

EUROPEAN BRIEFING

Improving the Management of European Regional Development Policy

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ABSTRACT This article is a reflection of the first EuroManagers programme that took place in 1996. The theme of the programme was European Regional Development Policy. EuroManagers is an initiative taken by the European Institute of Public Administration (EIPA), and is intended to offer senior public administration managers an opportunity to upgrade their skills in the management of EU-related matters.

1. Introduction

The first *EuroManagers* programme was organized by the European Institute of Public Administration (EIPA) in cooperation with three other training institutes, KEK Sedel Educational, a vocational training centre (Athens), the Danish School of Public Administration (Copenhagen), and the Belgian Training Institute of the Federal Administration (Brussels).

The programme consisted of four modules, and each participating training institute organized one. The four modules were run as individual seminars and took place in March (Maastricht), May (Athens), September (Copenhagen) and November (Brussels), all in 1996. Each module lasted 3 days and tackled a specific theme:

- Maastricht: regional development policy approaches and cross-border cooperation;
- Athens: regional development and government structures;
- Copenhagen: regional development projects;
- Brussels: improving regional development management.

The programme involved:

- meetings between participants from different EU Member States working in the field of European regional development policy;
- exchange of views and practices developed in the various administrative environments;
- meeting of experts from the European Commission and other European institutions, academic experts and practitioners;

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- understanding strategies, policies and instruments used at European level in the field of European regional development policy.

The philosophy and methodology of *EuroManagers* programmes aim at developing a *dynamic exchange process* within each module. This takes place by alternating lectures, discussions between participants, experts and practitioners, case studies, site visits and collectively preparing the next steps of the programme with *intermediate assignments*. In the framework of the programme, the intermediate assignments were designed by EIPA and related to the themes of the modules. The assignments dealt with:

- government structures and management methods involved in the implementation of European regional development policy;
- factors that caused the relative success or failure of selected projects;
- suggestions for improving the management and efficiency of European regional development policy.

The *EuroManagers* programme on *European regional development policy* was the first programme of its kind, and therefore had the character of a pilot programme. Owing to its success, a second *EuroManagers* programme has been designed for 1997 which focuses on *European environmental policy*.¹

Twenty-six managers participated in the programme from 10 different member states of the European Union (Belgium, Denmark, Germany, Spain, the Netherlands, Austria, Portugal, Finland, Sweden, the United Kingdom). All participants were employed within public administration, and had responsibilities relating to regional development policy, but they had different backgrounds. Of the participants, 10 were working within a central or federal government ministry or agency, 11 worked at the regional level (*Länder*; regions (autonomous Communities), and five worked at the municipal or provincial level (including associations of local authorities).

Section 2 of the report deals with government structures, Section 3 focuses on success and failure factors concerning project management, and Section 4 contains suggestions for improving the management of European regional development policy. The article has been drafted and edited by EIPA, but draws extensively on contributions from the participants which are based on their practical experience.

2. Government Structures for the Implementation of European Regional Development Policy

This section is based on the assignments prepared by the *EuroManagers* for the second *EuroManagers* module, which was held in Athens in May 1996.

The management of European regional development policy in 10 countries, with different political and administrative histories and varying regional development policy traditions, is implemented in various ways because of significant differences in administrative structures.

In Belgium, the regions have exclusive competence for the definition and implementation of European regional development policy. The Walloon region is responsible for managing and coordinating single programming documents and EC community initiatives. It also provides the secretariat for the Monitoring Committee, the Programming Committees and the Steering Committee for Evaluation. The monitoring committees are chaired by the representative from the Ministry of the Walloon Region.

In Germany and Austria, two other federal states, European regional development policy is more or less linked to spatial planning. Germany has a federal spatial planning law. The concrete procedures for the implementation and management of the structural funds take

place at the level of the *Länder*. There are some minor differences in implementation structures between Bavaria and Saxony-Anhalt. For example, different ministries are involved in Saxony-Anhalt and in Bavaria. In Saxony-Anhalt, the Ministry for Economy, Technology and European Affairs (ERDF), the Ministry of Social Affairs (ESF) and the Ministry for Regional Planning, Environment and Agriculture (spatial planning and EAGGF)² are involved, and in Bavaria the Ministries for Economy, for Agriculture, for Regional Development and Environment, for Social Affairs and for Culture are responsible for implementation. The lower administrative levels are similar in the *Länder*: the administrative districts (*Regierungsbezirke*) and their governments (*Bezirksregierungen*), and rural districts and municipalities. The regional and local authorities draft regional development concepts, but the *Länder* authorities may also do so.

