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### **THE REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE AND POLICY PRIORITISATION**

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# THE REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE AND POLICY PRIORITISATION

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## Abstract

In this paper we propose an analysis of policy strategies of operative programmes co-funded by Structural Funds in the current period in the regions eligible for the future Regional Competitiveness and Employment Objective, adopting a forward-looking perspective. We analyse interventions eligible for the period 2007-2013 and compare this range with the actual policy strategies. We discuss about potential changes in policy prioritisation in the future programming period: the most important challenge concerns potential re-addressing of interventions needed to meet the objectives of the new regional development framework, as in the three-pronged menu of priority themes from the Lisbon and Gothenburg agendas. This is particularly relevant in the framework of potential tensions between the rationales of new Structural Funds Regulations and the Lisbon strategies.

A cross-cutting reading of policy priorities at the regional level reveals that in many regions certain typologies of investments can not be directly repeated. This adjustment to the new legal and policy framework can be pursued, in some cases, through a radical overhaul of regional strategy or, in some others, a fine-tuning of interventions towards Lisbon consistent policies.

**Keywords:** Structural Funds, regional policy, Lisbon strategy

**JEL codes:** R11, R58, O21

## Introduction

The draft new regulations of Structural Funds for the 2007-2013 programming period set out a new policy framework for regional development, directly referring to the need for more simplification and concentration. The overall strategy is re-defined around three main objectives - convergence, competitiveness and cooperation - and the adoption of a three-pronged menu of priority themes from the Lisbon and Gothenburg agendas - innovation and knowledge society, access to transport and ICT, environment and risk prevention.

As for our analysis, we refer to the new "Regional Competitiveness and Employment" Objective with particular attention to policy prioritisation. The definition of policy objectives, in fact, runs the risk to be hampered by potential tensions between rationales of Structural Funds on one hand and Lisbon agenda on the other, for a number of aspects. We discuss specifically about the top-down approach of Lisbon agenda and the typical bottom-up approach of Structural Funds programming process. This tension is marked to a certain extent in the new ERDF Regulation, as it proposes a thematic concentration together with a special addressing of territorial specificities. The bottom-up approach is thought to give emphasis to territorial specificities in the identification of potential and needs of regions; nevertheless, if not strategically addressed, it could represent a deviation from the Lisbon top-down strategy, made on the overall consistency with the EU policies and on a short list of priorities given at EU and national level. Combining in a strategic way these two dimensions is a very ambitious and shareable objective, but there is a risk to jeopardize this effort.

The new policy framework of regional development has a twofold chance: simply replying the development strategy adopted during the past years, but on a smaller scale due to financial constraints, or re-designing the policy approach in a more strategic way combining Lisbon agenda and Structural Funds.

Our reading of the broad contents of the current operative programmes in the 2000-2006 programming period gives evidence about the extent to which financial allocations are currently committed to non-Lisbon objective. This analysis suggests that, under the new regulatory framework, a more strategic approach is needed in order to achieve the consistency with the Lisbon Strategy together with an effective application of the concentration principle.

In the first chapter we propose the institutional and policy background for the EU cohesion policy reform, in the second chapter we illustrate the regulatory requirement for the policy strategy choice in the future programming period, then we turn the analysis into the contents of 120 Regional Operative Programmes currently implemented in the regions eligible for the new Regional Competitiveness and Employment Objective, and finally we point out some challenges for the negotiation process and the risks Member States could run in their future regional development policy design.

### 1. Background

The need for a reform of EU cohesion policy is clearly expressed in the Third Report on Economic and Social Cohesion adopted in February 2004 by the European Commission. This report is at the foundation of the proposal of new regulations on cohesion policy for the 2007-2013 programming period adopted in July 2004. These documents introduce some major changes to EU cohesion policy responding to important political and economic developments, recently subjects of widespread public debate and research. The Lisbon Agenda is seen as the rationale for future regional development strategies while the reform of Structural Funds explicitly addresses Lisbon objectives as a short list of policy priorities around

which designing the new development strategies. However, Lisbon Strategy and Structural Funds approaches have different perspectives that could raise inconsistency in the simultaneous implementation of them.

