment Priorities. The low-carbon economy will require new skills and expertise to exploit the potential of ESIF investments. The skill level varies greatly between member states and regions but, for this priority to be delivered, a skills match is required. The Commission has long advised on the looming skills gap in the low-carbon sector:

“The education, training and employment policies of the Member States must focus on increasing and adapting skills and providing better learning opportunities at all levels, to develop a workforce that is high skilled and responsive to the needs of the economy. Similarly, businesses have an acute interest in investing in human capital and improving their human resource management. Moreover, gender equality is a key factor to responding to new skills needs.” (Commission Communication COM (2008) 868/3: 3-4)

This proactive approach, strategic leadership and clear guidance needs to be implemented for the Thematic Objective of a low-carbon economy to ensure an appropriately skilled labour force can be provided to meet the need for skills in this sector in the forthcoming funding period of 2014-2020.

The ESIF has been designed to support the Europe 2020 targets and therefore will have an important role to play in enabling the EU to reach its target of a 75 per cent employment rate for the 20-64 age group. In order to achieve that goal, the female employment rate will need to increase from its 2014 level of 63.5 per cent (Eurostat, 2015). In 2014, the male employment rate in the EU28 for the 20-64 age group was 75 per cent, giving a gender employment gap in that year of 11.5 per cent, compared to 16.1 per cent in 2004



(Eurostat, 2015). Thus there has been some improvement in narrowing the gender employment gap, although this masks wide disparities between the member states. Throughout the EU, there are significant variations to the headline female employment rate. Greece had the lowest female employment rate in 2014 at 44.3 per cent (compared to a male employment rate of 62.6 per cent), whereas Sweden had the highest female employment rate of 77.6 per cent (and a male employment rate of 82.2 per cent) (Eurostat, 2015).

The Europe 2020 female employment targets are irrelevant to some member states as they have already surpassed the target. Numerical targets do not address the structural and gender equality issues in the labour market, such as occupational segregation, the use of part-time work and flexible labour/precarious employment. An employment target of 75% may place economic priorities before equality priorities. The target may be achieved through part-time, low skills, low wage, and precarious employment. Thus does the 75% target measure success?

The European Commission is committed to “promoting equality as part of the Europe 2020 strategy” (European Commission, 2010). A key element of that commitment is to increase the female employment rate. However, the European Commission recognises that it is not sufficient to simply increase the number of women in employment if that also means increasing the number of women in low-paid and low-skilled employment. In addition to increasing the female employment rate, gender equality also requires action to be taken to reduce the gender pay gap and also gender-based occupational segregation. Part of the reason for the persistence of the gender pay gap in the EU, which stood at 16.4 per cent in 2012 (European Commission, 2014), is that women tend to be concentrated in occupations that are regarded as low skilled and therefore tend to be poorly paid, and in addition women tend to be under-represented at senior management and decision-making levels.

## POLICY RECOMMENDATIONS

The ESIF has an important role to play in tackling these issues and delivering greater gender equality within the EU. However in order to do so, policy-makers need to be aware that interventions funded under the ESIF are not



gender neutral and if gender mainstreaming is to be implemented more effectively in the 2014-2020 period, then the following actions are necessary:

- **Resources need to be committed to providing leadership and oversight of gender mainstreaming as a horizontal theme.** This is especially true for non-ESF funds, where there appears to be a lack of conditionalities for ensuring that gender mainstreaming is implemented.
- **Projects require practical guidance on gender mainstreaming** - for example, the provision of awareness-raising workshops on gender mainstreaming at the pre-application stage as well as the establishment of Gender Equality Champions within the projects' managing authorities and strategic delivery partners. Particular focus should be on supporting member states and regions that have not received funding in previous periods.
- **Funded projects need to gather gender-disaggregated data and indicators.** There is a need to better understand differences in how men and women access and benefit from the ESIF.
- **Gender equality and gender mainstreaming should be given greater prominence** as objectives in the 2014-20 funding period.
- **Thematic Objectives and Investment Priorities** (along with their ex-ante conditionalities and criteria for fulfilment) **require clearly stated gender equality and mainstreaming targets.** Although the Regulations clearly set out gender equality and mainstreaming requirements, these are not followed through sufficiently in the Thematic Objectives and Investment Priorities.
- **Mid-Term Project Evaluation:** a more robust appraisal of projects is needed to ensure that gender equality objectives are met, particularly at the mid-term evaluation stage.
- **Do not assume mainstreaming has been done and lessons have been embedded.**

The ESIF 2014-2020 cannot assume that gender mainstreaming lessons have been learned from the 2000-2006 and 2007-2013 programming periods. New member states, new regions receiving funding and the consolidation of funding in older member states may mean that institutional learning is lost.

This implies that continued leadership and guidance - not just at a strategic level but at an implementation level - should be an ongoing resource commitment for the ESIF. This sustained commitment to gender mainstreaming is needed to ensure not only that the ESIF delivers on its targets but also that the objectives of Europe 2020 can be met.

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## 16. EUROPEAN REGIONAL DEVELOPMENT FUND IN REGIONS WITH SPECIFIC GEOGRAPHICAL FEATURES: SOME POLICY INSIGHTS

*Benito GIORDANO (University of Liverpool)*

### ABSTRACT

The emphasis on ‘place-based’ approaches for the 2007-2013 Structural Funds programming period encouraged all EU regions to exploit their particular ‘assets’ rather than consider them as ‘handicaps’. This paper explores the implications of this shift for regions with specific geographical features (SGFs) (islands, mountainous and sparsely populated regions). These regions, which represent a ‘privileged category’ within European legislation due to the existence of structural handicaps, are some of the most peripheral in the EU. The support of EU and domestic funds, particularly ERDF, is crucial in these regions. Making the shift, however, to using ERDF to exploit territorial ‘assets’ is not straightforward.