The Austrian implementation structure differs somewhat from the German situation. There is no one single authority responsible for spatial development or regional policy affairs. In addition, in contrast to Germany, there is no federal law on spatial planning; spatial planning laws are laws of the *Länder*. At the federal level, spatial policies are coordinated by the Federal Chancellery. The Austrian Conference on Spatial Planning serves as a platform for cooperation between federal and *Länder* governments, as well as between representatives of local authorities and the social partners. The Conference provides the secretariat for all monitoring committees in which Austria is involved. One of the most important tasks of the Conference is the preparation of, and decision-making on, the Austrian Spatial Planning Concept. Policies resulting from the Concept have been coordinated in accordance with the requirements of the EU programmes in the framework of the structural funds. The programmes have been prepared jointly at EU, federal and *Länder* level. The *Länder* are responsible for the management of programmes (Objectives 1, 2 and 5b)³; they are assisted by working groups and associations active at the local level. Private persons, enterprises and local authorities are in charge of projects. In most Austrian *Länder*, regional managers responsible to local development boards assist in the implementation of the programmes. In Styria, regional policy is the responsibility of the *Land*. For the purpose of implementing regional policy in the Styrian subregions, six independent regional managers, supported by regional conferences, coordinate the regional interests of municipalities, the *Landtag*, interest groups and social partners, and help implement European regional policy.

In the Netherlands, the province of Flevoland is the only Objective 1 area of European structural policy. For the whole area there is only one monitoring committee, but there are two authorities dealing with programme management. One is the Province of Flevoland which deals with ERDF, EAGGF and FIFG¹ funds, and the other is the Regional Employment Board which deals with ESF funds (European Social Fund). The implementation of European regional development policy is highly decentralized, e.g. to municipalities, chambers of commerce and the provincial tourist board. European funds flow directly from the European Commission to the province.

In Spain, the autonomous communities are responsible for the co-financing of the programmes, for which they have exclusive competence. The systems for managing the structural funds vary from one autonomous community to the other. In the three historic autonomous communities (Catalonia, the Basque Country and Galicia) the system is more decentralized than in the other communities.

All three Nordic countries (Denmark, Sweden and Finland) have an implementation structure which is based on close cooperation between local authorities (municipalities and counties in Sweden and Denmark, municipalities and regional councils in Finland), on the other hand, and offices of representation of central government in the regions, on the other. In Denmark, the key actors are the regional executive committees, which are composed of

representatives (politicians) from local authorities in the area concerned. The regional executive committees are responsible for daily management. As well as the European Commission, representatives from government departments and from municipalities and counties also take part in the monitoring committee. In Sweden, the county management committees are responsible for daily management, and they are composed of representatives from municipalities, county councils, county administrative boards and county employment boards. The latter two bodies represent the central government in the geographical area of the counties. The majority of the members of the county management committees are representatives from the municipalities and the county councils. In Finland, the Regional Management Committee is responsible for the daily operations and the regional councils provide the secretariat. The regional councils (elected bodies) work in close cooperation with the State District Offices (national administration).

In all three countries, the central government plays a coordinating role. In Finland, the Ministry of the Interior coordinates the plans for each objective (there is one plan for the Objective 2 area, one for the Objective 5b area and one for the Objective 6 area). All funds received from the European Commission pass through the Ministry of the Interior. In Sweden, NUTEK is a central agency and the operational body which deals with payments and financial control at national level. The county administrative boards and the county employment boards are responsible for the greater part of Swedish co-financing.

Finally, both Portugal and the United Kingdom should be mentioned, as in both countries, central government offices play a key role. In Portugal, however, this key role of government offices (five regional coordination committees) is limited to the Portuguese continent. The regional consultative bodies, within which local authorities are directly represented, render the role of the regional coordination committees very influential as regards the implementation of regional development policy. Portugal has in fact a dual system for the implementation and management of the structural funds: one for the Portuguese continent and the other for the autonomous regions of the Azores and Madeira. In Madeira, the Regional Directorate for Planning is responsible for preparing, formulating and following up the implementation of the regional plan, as well as for structural funds operations.

Finally, in the United Kingdom the structural funds are dealt with according to the principle of partnership between the appropriate government departments, the European Commission and the organizations involved in running projects which receive grants. All of these partners are represented on monitoring committees, which, in the case of Objectives 1, 2 and 5b, are managed by government offices (representing central government in various parts of the UK). Neither social partners nor locally elected officials take part in the monitoring committees, whose task is to agree on project selection criteria and who delegate the responsibility for recommendations to programme secretariats. In some cases, local action plan groups have been set up which form an additional selection layer. Projects do not form part of a regional plan, and all national co-financing is controlled by the Treasury.