## 1.1 Lisbon strategy and thematic concentration

The Lisbon European Council in the year 2000 set out an ambitious and outstanding strategic goal for the European Union to be achieved in the following ten years: *to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion*. The overall strategy should be based on: the knowledge-based economy with policies for the information society, R&D and innovation; the modernisation of the European social model with a specific focus on social inclusion; healthy economic outlook and favourable growth prospects to be achieved through an appropriate macro-economic policy mix.

After five years, the implementation of Lisbon Agenda has been disappointing and its application under the EU economic policy is under discussion. Economic growth has slowed in the last years and unemployment has risen in many countries of the Union, with relevant social implications. Unlike the US, competitiveness in the EU is not growing and is threatened by global competitors. The Third Cohesion Report and the recent Third Progress Report confirm increasing disparities across the EU (in 2003 levels of GDP per capita measured in PPP range from 41% of the EU average in Latvia to 215% in Luxembourg); this is particular significant in light of the 2004 enlargement to new Member States.

In the current debate<sup>1</sup> on European economic policies, some reservations concerning the effectiveness of regional policies are put forward; in general, critics stress the need to concentrate more on growth and focus public aid on lagging behind countries by means of national policies concentrating on physical and human capital. Recently, the Kok<sup>2</sup> report expresses doubts on progress made in meeting the Lisbon goals and points at the "overloaded agenda, poor co-ordination and conflicting priorities" as one of the main cause on difficult progress. The expert group's report suggests a wide range of reform policies as a series of interconnected initiative in order to assess a supportive macroeconomic framework for growth and employment. The list of priorities the EU should concentrate on is made of knowledge society, internal market, business climate, labour market and environmental sustainability.

Therefore, the current debate confirms the tendency of new cohesion policy on stressing the focus on few selected priorities rather than pursuing more objectives at the same time without a clear strategy and set of priorities.

In this new framework, both Member States and the Commission are asked to guarantee more consistency in their policy priorities and improve the process by involving social partners and policy makers. Furthermore, there is a broad agreement about the strategic priority to be given in the EU policy agenda to the innovation and R&D themes. Thus, while the need for a resolute policy shift is undoubtedly felt and understood at a wide level, there are valid reasons for the implementation strategy to be fine-tuned to the specificities of regional development.

## 1.2 The new architecture of Structural Funds interventions

Three main constraints were identified in the Third Cohesion report, as concerns the implementation of Structural Funds:

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<sup>1</sup> E.g. see the Sapir Report (Sapir et al., *An Agenda for a Growing Europe*, Report to the European Commission, 2003).

<sup>2</sup> Kok et al., *Facing the Challenge*, Report to the European Commission, 2004.

- strategy constraints: in too many cases there was not a clear focus and prioritisation of target issues so that the overall effectiveness and impact from cohesion projects was seriously undermined;
- geographic constraints: the pursuit of strategic priorities should not be limited by geographical factors, such as national frontiers. Territorial development and cohesion thus becomes the third objective of the Cohesion reform. In addition, the report identified problems with micro-zoning in Objective 2 areas;
- time constraints: during the previous programming period, too many short-term projects lacking a long-term, coherent development strategy were implemented.

To cope with these issues, three main principles seem driving the new cohesion agenda:

- better integration with Community strategic priorities and a more strategic approach based on EU priorities;
- thematic and geographic concentration;
- simplification of management procedures.

As regards the Regional Competitiveness and Employment Objective, the current ERDF Regulation allows for a broad variety of measures. It specifies the following areas of intervention (art. 2.2):

- a) productive environment ;*
- b) research and technological development;*
- c) information society;*
- d) tourism and cultural investment;*
- e) environment;*
- f) equal gender opportunities;*
- g) transnational, cross-border and inter-regional cooperation.*

The new approach to Structural Funds, instead, focuses on a short list of themes to support competitiveness. Art. 5 of the draft ERDF regulation states that:

*under the "Regional competitiveness and employment" objective, the ERDF shall focus its assistance, in the context of regional sustainable development strategies, on the following priorities: 1) innovation and the knowledge economy, through support to the design and implementation of regional innovation strategies conducive to efficient regional innovation systems, (...); 2) environment and risk prevention, (...); 3) access, outside major urban centres, to transport and telecommunication services of general economic interest.*

These three priority themes are integrated by a list of eligible typologies of intervention (or "sub-priorities").