## PRESENTATION

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# ERDF IN REGIONS WITH SPECIFIC GEOGRAPHICAL FEATURES: SOME POLICY INSIGHTS

Benito GIORDANO (University of Liverpool)

LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY  
LESSONS FOR A *RESEARCH-POLICY* DIALOGUE. Brussels, 13 June 2016

## POLICY CONTEXT

- SHIFT TO 'PLACE-BASED' APPROACHES FOR 2007-2013;
- FOCUS ON EXPLOITING TERRITORIAL 'ASSETS' RATHER THAN 'HANDICAPS';
- REGIONS WITH SPECIFIC GEOGRAPHICAL FEATURES (SGFS): ISLANDS, MOUNTAINOUS AND SPARSELY POPULATED REGIONS REPRESENT A 'PRIVILEGED CATEGORY' IN EU LEGISLATION;
- SGFS ARE MOSTLY PERIPHERAL AND EXPLOITING 'ASSETS' IS NOT STRAIGHTFORWARD.

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## TERRITORIAL CONTEXT & APPROACH

- CATEGORIES ARE SOCIOLOGICAL AND CULTURAL CONSTRUCTS AS WELL AS GEOGRAPHICAL;
- TERRITORIAL AND SOCIO-ECONOMIC DIFFERENCES EXIST;
- 12 MONTH STUDY DG-REGIO STUDY;
- QUANTITATIVE ANALYSIS OF 15 NUTS 2 REGIONS; QUALITATIVE RESEARCH IN 6 NUTS 3 CASE STUDIES;
- 'TELL THE STORY' OF ERDF IN PARTICULAR LOCALITIES FROM 2000 TO 2013.

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## SIX NUTS3 CASE STUDIES

REGION CODE	REGION NAME (NUTS2)	NUTS 3 selected (code)	Territory type
<b>Spain (ES42)</b>	Castilla la Mancha	Cuenca (ES 423)	Mountainous and sparsely populated
<b>Sweden (SE33)</b>	Övre Norrland	Norrbottnen (SE332)	Sparsely populated
<b>Greece (GR41)</b>	Voreio Aigaio	Lesbos (GR411)	Islands
<b>Denmark (DK01)</b>	Hovedstaden	Bornholm (DK014)	Islands
<b>France (FR71)</b>	Rhône-Alpes	Ardèche (FR712)	Mountainous
<b>UK (UKM6)</b>	Highlands and Islands	Western Isles (UKM64)	Sparsely populated & islands

## INSIGHTS FOR EU COHESION POLICY (I)

1) REMOTENESS (OR PERIPHERALITY) AND SMALL, SCATTERED COMMUNITIES ARE PREVALENT;

- THE “NON-GEOGRAPHICAL” DEMOGRAPHIC CHALLENGE POSES DIFFICULTIES FOR ALL;

2) STILL LARGELY CONSIDERED AS ‘HANDICAPS’ RATHER THAN ‘OPPORTUNITIES’;

- CONTINUED FOCUS ON INVESTING IN ‘HARD’ INFRASTRUCTURE.

## INSIGHTS FOR EU COHESION POLICY (II)

3) ERDF REPRESENTS A FRACTION OF DOMESTIC SPENDING,  
BUT PROVIDES *FUNDING, FLEXIBILITY* AND *FOCUS*;

- OPERATIONAL PROGRAMMES DEVELOPED AT NUTS 2  
LEVEL (OR ABOVE);
- LACK OF FOCUS ON TACKLING SPECIFIC  
CHALLENGES, AT THE LOCAL LEVEL;

4) NEW 'TOOLS' FOR 2014-2020 PROVIDE OPPORTUNITIES

- NEED TO INVEST ERDF IN TRANSFORMING  
TERRITORIAL SPECIFICITIES INTO 'ASSETS'.

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**ERDF IN REGIONS WITH SPECIFIC GEOGRAPHICAL  
FEATURES: SOME POLICY INSIGHTS**

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## INTRODUCTION

The emphasis on ‘place-based’ approaches for the 2007-2013 programming period encouraged all EU regions to exploit their particular ‘assets’ rather than consider them as ‘handicaps’ (Barca, 2009; European Commission, 2008). This paper explores the implications of this shift for regions with specific geographical features (islands, mountainous and sparsely populated regions) (ADE, 2012). These regions, which represent a ‘privileged category’ within European legislation due to the existence of permanent structural handicaps, are some of the most peripheral in the EU (Monfort, 2009). It is important to note that whilst there are administrative and legalistic definitions of the three territories, they are as much socio-cultural and political constructs which do vary from country to country across the EU. The support of both domestic and European funds, particularly ERDF, is crucial in order to promote economic development but making the transition to exploit territorial ‘assets’ in these regions is not a trivial task. Several policy insights emerge from the research carried out.

First, whilst the main territorial characteristics i.e. insularity, mountainous and sparsity of population are important, two others are also significant, namely remoteness (or peripherality) and the configuration of the settlement pattern (i.e. ‘small, isolated scattered communities’). Moreover, the demographic challenge, which is actually ‘non-geographical’, is at least as important as the territorial characteristics (ADE, 2012). Second, most of the concerned regions still tend to consider their respective geographical specificities as ‘handicaps’ rather than ‘opportunities’. This explains, in part, why they tend to invest relatively more ERDF in ‘hard’ infrastructure’ (ADE, 2012). Third, whilst (often) ERDF represents a fraction of domestic spending, it provides the funding, flexibility and focus for SGFs. However, often due to national rules, ERDF Regional Operational Programmes are developed at the NUTS 2 level (or above), which means that a number of regions do not focus explicitly on tackling territorially specific challenges at the local level (ADE, 2012). Lastly, whilst the new ‘tools’ developed for the 2014-2020 EU structural funds programming period do provide interesting new opportunities for SGFs (and other peripheral regions), the challenge is to invest their ERDF to transform respective territorial specificities into ‘assets’ to enhance their economic development.