3. The Implementation of Programmes and Individual Projects: Key Factors of Success and Failure

This section is based on the second assignment that was prepared for the third module of the programme held in Copenhagen. The objective of the assignment was to collect short descriptions and analyses of development projects run in the countries/regions of the participants. Each had been asked to provide two standard presentations: one on a successful project and one on a project that involved some problems or difficulties.

On the basis of more than 40 projects, the main explanatory factors of success or relative failure could be derived. The most significant characteristics are listed briefly below.

3.1 Key Factors of Success

- A sound feasibility study (SWOT analysis, i.e. assessment of strengths/weaknesses/opportunities and threats) carried out beforehand. This study can be enhanced by the cooperation of a private and/or independent consultants.
- A good partnership between *public actors*, i.e. administration, and *private actors*, usually small and medium-sized enterprises (SMEs), combining strengths and skills.
- Appropriate human resources (HR) in terms of both quantity and qualifications. Selection of high-quality operators.
- Appropriate leadership of the project. The responsibility for *Steering* the project should be given to SMEs themselves.
- Good coordination between the programme managers and regional consultants involved.
- Good communication between the state, the region and the private actors involved.
- Involvement of *local* authorities in the co-financing process.
- Willingness of private local investors to join in the co-financing process.
- A good communication network (including the press) and a good public relations policy.
- Clusters of industrial areas linking SMEs and technology-developing forces, e.g. (fundamental and applied) research institutes.

3.2 Weaknesses or 'Failure' Factors

Most of these factors, as illustrated by the cases provided by the *EuroManagers*, are the exact opposite of the 'factors of success'. Therefore, we have only listed additional factors which were emphasized in other cases.

- Sometimes an over-bureaucratic approach by the European Commission – DG XX (Directorate General responsible for Financial Control) has been mentioned as having a negative impact on the outcome of programmes:
- The difficulty of communicating with the European Commission.
- Projects sometimes fail simply on account of technical errors or faults.
- The lack of quality control systems or procedures in contracts with operators or enterprises.
- Insufficient sharing of responsibilities between public authorities and other partners.

3.3 Summary

The critical 'key factors of success' are listed below.

- *Feasibility studies*. These should always be carried out prior to implementation (SWOT).
- *Human resources*. These should be appropriate, especially in terms of experience and recognized expertise.
- *Communication*. In all programme management, the efficient management of communications is essential, in this case between politicians, administrators, consultants and private or other partners, as well as with the outside world, the press and public opinion.
- *Partnerships and networks*. There should be skilled management of partnerships and networks, and also of the co-financing procedures.
- *Sharing responsibilities*. All partners involved should share responsibilities so that a feeling of 'ownership of projects' develops.

4. Suggestions for Improving the Management of European Regional Development Policy

All the points which were agreed by the *EuroManagers* group are numbered and in italics

throughout this section. Other criticizing ideas and remarks which emerged from group discussion but which did not receive unanimous agreement are given indented below the agreed point.

4.1 Concentration

The *EuroManagers* group agreed two observations regarding the concentration of European structural funds.

- (1) *The concentration of structural funds in the most disadvantaged regions is a necessity to pursue the objective of building economic and social cohesion in the European Union. The European Union should bring the regions nearer to each other as much as possible. Although the principle of concentration as adopted in the framework regulation on structural funds is good in theory, it is not always easy to realize in practice.*

Sectoral priorities. For the future of structural policy, new sectoral priorities are important as well as geographical concentration: e.g. employment, environment, trans-European networks, competitiveness of towns, spatial planning, translational and transregional cooperation.

Basis of regional development. In many cases, the structural funds constitute the basis of regional development as they represent a considerable financial effort at the regional level.

Artificial borders. The way in which regions qualifying for structural funds are defined leads to artificial borders. If such a border separates an Objective 5b area from an Objective 1 area, it is generally more attractive for a plant to establish itself in the Objective 1 area, since the subsidies are larger and eligibility is wider than in an Objective 5b area. A possible solution to this problem would be the creation of a gradual system of aid in such border areas.

Political versus economic and social cohesion. For reasons of economic and social cohesion, structural funds should be concentrated in the areas that need them most. However, for the sake of political cohesion, structural funds should not be spent exclusively in these regions, but also on wider scale. In particular, regions with good development opportunities should be granted money from the European structural funds, as this could have a knock-on effect on the European economy as a whole, including the most disadvantaged regions.