Although some correspondences between the three Lisbon priorities and the current regulation exist<sup>3</sup>, the rationales of intervention are significantly different. The most important feature of the new approach

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<sup>3</sup> *Innovation and the knowledge economy.* This priority corresponds to Article 2, par. 2.(b) in the 1999 Regulation, according to which the financial contribution of the ERDF shall support research and technological development promoting the introduction of new technologies and innovation. Other less direct correspondences are also in art. 2.1.(c).(i) and (ii) 1999 - services for enterprises and transfer of technology, financing the implementation of innovation in enterprises.

is that the nature of eligibility is defined according to the thematic consistency with the Lisbon objectives. It is rather difficult to appreciate at policy strategy level the shift in this approach as the themes proposed are cross-cutting and not alternative to the current priority areas. However, this thematic approach suggests that, if well applied, some typologies of intervention should be no longer eligible as compared with the previous period. Thus, one of the most important challenge for policymakers concerns potential re-addressing of interventions needed to meet the objectives of the new regional development framework.

In this policy context, two issues are of particular importance. First, the relationship between the Lisbon agenda and the EU cohesion policy. Second, the opportunity for a new policy strategies allowed by draft regulations in the next programming period. As regards the first point, the rationale for the new cohesion agenda appears to be the implementation of Lisbon objectives through the Structural Funds. In the next section we discuss the extent to which this can be pursued through the programming process as planned in the draft regulations. This has a direct influence on the second point, which will be assessed further on.

## 2. The Contribution of Structural Funds to the Lisbon Strategy

The discussion about the extent to which Structural Funds approach is consistent with the Lisbon Agenda approach is complex and articulated. There are many attempts to estimate the consistency of interventions actually funded by Structural Funds and the Lisbon objectives. However a cross comparison is not straightforward since many tensions occur among the two frameworks, as the recent thematic evaluation points out<sup>4</sup>.

Recent studies on the contribution of regional expenditures suggests that Structural Funds contribute significantly to the Lisbon agenda. Among the Lisbon objectives, Objective 2 regions invest more than the others on knowledge economy, innovation, ICT and R&D, while Objective 1 regions has an highest share of transport measures as compared to Objective 2 regions. These issues are particularly evident in the prioritised investment fields. While the lagging behind regions show particular needs in the infrastructure endowments, and mainly finance national programmes in this field (see for example Greece and Spain), more developed regions easily and successfully concentrate on business support measures at the regional level.

In terms of expenditures, there is a considerable consistency between the overall objectives of the Lisbon agenda and the broad objectives of Structural Funds. Mid-terms evaluations show in a large number of cases an increase in awareness about the priority given to themes such as innovation, knowledge economy, technological transfer and information society in order to support competitiveness of territories and firms. Structural Funds contributions allocated to fields directly relevant with the Lisbon agenda is frequently above 50%. Still, the policy approach to these themes seems to be less strategic than what requested by the Lisbon approach.

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*Environment and risk prevention.* This priority generally corresponds to art. 2.2.(e) in the 1999 Regulation, according to which the financial contribution of the ERDF shall support the protection and improvement of the environment, taking account of the principles of precaution and preventative action in support of economic development.

*Access, outside major urban centres, to transport and telecommunication services of general economic interest.* This priority corresponds to art. 2.1.(b).(i) in the 1999 Regulation, according to which the ERDF shall contribute towards the development of trans-European networks in the areas of transport and telecommunications infrastructures, taking into account the need to link insular, landlocked or peripheral regions to the central regions of the Community – see art. 3.(a) in the 2004 Proposal. Moreover, there is a less direct correspondence with art. 2.2.(c) in the 1999 Regulation concerning the promotion of ICT in the SMEs.

<sup>4</sup> Danish Technological Institute, *Thematic Evaluation of the Structural Funds' Contribution to the Lisbon Strategy*, Synthesis Report, February 2005.

If we turn from the expenditure perspective to the analysis of the policy agenda, this consistency is rather feeble or, at least, less straightforward. There are many inconsistencies in the two approaches that could undermine the setting of policy priorities. They can be summed up as follows:

- competitiveness versus convergence;
- top-down versus bottom-up approach;
- national versus territorial dimension;
- overarching objectives versus territorial specificities.