## TERRITORIAL CONTEXT AND APPROACH

Territorially, as mentioned, the three types of territory do not represent a ‘standardised’ category or definition. **The “categories” themselves are as much sociological or cultural constructs as geographical or territorial ones, as often definitions and perceptions change depending on regional or national context** (ADE, 2012). There are also differences within the territories themselves, for example the effect of ‘island-ness’ varies considerably between larger islands such as Sicily and Sardinia compared to smaller ones such as Bornholm. Also, sparsity of population is actually a demographic rather than a ‘natural’ geographical feature like being a ‘mountain’ or ‘island’. Moreover, some regions belong to more than one category i.e. islands that are also mountainous or mountainous regions that are also sparsely populated. In short, it is not straightforward to define the SGF regions and the contrasting territorial contexts impact economic development in a range of ways (ADE, 2012).

Interestingly, in terms of economic performance, each of the three types of territory contains some of the best performing as well as worst performing regional economies within the EU (Monfort, 2009). This suggests that despite the range of territorial challenges faced, certain regions have been able to exploit particular geographical specificities to offset the difficulties and/or promote economic development. The key point, therefore, is that such economic performance is influenced by a range of factors including the quality of governance and policies to mitigate or capitalize upon (or not) territorial specificities. This suggests that how particular geographical features are perceived by policy makers at the local, regional and national levels is important. In other words, in particular localities, policy makers employ contrasting strategies to tackle respective territorial specificities. The crucial question, therefore, is to explore the extent to which ERDF (and domestic) programmes are tailored (or not) to addressing geographical specificities, which are considered either as ‘opportunities’ to promote economic development or rather as ‘handicaps’ which constrain growth.

The research carried out was part of a 12-month study, commissioned by DG-Regio, which explored the role of ERDF in SGFs for the 2000-06 and 2007-13 programming periods. The methodology involved a detailed analysis of ERDF interventions in a representative sample of 15 NUTS2 regions with

geographical specificities. In addition, qualitative research explored the role of ERDF at the more local, NUTS3 level (municipalities, groups of them or provinces/counties), in six case study regions. The aim was to drill down to the lowest geographical scale (NUTS3), in order to ‘tell the story’ about the role of ERDF in the particular localities, from the year 2000 until 2013. The next section discusses some of the main policy insights from the research carried out.

## POLICY INSIGHTS FOR EU COHESION POLICY

Several policy insights emerge from the research on the role of ERDF in SGFs. First, whilst the regions are individually distinctive and each has developed its own respective policy approaches to promoting economic development, **the key point to emerge from the research is that the SGF regions do have several characteristics in common.** Notably, the regions are almost invariably faced with the challenges of not just one geographical characteristic, but rather some combination of two or more, which combine in different ways from region to region. Furthermore, other geographical characteristics, most notably remoteness from key markets and services and the configuration of settlement patterns within each region also play an important part in a region’s economic performance and also in policy strategy formulation (ADE, 2012).

Second, an important ‘non-geographical’ characteristic is common to all regions - the demographic challenge. This raises a clear policy issue because whilst demography is a key issue for many regions across the EU, it is more critical in the SGF regions because of the distinct nature and combination of the demographic processes at work. This is significant in policy terms because the case study research highlighted the nature of the interlinked demographic processes at work, which involve the outflow of young people (often women), combined with low natural birth rates as well as ageing local populations. Such processes play out differently in contrasting regions, the impact however is considerable in all. It is crucial, therefore, that ERDF and domestic funding focus on developing holistic policy approaches designed to tackle the demographic challenge (ADE, 2012). This involves targeting investments on

promoting employment opportunities to reduce out-migration as well as improving the level of services, such as broadband and e-health to enhance the quality of life in particular localities.

Third, the debate about geographical specificities has moved away from focusing solely on them as “handicaps” but also as “opportunities” to exploit economically (European Commission, 2008; Monfort, 2009). The shift in ERDF policy focus played an important role in moving that debate forward (Barca, 2009). However, the findings from the research suggest that there is relatively little evidence of such ‘new’ thinking permeating into the ERDF Operational Programmes (OPs) for the case study regions studied (ADE, 2012). Textual analysis of the programme documentation, interview and focus group evidence, as well as the nature of the interventions actually conducted (e.g. the continued over-emphasis on hard infrastructure interventions) emphasise that geographical characteristics are still perceived as being overwhelmingly problems to be faced rather than the basis for positive action (ADE, 2012). Having said that, there are a range of successful ERDF project examples that exploit territorial specificities to promote economic development; for instance Bornholm’s focus on cluster development as well as developing renewable energy is a good example. Another one is the use of ERDF (and domestic funding) to develop “harsh climate” automotive testing in the northern province of Norrbotten, Sweden (ADE, 2012). More generally, greater diffusion of ‘good-practice’ projects and evidence of successful projects from different SGF regions would help, as would greater encouragement from the European Commission at the initial OP design stage to focus on such project development.

Fourth, a key challenge identified was that in most of the case study regions the ERDF programmes were designed at too aggregated a level (usually NUTS 2 or similar) for their unique set of characteristics to be properly recognised and addressed. In this regard, more explicit recognition of geographical specificities at each key stage in the ERDF programming process would arguably help to improve the transition to developing ‘opportunities’ (ADE, 2012). The key stages are (i) socio-economic and SWOT analysis as part of the ex-ante evaluation, (ii) systematic consideration of sub-regions with geographical specificities at the OP design and implementation stage, (iii) regular monitoring of the key indicators and financial outcomes at an appropriate sub-regional level, and, (iv) at the ex-post evaluation stage (ADE,

2012). This need not be such a bureaucratic burden as in most cases there will only be one or two (NUTS 3) sub-regions involved. Moreover, most ERDF programmes already do a certain amount of sub-regional disaggregation of this kind, although it is rarely focused on sub-regions with particular geographical characteristics (ADE, 2012). This is a potential innovation that would really help.