- (2) *Enlargement of the European Union towards Central and East European countries will require extra efforts of concentration.*

Structural funds regulations. A period of reflection on a reform of the structural funds is necessary before any enlargement takes place.

Different starting points. During negotiations prior to accession, the European Union should take into account the territorial inequalities that result from the different starting situations of the various states that have applied for accession.

Dual role of structural funds. The structural funds should continue to play a dual role: increase the capacity for growth of the less-developed regions and redistribute resources so that the socio-political and commercial relations between territories are on an equal footing.

4.2 *Additionality*

The interpretation of 'additionality' varies from one member state to another. In essence, the additionality principle means that European grants must be seen to buy added provision to what would ordinarily be purchased by mainstream public sector (at state or regional level) funding.

The group supported the following observations.

- (1) *The budgetary cuts necessary to meet the convergence criteria set by the Economic and Monetary Union have reduced many member states' capacity to finance regional development.*
- (2) *The system of the structural funds has grown more complex. This is the result of European rules on management and of follow-up procedures for the programmes, but also quite often of the large number of national systems for regional development aid.*

Within the group there were doubts about the principle of additionality. Nevertheless, if this principle has to be upheld, the group advocates the following options.

- (3) *The control of additionality must take account of the specific situations of the member states and their regions. The room for flexibility which already exists in the rules (consideration of the macro-economic situation or the exceptional character of the previous period) should be extended even more.*
- (4) *A more flexible approach should be taken toward control of additionality. In particular, the rule on annual control is, generally speaking, not appropriate. It would be more realistic to check additionality halfway, or even at the end of the period. Moreover, this control should cover a group of programmes rather than individual programmes.*

Strong regions and disadvantaged regions. Strong regions encounter fewer problems in reserving the required co-financing budget. These regions should be prepared (on the basis of formal obligations) to share their experiences and know-how on concrete projects. They should also support disadvantaged regions in the implementation of their programmes.

Voluntary cooperation. Compulsory additionality should be replaced by voluntary cooperation between different financing partners, as it is not the additional quantity of funds but rather the quality of strategies which seems to be required to give better results. Moreover, strict observance of additionality leads to more control and bureaucracy.

Increases in expenditure for the structural funds. The rates of increase in expenditure for the structural funds and the cohesion fund have climbed, especially since the reform of the structural funds in 1988. The Community's structural policy claimed over ECU 29 billion in 1996 (commitment appropriations), i.e. 34% of the general budget of the European Union. Such rates of increase, together with the parallel increase in co-financing efforts, are blatantly inconsistent with the efforts of the member states to economize. For this reason, the realization of additionality is creating increasing difficulties and is losing its purpose.

Negotiation of additionality. It is often difficult to persuade the Commission that governments would not have been able to support their programmes without EU intervention (therefore they are truly additional). It would be beneficial for all parties to have the question of additionality debated and negotiated at national level during the course of negotiations on structural funds. The European Commission should also put forward a definitive statement about additionality to be approved by all

member states, and should maintain a consistent approach throughout negotiations and discussions on national and regional programmes.

4.3 *Relations with the Commission*

Pursuing European regional development policy implies relations with the European Commission, which is the actor responsible for regional policy management at European level. Commission officials are taking part in monitoring committees. The Commission provides information to the actors that implement European regional development policy in the member states.

The *EuroManagers* group agreed upon the following three statements.

- (1) *Different member states have different approaches towards regional economic policy as well as different structures for implementing regional development policy, often due to different national conceptions of regional development prior to the extension of European regional development policy. In its approach, the Commission should opt for a common approach towards the different national, regional and other authorities involved, while keeping in mind the existing differences and acting according to the principle of subsidiarity.*
- (2) *The administration and management of European regional development policy is not only a technocratic exercise, but also an inherent political process. Although in the framework of programmes, objectives and priorities have been developed and instruments have been designed for pursuing the objectives, in daily practice implementation of structural funds is a political process in which the European Commission is not merely a technocratic actor that supports and coordinates, but in which it also plays a political role.*
- (3) *There sometimes seems to be a lack of clarity in the policy of the Commission.*

The following observations link to point 3.

Different Commission tasks. The European Commission has different tasks within the process of European integration. The Commission is concurrently enhancing regional policy, focusing on financial accountability in spending structural funds and ensuring that competition rules (e.g. strict criteria for state aid) are observed. The *EuroManagers* group believes that there are sometimes tensions within the Commission between DG XVI (Regional Policy), DG V (Social Policy) and DG VI (Agriculture) on the one hand, and DG XX (Financial Control) on the other. The different objectives and interest of the various parts of the Commission sometimes delay the implementation of programmes.