According to the Third Cohesion Report, regional competitiveness is meant to be the capacity of anticipating and promoting change. Competitiveness here is seen as the dynamism of a territory which quickly reacts to global competitive pressure, exploits its potential and fights bottlenecks which limit its adaptability. The Cohesion Report addresses challenges such as industrial restructuring, dependence on traditional sectors, ageing population and social inclusion problems. However, given this meaning, it is not straightforward whether, in setting policy objectives in the light of the concentration principle, the strategy should focus on spurring best performers or rather supporting lagging behind areas.

As far as the top-down/bottom-up programming approach is concerned, the Lisbon agenda encompasses both broad and operational objectives, but in establishing EU overarching policy priorities it mostly maintains a top-down approach. Overall objectives of Structural Funds, instead, allow for a decentralised process of operationalisation and strategic prioritisation through a bottom-up approach. This goes along with the regional/territorial dimension of the needs to be addressed. The main question is whether policy priorities should follow mainstream strategies as set out in the Lisbon Strategy or rather identify regional strengths and weaknesses and design specific interventions on it.

ERDF draft regulation does not solve these tensions and, on the contrary, gives a chance to a wide interpretation on policy setting rules. In particular, Chapter II of ERDF Regulation set out “Specific provisions on the treatment of particular territorial features”. This is the topic we will focus on in the next two sections.

## **2.1 The chance for a new policy strategy**

The concentration of development aid is a popular topic in public sector economics. Public money is a scarce resource and, in order to improve effectiveness, one of the main concerns in policy design is to give clear burden forcing decision makers to select a short list of priorities and design clear cut strategies. However, in building consensus, it is rather tricky to found a compromise among stakeholders about what is a priority in a specific area. This could led to catching all measures with no strategic prioritisation of intervention, as often observed in regional operative programmes.

In the 2000-2006 period, territorial concentration under Objective 2 programmes has been pursued trough micro-zoning: territorial needs were identified according to statistical and objectively verifiable criteria. The rationale was funding areas in need choosing among a wide range of typologies of intervention. The new strategic approach for the 2007-2013 programming period is rather different. Even if the Lisbon approach specifies several operational objectives, it encompasses, to a certain extent, a sort of global objectives to be pursued in the whole Union despite different contexts. Therefore, interventions should be tailored to specific territorial needs of eligible regions, but at the same time they must be inspired from the Lisbon objectives and implemented through an actual regional strategy.

Stressing endogenous potential, even when not directly consistent with Lisbon, or rather designing a more strategic approach adapting territorial needs and potentials to the Lisbon priorities will be the future challenge of policy makers for the new programming period. This could represent both a fundamental shift in thinking of the role of Structural Funds but even a chance for nothing to be really changed, if we exclude the financial constraint given by the new financial perspectives.

According to the new regulatory requirements, strategic objectives are set at community and national level, and operative programmes should be consistent with them<sup>5</sup>. In this view, regional authorities seems to have burden in defining priorities and objectives. Moreover, under Article 31 only operative programmes should be approved by the Commission. Complement programmes remain an internal programming tool for the regional authorities as will no longer be subject to direct formal approval by the Commission. This means that the consistency of regional strategy will be assessed in terms of specific objectives. In the light of this procedure, the axis level in the operative programmes is the most suitable for a discussion about policy priority setting in the new programming period.

## 2.2 Policy concentration, territorial specificities and repeatability of interventions

The main challenge for the negotiation and the new programming process will be encouraging managing authorities into new strategic directions that, in some cases, could also mean a strong re-addressing in the programme design as compared to the previous period.

In fact, policy makers are likely to focus on those strategic priorities which record in the 2000-2006 period a high level of success in terms of implementation and satisfaction of key stakeholders. Nevertheless, according to new regulations some areas of intervention which has received widespread and often significant support should be no longer eligible because of a lack of consistency with the Lisbon objectives (e.g. interventions in the tourist sector, rehabilitation of urban and rural areas and so on). However, this seems to be not completely true because:

- thematic priorities are not proposed as specific objectives but rather as cross-cutting themes. From a strategic point of view, this approach is more horizontal (nature of intervention) than vertical (typology of intervention). This means that, for example, the 'innovative' feature of an intervention, rather than the intervention itself, is eligible: as a consequence, innovation for SMEs in the tourist sector could be a possible strategy;
- Chapter II ("Specific provisions on the treatment of particular territorial features") of ERDF draft Regulation stresses that some territorial specificities (see art. 8-11), could justify interventions other than the ones included in the Art.5 (innovation and knowledge economy, environment and accessibility). This keeps a chance for such interventions as tourism or fisheries support, cultural heritage protection, rural restructuring or urban renewal.