Fifth, there needs to be stronger encouragement for ERDF programmes in SGF (and other peripheral) regions to move on from the so-called ‘infrastructure fixation’ (ADE, 2012). Hitherto DG-Regio has played a key role in encouraging, over successive programming periods, regional partnerships to move on from an over-emphasis on ‘hard infrastructure’ interventions towards ‘softer’ business, enterprise and innovation projects and towards more environmentally sustainable development. Discussions between the European Commission, Member States and regions in the initial OP design negotiations have helped. Also, strategies such as the ‘Growth and Jobs Agenda’ and now the Europe 2020 targets have also played an important role in this regard. The key point to emerge from the research, however, is that developing innovation and R&D type investments in SGF regions will tend to be rather different than those in other EU regions due to the territorial context (e.g. lack of population density, lack of industrial dynamism, distance to main markets etc.) (ADE, 2012). Continued encouragement from the EC in this regard is needed, and should be done right from the start of programme planning. Lastly, for the SGF regions there is a need develop specific strategies to develop ‘asset based’ growth sectors or ‘territorial capital’ (Dotti and Bubbico, 2014). For the majority of SGFs, focusing on their particular territorial ‘assets’ does offer the only feasible route to economic success e.g. tourism, culture, environmental (or a combination of these) (ADE, 2012). Having said that, these regions are arguably more at risk and vulnerable, compared to larger EU urban regions, from shifts in external economic drivers (e.g. global commodity price changes, changes in tourism preferences etc.) as well as shifts in climate change and environmental factors. Consequently, such ‘asset-based’ strategies require the development of ‘smart’ policies because most of the ‘assets’ need to be constantly re-evaluated and improved in order to maintain competitive advantage with other regions. For example, the relative remoteness of the regions means that they are relatively more difficult and expensive to get to. Being competitive

on the European and global market, therefore, requires more and better innovative policies in order to try to attract tourists all year round or to different cultural events etc. (ADE, 2012). This is not a trivial task.

## CONCLUSIONS

Several clear messages emerge from the research which underlines the point that ERDF can be appropriate tool for the development of SGF regions (ADE, 2012).

First, whilst **ERDF** represents a relatively small component of public resources available in these regions, it **has played a crucial role in providing a long-term, stable financial framework in which the regions can operate to develop a range of projects**, especially in hard infrastructure (roads, environmental, ICT and broadband etc.) that may well have not otherwise been funded to the same extent by domestic sources (ADE, 2012).

Second, **ERDF has been an important catalyst for attracting, and indeed directing, domestic funds in order to develop important projects in the regions**. The message from the case studies is clear that if the ERDF funding was not available in the majority of SGF regions, certain investments would most likely not have been made.

Third, **ERDF provides a flexible tool that can be tailored to meet the needs and challenges of the regions in question**. Whilst ERDF is not the only funding tool available, it is viewed by stakeholders in the SGF regions as the an important driver of economic development as well as being complementary to both domestic as well as other EU funds (such as Rural Development and the European Social Fund). There is a need, however, cited by stakeholders that certain improvements could be made to the ways in which ERDF is implemented in these regions; for example, a more explicit strategic focus to dealing with geographical specificities at the NUTS3 level. The issue being that Operational Programmes are often drafted at the NUTS2 level which tends to mean that territorial specificities are less prevalent.

Lastly, **ERDF has a broader impact on improving levels of ‘good governance’ in the SGF regions**; for example, in developing partnership engagement, stakeholder involvement and strategic direction (ADE, 2012).

In short, rather than each of the territories requiring a specific funding instrument, the main point is that the ERDF framework for the 2007-13 period provided the necessary funding, flexibilities and focus for effective projects to be developed (ADE, 2012). Having said that, as discussed, there are certain improvements that could be made to enhance the ways in which ERDF can be utilised in the three types of territory. The other point is that it is incumbent upon the regions and respective Member States to develop effective and flexible multi-level governance systems, which allow territorial specificities to be better taken account when developing as well as implementing respective ERDF OPs.

In this regard, it is relevant to discuss the policy innovations and new ‘tools’ that have been introduced for the current programming period 2014-2020, which are of relevance to the SGF (and other peripheral) regions (ADE, 2012). For example, the introduction of the Common Strategic Framework, which better coordinates respective funding streams, is an interesting development for SGFs. Similarly, the possibility to develop Community-Led Local Development strategies also provides considerable scope for SGFs to develop better integrated projects. The creation of Integrated Territorial Investments will allow SGF regions to develop ‘bespoke’ joint projects which are territorially ‘sensitive’ to particular challenges or issues. This may go some way to overcoming the current governance structures which can inhibit such collaboration territorially. Lastly, the key challenge, as discussed, is to ensure that SGF regions focus on exploiting territorial ‘assets’ rather than viewing them as ‘handicaps’. Thus, the requirement in the current programme for all regions to focus their ERDF investments on particular thematic investments is potentially crucial in that regard. Of course, the key challenge is to ensure that implementation is effectively carried out to deliver investments in key thematic areas, such as promoting renewable energy, developing small firms etc., which are the kinds of ‘asset-based’ strategies that SGF regions need to nurture further to transform their economies.



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## 17. EU FUNDS ARE FUNGIBLE: POTENTIAL AND FEASIBILITY OF CHANGE IN COHESION POLICY POST-2020

*Serafin PAZOS-VIDAL (Universidad Nacional d'Educación a Distancia, UNED)*

### ABSTRACT

Even if 2016 is the first 'normal' year in delivering all ESIF programmes 2014-2020, the Mid-Term EU Budget review and the new Juncker Commission are bringing forward the future Cohesion discussions. Commissioner Cretu is clear that post-2020 Cohesion policy should move beyond the status quo. This chapter is the result of a series of roundtables with local government cohesion experts to assess the potential of reform and resistance to change in core elements of cohesion policy (partnership, multi-annual programming, five separate funds and shared management) to examine the prevalence of policy communities, path dependency, rent seeking and elite capture.