Personal contacts. Relations between (sub)national administrations and the Commission are sometimes suboptimal owing to changes in contact persons within the European Commission. Daily contacts between civil servants involved in the implementation of programmes and the European Commission not only constitute relations between formal organizations, but also relations between people. Moreover, it is not always clear who is the person actually in charge of the dossier at the European Commission.

4.4 *Strict Procedures versus Flexibility*

The *EuroManagers* group emphasized the inherent tension between strict procedures (e.g. of financial control) on the one hand, and the need for flexibility on the other. Priority should be given to a constant improvement of control procedures at both member state and community level; improving control procedures will become even more important in the event of decentralization of management decisions. However, management of programmes should not be hindered by control procedures which are too rigid.

In this respect, the *EuroManagers* group focused on two themes.

- (1) *The need for debureaucratization in order to achieve a smoother and more efficient programme implementation.*

Commitment as to rules. The real problem is not the instruments, control and procedures, but the fact that there is no clear commitment as to rules, etc. SEM 2000³ can be seen as a useful tool, but comes too late for most regions.

Expensive and complicated implementation. In some cases different aid schemes have to be used for different projects (all of them co-financed), which makes implementation very complicated and expensive.

Harmonization of procedures. There are considerable differences between the procedures for each structural fund; harmonization would lead to a more efficient programme implementation.

Collaboration between Commission services. Closer collaboration between the services of the European Commission should be enhanced as far as the allocation of funding is concerned. The procedures for circulating information for the purpose of decision-making should be speeded up, in order to comply with the official time limits laid down in the regulations. In addition, the position of the Commission should be made clearer, through its *Chefs de file*, by facilitating negotiations with the member states.

Monitoring committees. Bureaucratic procedures should be relieved by giving more responsibility to the monitoring committees. The monitoring committees will become more important anyway as the required intermediate evaluation of community support frameworks and single programming documents will, in principle, require reprogramming of the operational interventions.

Simplification of negotiation and decision-making procedures concerning the reprogramming of operational interventions. Operational interventions should be reprogrammed within a reasonable time-frame and without excessive delays caused by negotiations and decision-making procedures. In some cases, excessive delays lead to the automatic temporary postponement of financial transfers, which can be detrimental to the capacity for implementation at a crucial moment.

- (2) *The time factor is of crucial importance in regional development policy. However, it is generally overlooked by technocratic theories.*

Specific time constraints. In all economic activities (physical as well as social), time constraints are very specific and different and they are usually far more severe than expected. This is not only true of structural adaptations of regional systems (construction of infrastructure, development of organizations, learning), but also of public decision-making itself (e.g. negotiations, as mentioned above).

Political requirements versus regional development. There is an inherent and permanent tension between the political requirement of visible and short-term action, and the long-term character of regional development.

Quantitative and qualitative aspects. As well as quantitative aspects, time has a qualitative aspect. Successful new processes are often initiated by meeting 'the right people at the right time'. Such coincidence can hardly be planned. Public policy can only try to react in a flexible way to such favourable 'constellations' and support them.

4.5 *Interplay between Political and Technical Issues*

The system of many structural funds, different eligible areas, six different objectives, statistical measures and the interplay of rules on competition and the objectives of regional policy on the one hand, and the political wish of local, regional and national politicians to present 'easy-to-understand European projects' on the other, make it quite complicated to communicate the idea of European regional development policy. The current approach is far too complicated, and is difficult to explain to both citizens and some politicians.

The group of *EuroManagers* expressed the following views.

- (1) *The effect of technical complexity is that it renders the EU's role non-transparent where regional development and contributions to economic and social cohesion are concerned. Therefore, efforts to arrive at democratic transparency are necessary. The credibility and acceptability of the Union have everything to gain by this.*
- (2) *The simplistic approach, according to which the political game would be the monopoly of the states and the regions and rationality that of the European institutions, should be dismissed.*
- (3) *It is often difficult to reconcile consensus reached at the 'base', in the area of the projects, with the requirements (rules or decisions) imposed at the top of the European system for the management of structural funds.*
- (4) *For political and/or rational reasons, a higher degree of flexibility with respect to the question of eligibility should be adopted in the European regulations.*

Integrated orientation. The predominant orientation of the structural programmes that were recently negotiated and implemented has become increasingly integrated (integration of infrastructural, training and economic development projects). Whilst a desire to monitor the degree to which agreed programmes are implemented is understandable, this process fails to capture the dynamics of economic change (which require a 'constant dialogue with reality' and an ability to adapt to changing circumstances) and leads to enormous complexity in the administration and management of programmes.