This could represent a policy tight spot for the negotiation process. The divergence between consistency and thematic concentration, on one side, and territorial specificities, on the other, gives a crucial role to the Commission in the negotiation with the Member States in order to avoid catching all measures.

At the same time, a further number of elements could hamper the process of re-addressing to the new policy framework. The adaptation to the reformed policy agenda will probably be more difficult in those regions where thematic priorities of the new

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<sup>5</sup> Art. 23 of the draft general regulation states that The Council establishes at Community level strategic guidelines on economic, social and territorial cohesion defining a framework for the intervention of the Funds. For each of the objectives of the Funds, those guidelines shall in particular give effect to the priorities of the Community with a view to promote balanced, harmonious and sustainable development. Art. 25 defines that The Member State shall present a national strategic reference framework which ensures that Community structural aid is consistent with the Community strategic guidelines, and which identifies the link between Community priorities, on the one hand, and national and regional priorities in order to promote sustainable development, and the national action plan on employment, on the other hand. The framework shall constitute a reference instrument for preparing the programming of the Funds.

ERDF regulation record bad performances in the current period. Moreover, local administrators have to cope also with more practical aspects as the financial implementation of funds. The n+2 rule for de-commitments, for example, will give an incentive to managing authorities to favour typologies of intervention with a short planning and high absorption and spending rates. In general, the willingness to simply repeat the policy strategy under the new regional competitiveness objective could find weak burden in the regulatory requirements.

### 3. The current operative programmes

The extent to which the repeatability issue is relevant depends on the policy choices made in the current programming period. To this purpose, we have analysed financial breakdowns of regional programmes by priority area and by fund for the regions falling under the Objective 2 and for those falling under the Objective 1 in the 2000-2006 period and eligible for the Regional Competitiveness and Employment Objective in the 2007-2013 programming period. We totally collected financial data for 120 regional operative programmes which corresponds to 168 NUTS II regions<sup>6</sup>.

#### 3.1.1 Policy priorities and financial allocation

We have gathered data about Structural Funds for the 2000-2006 period<sup>7</sup>. Summaries of the Regional Development Programmes 2000-2006 are here available, containing description and technical information about programmes implemented at national, multi-regional and regional level in each country. We consider financial breakdowns of regional programmes by priority area and by fund.

Every summary contains a classification of financial resources by priority areas, which are defined at the regional level and cover different typologies of intervention; in the regional programming framework nomenclature, each area corresponds to a priority "axis", which is an aggregation of different "measures" (single operational projects). For a better understanding of regional strategies through the assessment of financial allocations between different policy options, the axis level seems the most appropriate one. In fact, the principles of concentration and simplification underlying the reform of Structural Funds call for a more strategy-oriented approach to be pursued at the regional level. The relevance of the regional approach to policymaking stems also from the abandoning of micro-zoning in favour of the total eligibility of the regional territory. These elements contribute to strengthen the role of regional policymakers in implementing EU overarching policies via policy prioritisation at a more decentralized level. We therefore undertake our analysis through the classification of priority areas at the axis level.

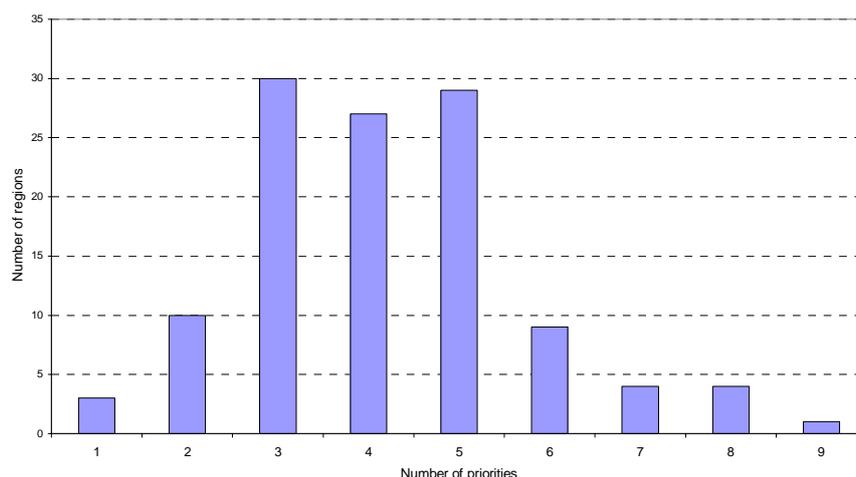
It is important to highlight that our analysis concerns programming documents as written at the beginning of the programming period. They do not represent actual expenditure and financial breakdowns do not include performance reserves and re-programming. Our analysis is based on strategic aspiration of managing authorities as expressed in the operative programme through the specific objectives. The extent to which this can really represent actual intervention can be of course discusses.