## PRESENTATION

Regional Studies Association
<b>COHESION</b> <i>POLICY</i>
Research Network
<p><b>EU FUNDS ARE FUNGIBLE: POTENTIAL AND FEASIBILITY OF CHANGE IN COHESION POLICY POST 2020</b></p> <p>Serafin PAZOS-VIDAL (Universidad Nacional de Educación a Distancia)</p>
LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION POLICY LESSONS FOR A <i>RESEARCH-POLICY</i> DIALOGUE. Brussels, 13 June 2016

## CONTEXT OF POST 2020 EU COHESION DISCUSSIONS

- 2016 FIRST NORMAL YEAR OF 2014-2020 DELIVERY
- EARLY CALENDAR – MAY 2019 EUROPEAN ELECTIONS
- EU BUDGET REVIEW TO ANTICIPATE POST 2020 DISCUSSIONS
- NEW EU JUNCKER PRIORITIES (E.G. EFSI)
- EMERGING ISSUES (E.G. REFUGEES)
- EARLY DISCUSSIONS WITHIN EU INSTITUTIONS
- COMMISSION, EP, CoR REPORTS
- EARLY MOBILISATION OF EUROPEAN LRA NETWORKS

## RATIONALE FOR A REFORMED COHESION POLICY

### COMMISSIONER CRETU PRIORITIES

- NO **STATUS QUO**
- NO **MARGINAL ADJUSTMENTS**
- **FUNDAMENTAL REFLECTION** ON THE FUNCTIONING OF CP

### ISSUES

- CP FOR ALL TERRITORIES OR SOME; COMPETITIVENESS VS REDISTRIBUTION
- CENTRAL VS SHARED MANAGEMENT, UNIFORMITY VS DIFFERENTIATION , PERFORMANCE VS REGULARITY
- PARTNERSHIP PRINCIPLE, BOTTOM-UP VS. MACROECONOMIC CONDITIONS

## RESEARCH METHODOLOGY

- 4 ROUNDTABLES AND 12 FOLLOW UP INTERVIEWS LA REPS (OCTOBER 2015-APRIL 2016)
- IDENTIFYING "COMMON ILLS" OF COHESION POLICY:
  - COMPLEX ARRANGEMENTS/ WEAK GOVERNANCE
  - SLOW PACE OF NEGOTIATION/IMPLEMENTATION,
  - SIGNIFICANT UNDERSPEND,
  - COMPLEX AUDIT ISSUES, EXCESSIVE SILO APPROACHES,
  - SLOWNESS TO REACT TO UNEXPECTED CRISES
  - WEAK ATTRIBUTABILITY OF RESULTS SN WEAK GOVERNANCE.
- DEVELOPING A "FUNDAMENTAL REFORM SCENARIO" OF CP:
  - ONLY ONE EUROPEAN TERRITORIAL DEVELOPMENT FUND;
  - NO SHARED MANAGEMENT;
  - INTERREG-INSPIRED DELIVERY,
  - NO PREORDAINED NUTS ELIGIBILITY,BOTTOM UP-PARTNERSHIPS,
  - MERGING OF ESIF PROGRAMMING/PERFORMANCE WITH EUROPE 2020 NRPS.

## KEY CONCEPTS AND RESEARCH AIMS

- EXAMINE THE PREVALENCE IN EU COHESION POLICY THINKING OF THE CONCEPTS OF:
  - POLICY COMMUNITIES,
  - PATH DEPENDENCY,
  - RENT SEEKING,
  - ELITE CAPTURE.
- TEST THE POTENTIAL OF CHANGE VS DESIRE OF STABILITY IN CP MULTI-LEVEL GOVERNANCE
- USE SAMPLE AS PROXY TO IDENTIFY THE REAL POTENTIAL OF REFORM OF CP
- ULTIMATELY, ASSESS THE REAL POTENTIAL FOR REFORM OF COHESION POLICY IN THE FORTHCOMING NEGOTIATIONS

## KEY FINDINGS

- OVERALL SUPPORT FOR FUNDAMENTAL REVIEW.
- AWARENESS THAT CHANGE IS INEVITABLE.
- APPETITE FOR RADICAL REFORM DEPENDS ON:
  - EXISTENCE OF CULTURE OF PARTNERSHIP/**POLICY COMMUNITIES** AT NATIONAL/REGIONAL LEVEL
  - INSTITUTIONAL/FINANCIAL **DEPENDENCY FROM UPPER TIERS**
  - DEGREE OF **NATIONAL/REGIONAL DISCRETION** IN CP DECISIONS
- **PATH DEPENDENCY** FOUND ON *PARTNERSHIP, BASIC ARCHITECTURE* OF CP, LINKS BETWEEN CP & *EU2020 GOVERNANCE*
- **RATIONAL CHOICE** MAXIMISATION IDENTIFIED ON *SIMPLIFICATION* AGENDA, *NUTS* ELIGIBILITY
- GREAT LIKELIHOOD THESE VARIABLES CAN BE **EXTRAPOLABLE** TO OTHER CONSTITUENCIES INVOLVED IN CP POST 2020 DISCUSSIONS.

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**EU FUNDS ARE FUNGIBLE:  
POTENTIAL AND FEASIBILITY OF CHANGE IN  
COHESION POLICY POST 2020**

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Research Network

## INTRODUCTION

The discussion on the Future of EU Cohesion Policy has started already. The Regional Policy Commissioner Corina Cretu<sup>10</sup> has made a number of policy announcements setting up the Commission's ambitions and the difficult work that it is at hand, one in which involves "a more fundamental reflection on the functioning of this policy" that went beyond the status quo of the last 20 years, welcoming ideas of alternative delivery mechanisms.

The purpose of this research was, at a first level of analysis, to **test whether the core elements of Cohesion Policy (partnership, multi-annual programming, five separate funds and shared management) are consubstantial or simply contingent**, and at a second level, to **assess the feasibility of changing these features**. At a third level, this research aims to examine the prevalence concepts of policy communities (Adshead, 1996), path dependency (Strambach and Halkier, 2013), rent-seeking and elite capture (Zerbinati, 2012) acting as inhibitors if not barriers for substantive change in Cohesion Policy (CP).

## METHODOLOGY

Attempting to assess these factors for the entire policy and actors involved would exceed the capacity of this study. A narrow, more homogeneous (thus comparable) sample was used instead: carrying out four roundtables and twelve bilateral interviews with sixteen representatives of national associations of local and in some cases regional authorities across Europe (October 2015-April 2016) ensuring geographical and eligibility balance. To control for potential self-selection bias the findings were contrasted by incoming evidence from the negotiation of the current programming period both from other stakeholder groups, EU institutions and indeed academia.