Transparency and public performance. Public accountability cannot be equated with effectiveness, and value-for-money considerations are very complex within the overall context of economic impact. The present regime for structural funds combines both approaches somewhat uncomfortably.

Contractual approach. A contract between the EU and partners in the member states, which would impose prescribed outcomes, could be more satisfactory in relation to the current situation. This requires a deepening of trust between local partners, member states and the Commission in the definition, measuring and follow-up of the results, in order to neutralize the present feeling of threat that only too often tends to underlie such discussions.

4.6 *Partnership*

One of the principles in the implementation of structural funds is the partnership between the European Commission, national and subnational administrations, and other competent organizations. Stable partnerships are difficult to develop within a short period of time.

The *EuroManagers* group supported the following observations.

(1) *Equality in a partnership is important for it to function smoothly.*

Equality required for equilibrium. Equality in a partnership is a *condition sine qua non*, for its smooth functioning. Too dominant a position of one of the partners upsets the equilibrium. In other words, partnerships should consist of horizontal relationships between partners, rather than of vertical relationships.

The European Commission as a partner. The *EuroManagers'* impression is that the Commission has, perhaps unwittingly, too dominant a position in the partnerships in the field of regional policy, on account of which its proposals are readily accepted.

International and national partnerships. Partnership often implies cooperation between partners from different countries. However, in the implementation of European regional development policy partnerships are established between partners from the same country and the European Commission, which leads to a hierarchy in the partnership sooner than in the case of international partnerships.

Different perspectives. During the implementation of European regional development policy, the different perspectives of subnational, national and Community authorities often remain implicit and are not fully explored. In practice, tensions arise between European Union, member state and regional/local actors because of their different perspectives and different political agendas.

Promotion of best practice. The Commission has the responsibility, together with national and subnational partners, to promote the best practice of implementation of structural funds in a far more active way. Moreover, it has been suggested that the Commission should be more approachable for agents involved in implementation.

- (2) *Partnership is a complex phenomenon, especially when partners receive funding from different sources.*
- (3) *Partnerships are necessary for sound regional development and need to be dynamic. Partnerships that are too stable and have been established inhibit innovation processes.*

Leadership. Not everything should be left to the partnership. Partnerships that are too strong and have been established for a long time make it difficult to initiate innovative projects. Innovation requires leadership, which can emerge by incorporating a flexibility margin defined by the partners.

Dynamism rather than stagnation. The planning process should be a dynamic process involving a continuous dialogue between the different partners concerned.

4.7 Business Support Activities

As regards business support, the *EuroManagers* group agreed on the following points.

(1) *No direct support for individual businesses.*

Providing substantial subsidies to individual companies mitigates against EC and local competitiveness in the medium and longer term, and may eventually damage non-subsidized activity. This justifies a stringent state aid regime.⁶

(2) *The improvement of private sector involvement.*

In order to sustain longer-term competitiveness, public sector interventions in regional economic development must be seen to stimulate profitable private-sector activity. However, finding investors for structural funds projects is a problem because the projects do not have the right development potential. Moreover, public

authorities are keen to demonstrate that public funds have not simply led to unjustified rewards for individuals or businesses. This attitude has sometimes restricted the involvement of private investments in structural funds programmes. A particular subset of issues encompassed by the problem is the role of the 'public' utilities in engendering infrastructure development. As these utilities are themselves increasingly being privatized, their role in the implementation of programmes, while important, becomes more difficult to handle.

(3) *A bottom-up approach.*

The *EuroManagers* group believes that generally speaking a bottom-up approach produces the best results as regards improving regional development. The structural funds programmes should match the actual development needs of the region and should be part of a coherent regional development strategy. Projects that are more in line with regional needs would also be more attractive to investors.

4.8 Cohesion

(1) *Maintaining and strengthening cohesion is a most important goal for the European Union as well as for any other political authority.*

(2) *The EU policy on economic and social cohesion seems to be based on three assumptions.*

- *Economic disparities, as measured by the gross regional product per capita and unemployment rates, are the main threat to economic and social cohesion.*
- *Financial transfers from rich to poor regions are the main instrument used to reduce these economic disparities. There is a direct relation between the amount of funds allocated and the results: the larger the amount of money concentrated in poor or structurally weak regions, the faster they will catch up.*
- *If public authorities (such as the Commission or national or regional governments) had the power, capacity and knowledge to do so, they would be able to implement this policy and thus reach the objective of significantly reducing economic disparities. If the results are not yet satisfactory, implementation could (and should) be improved by a greater concentration of funds, increased control and better coordination.*

(3) *However, the assumptions outlined above are wrong, and can have considerable consequences for conception, expectations and satisfaction regarding EU cohesion policy.*

Political cohesion depends on subjective feelings (collective experience of rapid change and increasing social insecurity) rather than on objective indicators such as statistics on income per capita, which are not necessarily related to the living conditions of people. Loss of income and decreasing job security lead to far more political unrest than relatively low levels of GDP per capita per se. Cohesion policy should focus more on helping people to cope with economic and social change and pessimistic expectations, and less on disparities measured on the basis of static indicators.