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<sup>10</sup> Speech to the 55th Congress of the European Regional Science Association in Lisbon, Portugal, 28th August 2015. Speech to the Committee of the Regions Plenary, 11 February 2016.



The paradigm used to analyse such evidence, drawing from previous published research (Pazos-Vidal, 2014), is that individual actors approach CP from a ‘rational-choice logic’ (Blom-Hansen, 2005) unless they form ad hoc defensive alliances - what Hooghe and Marks (2003) call ‘Type II Multi-Level Governance’ - which over time can consolidate into ‘policy communities’ around a given EU policy (Adshead, 1996). Cultural ethos of the organisation (e.g. being pro, anti CP) also influences actor’s behaviour.

Using the Commissioner and her adviser written and oral statements as template, the author built a scenario of ‘fundamental change’ that replaced the ‘common-ills’ of CP: complex arrangements, slow pace of negotiation and implementation, significant underspend, complex audit, excessive silo approaches, slowness to react to unexpected crises, weak attributability of results and weak governance (see CEMR, 2015; European Parliament, 2011; 2016; a contrasting view can be found in European Commission, 2015).

Participants were thus presented with a **discussion paper** challenging them with ‘**radical**’ **departures** from the current tenements of CP: **only one European Territorial Development Fund; no shared management; delivery based on the INTERREG approach** (autonomous secretariats and open calls), **no preordained regional/NUTS eligibility, bottom-up and unrestricted territorial partnerships, merging of ESI programming and its performance framework with the Europe 2020 National Reform Programme.**

The choices of these proposals are ‘ideal-type’ solutions to meet the participants’ prior concerns on the problems of CP. The design of such alternative model did not primarily focus on whether it would be politically or practically feasible. Its use was instrumental: to offer them a clear choice which would prompt clear answers as to identify the inner resistances towards change from the local government sector -even when these changes were aimed to benefit them.

The model challenges the idea that once funds are allocated into a given Structural Fund they are invested of unique, almost anthropomorphic qualities as it often can be heard in the Brussels public discourse. Clearly, this study rests on the axiomatic assumption that EU investments on local development can provide additionality. But it also assumes that European Structural and Investments Funds are fungible: they are simply monies pooled at EU level that can be spent on a variety of agreed purposes.



The findings from participants were in some ways surprising: there was a wide appetite for reform - going as far as considering radical solutions, even from participants from more CP-dependent countries. All realised that the current CP paradigm has run most of its course and it needs to confront the alternative, critical narratives from the EU institutions and governments. They support consolidation of existing funds, even a single European Territorial Development Fund. Such fund would replace the five existing European Structural and Investment Funds (ESIF) and the 20 or more EU policy and funding instruments for integrated local development.

These policy learning findings from the participants were irrespective of length of their experience with CP. In our view they reflect a deeper notion that the economic crisis of 2008 brought drastic changes in the structure and 'raison d'être' of local governments across Europe (CLRAE, 2015) and a more pessimistic perception of the potential of EU policies, as currently designed, to support local development.

The second level of analysis examined the degree of prevalence of policy communities, path/institutional dependencies among participants. We found that **the degree of support of replacing shared management by a more autonomous ('agentisation') delivery** (Interreg-style, old EU initiatives or new ones such as Innovative Urban Actions) **is heavily dependent on existing working policy communities** (partnership principle), **perceived efficiency** (and political neutrality) **and/or low discretionarily** of their national/regional Managing Authorities. The higher these variables were in each participant's case the less appetite for change there is. There is however a clear understanding that changes are inevitable and indeed desirable. While the evidence is drawn from a very specific constituency their reaction to the proposed 'fundamental change' scenario<sup>11</sup> can be used to help scope the real potential for reform of Cohesion Policy in the forthcoming negotiations in a way that goes beyond the dichotomy between central vs. shared

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<sup>11</sup> It should be noted that, to prevent self-selection bias the 'fundamental change' scenario was contextualized with the 'status quo' scenario (quickly rejected) and an 'incremental scenario' based on the High Level Group on Simplification. It is quite telling that both were judged as insufficient alternatives.

management, uniformity vs. differentiation that is likely to dominate the forthcoming discussion (EPRC, 2014; 2015).

## A SINGLE EUROPEAN TERRITORIAL DEVELOPMENT FUND (ETDF)

Funding for local development was theoretically given a greater prominence as the Common Provision Regulation defined it as an ESIF cross-cutting theme, including the creation of a specific delivery instrument Community-Led Local Development, and consistency across all ESIF would be ensured via a Common Strategic Framework. In practice, while hailed as a significant progress its significance for local development is limited; Community-Led Local Development has remained essentially a rural instrument (a.k.a. LEADER) except when a government decided to allow their use to communities<sup>12</sup>. The so-called ‘integrated approach’ was highly dependent of ministerial/regional choices and rather unpractical for local interventions due to capacity constraints to comply with each fund’s separate eligibility audit and inspection regimes.

On that basis the idea of such a European Territorial Development Fund was considered ‘worth exploring’ by most participants, which is surprising given the radical change it would entail. On the issue whether European Territorial Development Fund would replace all ESIF, at least for integrated local government, or coexist with those, the former option was preferred by those that have weak ERDF/ESF policy communities back home. The strongest resistance to full change came, as expected, from participants with strong LEADER/rural-oriented policy communities (Pazos-Vidal, 2012). Either way the participants strongly point towards the need for a consolidated, multi-purpose single point of access from the point of view of the beneficiary/local delivery agent.

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<sup>12</sup> England, Czech Republic, Poland, and partly Austria are the most salient examples.