Qualitative change instead of quantitative transfers. Financial transfers between regions can be important to maintain a macro-economic equilibrium and to establish a sufficient level of infrastructure within a given territory. However, in many cases changes in values, patterns of social behaviour and institutions are much more important for development than costly investments in regional capital stocks. Such changes are related to qualitative measures such as communication and institution building, rather than to the quantity of money spent. Moreover, problem with the absorption of funds may develop whenever too much money is allocated within too short a period of time.

The feasibility of public strategies in regional development processes is seriously limited by several factors, two main factors.

- *Physical conditions of space* (climate, geography, existing infrastructures and economic activities) can – if at all – only be marginally influenced or compensated for by public measures.
- *Real life* is characterized by a multitude of inevitably conflicting values, institutional interests and personal motives which guide activities relevant to regional development. There can be neither a consistent set of objectives for regional development, nor a direct line between objectives and measures. Decision-making, therefore, cannot be based on technical optimization methods, but requires negotiations and careful consideration in order to find well-balanced results and acceptable compromises.

4.9 Evaluation

Evaluation is clearly a vital function and is recognized as such by each member state. How and when evaluation takes place differs, however, across the EU. The question of which authority should be responsible for evaluation is also perceived differently. The answer probably is that responsibility lies at all levels.

The group reached agreement on the following options.

- (1) *A clear distinction should be made between 'ex ante' evaluation, evaluation during and halfway through the programmes, and 'ex post' evaluation.*

Ex ante evaluation is not a real evaluation but rather an 'ex ante analysis' (analysis of context, situation, feasibility) prior to the presentation, with all the required expertise, of the planning documents.

Evaluations during and halfway through the programme are intended to inform the developers about the developments of the projects, and to measure both the progression and accomplished progress, and to take account of the disparities in relation to the set objectives in order to adjust management during the projects. This evaluation is in itself a learning process, allowing improvement in present achievements, and facilitating the preparation of subsequent projects.

Ex post evaluation should record the facts or realities which correspond to objectives set when the projects were launched. Still, in this area excessive attention is often paid to many quantitative elements relating to measures of impact and within too short a period of time for the effects to become fully apparent. The qualitative effects should also be taken into account.

- (2) *Evaluation should be a guideline for ongoing regional policy, rather than an instrument of control that serves as a basis for imposing sanctions.*
- (3) *Reliable evaluation requires skilled and experienced evaluators.*
- (4) *Evaluation during the programmes is a partnership exercise which should not be seen as a means to redirect the course that has been chosen.*

Innovation. Projects developed in the framework of innovation are, by their very nature, more complicated to evaluate on the basis of traditional indicators. In fact, these indicators measure the short-term results (jobs, turnover, increase in investments, etc.), whereas research and development should be measured on the basis of its medium-term and long-term effects.

Tangible and intangible investments. Tangible investments can be planned relatively precisely, while intangible investments are more uncertain.

The lack of knowledge that European officials and civil servants of the member states have of each other is a problem in the evaluation process. A programme such as *EuroManagers* is certainly a good effort, but should be followed by seminars organized by the Commission, with specific objectives in direct relation to the programmes managed by the member states.

Evaluation methods. By using highly sophisticated methods, it would be possible to determine the positive and negative effects of regional policy on the regional economy. Nevertheless, it is difficult to isolate the effects of the programmes (e.g. creation of more jobs) from other economic factors.

Independent and 'inter-subjective' evaluation. The evaluation should always be independent, but should not be limited to exercises of technocratic or academic analyses, while ensuring that it has the required dimensions so that the results reflect the different interpretations by the actors, to ensure 'inter-subjectivity'.

Flexible evaluation. The methodologies must be flexible and have different timetables so that they can be adapted to various regional situations and different development objectives.

Evaluation of return on the investment, but also of the social and intangible impacts. The criteria for evaluating the development programmes should not be limited to measuring return in terms of 'value for money'; they should also include an analysis of the social and intangible vectors, particularly those concerning the creation of conditions and capacities for long-term endogenous mobilization.