## THE END OF SHARED MANAGEMENT

Together with CAP Pillar I, the ESIF are the last part of the EU budget that is under shared management and directly involves EU Commission's DGs. Other DGs have undergone the 'New Public Management' agentization route (Pollitt and Bouckhaert, 2011) through transferring their funding EU programmes to executive agencies: separation of policy and execution with flexible, temporary (and cheaper) specialist managers. ESIF's current only exception to that trend is INTERREG (Joint Technical Secretariats) and small initiatives such as the Innovative Urban Action. It has abundantly been discussed (Bachtler and Mendez, 2007) that the EU Commission is politically unable and logistically unwilling to regain a more direct management on ESIF, opting to concentrate its limited resources in ensuring compliance (ex-ante conditionalities, performance framework). However, seen from the local practitioners' perspective the current shared management is often split vertically in no less than three administrative layers and horizontally among Directorates-General, national/regional ministries resulting in silo approaches (EU Parliament, 2011).

As a result the slow launch of the current programmes and, given the large discretion for regional/national level to allow integrated territorial development, participants showed a surprising openness to consider alternative, less tiered decision-making and delivery methods. Clearly the support of the most radical scenario of no direct involvement of current managing authorities, they being replaced INTERREG-type secretariats, would depend on: a) existing working policy communities (partnership principle); b) perceived efficiency (and political neutrality) of managing authorities; and c) low discretionality of national/regional managing authorities. The higher these three variables are the less appetite for change there is.

A surprising finding is that **the degree of support for those changes is heavily dependent on municipalities' degree of reliance on upper tiers of government that provide them with co-financing to apply for EU funds.** The research found that this is not uncommon. This overreliance of upper tiers of government questions the very concept of additionality and that of place-based, bottom up development: it is unlikely that the upper tiers would give the funds with no strings attached; they would expect that in return local EU-funded project reflect national/regional priorities.

A more predictable variable we found is that support for keeping shared management depends on the degree by which each participant's organisation and of his/her own status depends on the status quo. Clearly reluctance to change shared management is most prevalent when they enjoy close links with those ministries or regions whose main 'raison d'être' is managing EU funds.

**Language and distance are an issue.** In the event of moving to an European Territorial Development Fund agentization model the new structures would need to be able to be fluent in the language (and 'culture') of the beneficiary. Equally the problem with a fully EU-wide secretariat is the fear of the remoteness and dissociation from the local context, hence any such management structure would sufficiently have to address these concerns to be supported.

Lastly, **capacity is a clear condition for local empowerment.** Good Governance and policy learning is seen increasingly by the Commission itself, no less since the 6<sup>th</sup> Cohesion report, as 'the' factor that explains underperformance of the policy. Already the Common Strategic Framework foresees a specific Thematic Objective and there is a raft of individual Commission support measures. While the Commission can but only nudge member states on domestic governance issues, some of the existing problems are of its own making: each DG conducting separate approaches, focusing mostly on managing authorities and rarely below, inefficient use of resources. A notable case are the ample European Network of Rural Development and URBACT (both knowledge transfer and capacity building platforms) resources that could easily be deployed/replicated across ESIF to support local development capacity building, policy learning knowledge transfer and which is perceived as sorely needed to accompany fund allocations.

## BOTTOM-UP GEOGRAPHIES

The current CP is meant to be "place-based" (Barca, 2009) and to foster integrated territorial and indeed local development. In reality Cohesion programmes are hardly bottom-up, but the result of strategic choices made by regional and national authorities (policy-based at best, politically-minded at

worst). Sometimes the pyramidal structure of shared management results in upper tiers assuming functions ‘vis-à-vis’ EU funds that for domestic policies are in fact local powers. We found a clear, rather unanimous view, at least from local government’s perspective, **that geographies and local partnerships should not be narrowly preordained by EU or national rules:** common criteria should be defined in the Regulations, territorial partnerships for ESIF delivery should be left for the territorial units themselves to form them as individual, functional or a combination of tiers of government as they see fit and without veto or supervision from upper tiers.

ERDF/ESF spatial allocation is based on NUTS2 level. This is problematic as many member states formed them using mainly a demographic criterion that results on essentially artificial territories (cf. UK, Sweden, Ireland, Finland, Bulgaria, Slovenia, Slovakia, Croatia, Hungary, and Romania). This rather Jacobin statistical equalisation results in, at best, territorial units that are hardly comparable with those member states that use ‘real’ regions (Spain, France, Italy, Poland, Austria, and partly Portugal). Seeing it cynically, it could be a form of gerrymandering by creating areas to channel EU funds (e.g. UK, Slovenia, and Ireland). Even when geography and demography are combined -densely populated countries using provincial-type units at NUTS2 (Germany, Belgium, and the Netherlands) - this has the perverse effect that the same governance level is made eligible for EU funds in one member state and not in the other, regardless of their developmental needs. Even when need and geographical units are aligned the central government might decide to retain part of the regional allocations for it or apply a different regional allocation formula. Lastly, the distortions of NUTS map transcend CP as their metrics are also used in other EU policy areas.

This is an issue where, understandably, each participant’s rent-seeking rationale was very evident: while admitting the above distortions participants would be prepared to consider a change (or getting rid) of the current NUTS-based eligibility only if the net effect for current beneficiaries would not decrease. Interestingly, in the event of any such change the need for continued state/region oversight (e.g. defining the overall development strategy, populating the Monitoring Committees) was emphasised particularly in those cases when there is in place a clear policy community/political dependency between local and regional/national governments. This was even clearer as per the need to keep ESIF allocations for each member state.

Confronted to the most radical version of this scenario, that of getting rid of the NUTS rationale entirely and to deliver European Development Territorial Fund through direct bidding, like INTERREG or Urban Innovative Action (be that at national or EU-wide scale), the reaction was strongly dependent on whether there was prior experience of competition for European Structural and Investment grants (as opposed to receiving managing authorities' grants). EU-wide and, for some, national-scale bidding would be perceived negatively for fear of disadvantaging smaller, less experienced authorities. Therefore an eventual European Development Territorial Fund grant allocation model would only be supported if there remained a form of thematic and geographic earmarking that would recognise this problem.