Evaluation separated from other activities. The evaluation should be officially separated from other activities relating to management, follow-up and financial control, and should not run counter to the organizational and functional systems of national institutions.

Evaluation to improve the quality of a programme. The evaluation is a good instrument to improve the quality of a programme, but only if the results can be used directly in the framework of an on-going programme. At the moment, the effects of an evaluation are only used for the implementation of subsequent programmes.

Results of the evaluation and improvement of the programmes. If the results have to become support elements in a learning process and lead to improvements in the management of regional policies, the political and institutional framework and the psychology of the actors involved should be taken into consideration.

4.10 *Next Steps*

The enlargement of the European Union to the Central and East European countries is a challenge for European integration in general, and for European regional development in particular.

The first direct consequence for European regional development policy is that certain regions which are now Objective 1 regions may exceed the limit of 75% of the average of the Community's gross domestic product per capita without there being an actual and sustained improvement in their level of development.

Therefore, it will be most likely that in the present European Union, far fewer regions will be eligible to receive regional development support after 1999.

With regard to enlargement, a majority of the *EuroManagers* group has put forward the following options:

- (1) *within the perspective of enlargement, economic and social cohesion must continue to be a priority in European integration, which implies that with the accession of the Central and East European countries, resources will have to be concentrated in the poorest European regions;*
- (2) *the regions that are currently benefiting from actions in the field of economic and social cohesion should not lose out on financial aid in relation to the current average situation, and new efforts aimed at Community solidarity should be guaranteed even prior to the enlargement;*
- (3) *a greater demand will be placed on the European Commission to develop efficient and effective mechanisms in order to deal with the strategies and programmes contained within a growing number of national and regional development policies.*

5. Conclusions: Adaptation of European Regional Development Policy

European regional development policy has evolved from supporting national (and subnational) policies in this field to much more sophisticated and significant structural funds programmes which seek to address issues of economic and social development in a coherent and rounded way. These place the onus on member states, in conjunction with local partners, to identify, in much greater depth, the nature of the restructuring challenge, and then agreeing with the Commission on a framework of priorities and measures through which interventions can be seen to meet the needs that have been identified.

In the near future, European regional development policy must be adapted in view of the multiple challenges posed by enlargement, and given the present management of European regional policy-making. In this framework, the *EuroManagers* group has agreed on two main points:

- (1) *In the framework of the adaptation of European regional development policy, the European Commission should rethink its role. The central point in this adaptation should be that the fundamental objective of regional policy is to redress economic disparities.*
- (2) *In adapting European regional development policy, consideration should be given to the fact that the 'regional question' in Europe is a fundamental part of its construction.*

Regional priorities. Regions should be more responsible for their regional policy and should be free to set main priorities.

Views on public economic intervention. There are different and deeply rooted views on the way in which public economic interventions ought to be structured and delimited.

Competitiveness. The aim of regional development policies will have to be an improvement in the competitiveness of the regions.

Political commitment. Political commitment is required for this convergence process to be realized on sound and steady bases, reflected in firm and rigorous structural policies and in real commitments to adequate financial support.

Effectiveness of results. Improving the effectiveness of results by means of geographical and thematic concentration, new policies and stricter types of planning, flexibility in management procedures with due regard for the subsidiarity principle, broader evaluation and reinforced control.

Trans-European networks. Better ways should be found to give effective priority to the implementation of trans-European networks (transport, telecommunications, energy) in economically and geographically peripheral regions.

Integrated programmes. It is good to aim for programmes that are integrated in character, but in practice this very often leads to structures in which the interplay between priorities and measures becomes far too complex, and fails to take account in any profound sense of the dynamics of economics and social development. Such programmes then tend to treat economic change as a mechanical process, when organic change is a better analogue.

Spatial planning. European regional development policy should not interfere with national spatial planning policies.

Notes

1. For 1998, two programmes are being planned: a specific one on State Aids in the context of the EU competition policy, and a general one on the managerial aspects of leading European policies development and implementation, called '*EuroManagers* Leadership'
2. ERDF: European Regional Development Fund; ESF: European Social Fund; EAGGF: European Agricultural Guidance and Guarantee Fund.
3. Objective 1: structural adjustment for regions whose development is lagging behind; Objective 2: economic and social conversion of industrial areas in decline; Objective 5b: diversification of vulnerable rural areas.
4. FIFG: Financial Investment for Fisheries Guidance.
5. A reform programme of the European Commission called 'Sound and Efficient Management' aiming at informing the financial management of EU money.
6. This was not agreed unanimously in the *EuroManagers* group.