## PARTNERSHIP RELOADED

Partnership was meant to be one of the fundamental changes of the current programming period. As highlighted in a previous work (Pazos-Vidal, 2014) the expanded articles in the CPR, plus the European Code of Conduct of Partnership -a Delegated act- would formalise and strengthen the timid advances of the previous Regulations. The outcome of the negotiations was however much more muted, and the evidence of their application is, at best, that of incremental progress (EU Commission, 2015), and is heavily dependent on background conditions (CEMR, 2013): where partnership is strong on domestic policies or there has been a decision to promote it, the use of partnership for ESI funds would comply with the requirements of the Code. This happens at best in only a minority of cases.

The seminal problem with partnership is that it pretends to equalise tiers of government that are unequal, the upper often can set the rules and finances of the lower. Furthermore partnership as defined in the Regulation is less a way of carrying out multi-level governance decision-making but more a form of corporatist arrangement: in spite of local/regional calls for a clear separation between partners (institutions) and stakeholders (civil and private bodies) this has never been granted. Interestingly when the participants were pressed on whether partnership has any sense in these terms the unanimous response was a defence of this principle and the needs for its improvement. In

the author's view, this reflects a strong path dependency: partnership is such a totemic concept that it has become difficult to think in other categories. Ironically however, should the post-2020 structure reflect the above-mentioned ideas (removing tiers of management, reducing governmental discretion on priorities, allocation, targeted geographies, etc.) a rebalancing of the terms of the Partnership Principle would have been achieved in all but name.

## **CONSOLIDATED PERFORMANCE FRAMEWORK 2030**

While CP and National Reform Programmes frameworks are defined under and perform towards the same 2020 objectives reporting is carried out entirely separately with the latter having little local/regional input, even when they are the competent authorities (Drumaux and Joyce, 2014). So a case was put to participants on whether consolidation of these two strategic and reporting instruments would make better sense from a whole-of-government perspective, but also to ensure that local/territorial developmental concerns informed the macroeconomic perspective of the National Reform Programmes (CoR, 2016).

This is one issue that was comparatively less discussed in this research. This fact is a reflection of the cognitive limitations of the issue network involved in this exercise: most of the participants were not familiar with National Reform Programmes reporting as to be able to potentially appreciate its similarities with CP, as engagement of subnational authorities in either is heavily dependent culture of the two separate ministries (and policy networks) that deal with CP and with National Reform Programmes respectively.

## **CONCLUSION: UTOPIA OR FEASIBLE JOURNEY?**

Even before considering the practical, political, distributional, transactional and opportunity cost considerations at national and EU level of introducing such a radical departure (or rediscovery) of CP as suggested here, this research has identified a number of key limitations, interdependencies and



preconditions to change. At the same time the findings show that at very least some the basic tenements of Cohesion Policy are, at least as seen by the comparatively modest constituency of local government policy entrepreneurs, at least contingent when not significantly flawed. There is a limited hope that status quo or even incremental change can address these fundamental issues and there is awareness that change is necessary in the wake of changing political priorities at EU and national level. There is also a perceived vulnerability of local governments to adapt to these changes. However in spite of the inevitability of changes in CP the degree of openness to change depends on key crucial factors: background domestic conditions, policy community and path or institutional dependency from the above tiers of government. All these factors modulate an inherent a rational choice approach to negotiations. Given that many of these same factors identified relate to other tiers of government it can be anticipated that similar considerations (or at least their mirror image) may be at play among other institutional actors that will be involved in the post 2020 reform negotiations.

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## CONCLUSIONS

## 18. INSTEAD OF CONCLUSIONS, WHAT COMES NEXT?

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This volume has no real conclusions. On the contrary, many questions were raised looking for answers. Research-based policy lessons were presented to keep on discussing with policymakers. This volume gave the opportunity to academics to reflect, discuss and propose sixteen different issues on Cohesion Policy. Space and time for research-policy dialogues are needed in a time of crisis, beyond the specific case of the CP.

A tentative way to conclude this volume is to propose some key-words as a kind-of dictionary to be shared to continue this dialogue.

- Action (need for). The starting point of this research-policy dialogue is the need for policy actions in a time of crisis and when the EU has to face major political challenges.
- Boundary/borders. This volume has moved across boundaries and borders in terms of disciplines, theories, practices, scales, places, approaches, etc.
- Capacity for Change. The ultimate goal is to improve policymaking providing research-based policy lessons and assuming a policy learning perspective.
- Dialogue. The dialogical approach is needed respecting different 'logos', different knowledge and ratios, yet keeping on discussing to understand each other, not just to speak.
- Evaluation (culture of). Often forgotten, the CP brings with itself a strong culture of policy evaluation.

In terms of policymaking, many policy issues were already discussed, thus a 'meta-issue' has emerged from these discussions. **Renovated passion is needed for the CP and, in general, for Europe.** Beyond technical and academic discussions, the need for a new political vision is needed taking inspiration from the case of the CP: a public intervention with this size and complexity was unthinkable when the first European cooperation has started

in the 1950s, yet a vision became real. The passion that led first European policymakers seems lost nowadays.

In terms of research, reflections on the drivers of research are needed to be able to allow for generating useful research-based policy lessons. Academics have to find a way between the ‘Ivory Tower’, being a ‘gated’ peer-reviewed community, and the function of consultancy answering questions of policymakers. On the contrary, the role of the research is to ask questions to policymakers, beyond current policy needs.

In terms of knowledge brokerage, the research-policy dialogue is just one way that was experimented in this volume and the associated workshop. Respecting the different points of views of research and policy is a starting point, but finding time and space for research-policy dialogue requires more than willingness. **Knowledge brokerage**, one possible way to stimulate research-policy dialogue, **requires recognition as well as professionalization and resources**. This aspect has received very little attention so far, even though it does offer many opportunities to explore and exploit.

LEARNING FROM IMPLEMENTATION AND EVALUATION OF THE EU COHESION  
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Each author can be contacted using email addresses in this volume to know more about her/his contribution.

For more information on the RSA Research Network on Cohesion Policy

<http://www.regionalstudies.org/networks/network/eu-cohesion-policy1>



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