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<sup>6</sup> In fact, institutional level for regional operative programmes does not always correspond to NUTS II regions. In particular, in UK, Germany, Sweden and the Netherlands, operative programmes refer to groups of NUTS II regions. Moreover, one region, Kozep-Magyarorszag, has no regional programme and one region, Nord-Pas-de-Calais, is eligible for both Objective 1 and Objective 2 programmes.

<sup>7</sup> available on the DG Regional Policy website: [http://europa.eu.int/comm/regional\\_policy/country/prordn/index\\_en.cfm](http://europa.eu.int/comm/regional_policy/country/prordn/index_en.cfm).

**Figure 1 - Number of priorities by region**



Source: our processing of DG Regional Policy data

Of course priority areas in regional programmes vary in number, scope of assistance and typologies of interventions.

Total number of priorities per region ranges from one to nine (technical assistance excluded). The average number of axes per region is 4.18, while the majority of regions (about 73%) design their regional programmes around 3, 4 or 5 priorities.

Substantial differences in definition of axes are evident. In some regions, priority areas at the axis level is well-defined and typologies of measures by axis are quite homogeneous. In other regions, priority areas at axis level are broadly defined and typologies of measures by axis are less homogeneous: some priorities is aimed at fostering the “economic infrastructure” of the region and mainly appears as long lists of interventions without clear prioritisation, other axes addresses problems of a specific area but it similarly encompasses different kinds of intervention. In a few cases, priority axes are defined according to geographical criteria, e.g. municipalities, regional integrated actions, application of national programmes.

**Objective 1 programme for Burgerland (Austria)**

Priority 1 - Commercial and industrial activities: *Assistance to SMEs (direct investment aid, non-physical factors, new financial instruments; Economic infrastructure and ICT.*

Priority 2 - Research, technology and development: *Centres of excellence and technology; Business incubators; Higher educational establishments; Research projects;*

Priority 3 - Tourism and culture: *Direct investment aid; Tourism products, marketing and operator networking; Tourism infrastructure; Cultural heritage initiatives.*

Priority 4 - Agriculture, forestry, fisheries and nature conservation: *Investments in farms; Aid to young workers; Training; Improvements of processing and marketing methods; Village renewal and development; Road network and infrastructure; Countryside conservation and development;*

Priority 5 - Human resources: *Job creation; Equal opportunities; Training; Social inclusion*

**Objective 2 programme for Baden-Württemberg (Germany)**

Priority 1 - Development of economic infrastructure: *Tourism; Start-up centres; SMEs cooperation; Creation of new sites and revitalization of underused ones; Flood protection; Waste water treatment.*

Priority 2 - Support for SMEs: *Modernisation and expansion of enterprises; Modern technologies; Consultancy services and investments for start-ups; Tourism companies.*

Priority 3 - Restructuring inner-city problem areas (Mannheim): *Improving industrial sites; Environmental risks; Joint infrastructures for enterprises; New technologies for SMEs; Energetic efficiency in SMEs.*

**Objective 1 programme for Lisboa e Vale do Tejo (Portugal)**

Priority 1 - Aid to municipal and inter-municipal investments: *Infrastructure; Environment; Human resources in local administrations; Specific regional development actions.*

Priority 2 - Regional integrated actions: *Local development actions and employment promotion in metropolitan area and mid-sized towns.*

Priority 3 - National interventions applied at the regional level: *Employment; Social development; Professional training; Education; Economics; Science; Technology and innovation; information society; Fishing; Agriculture; Transport; Environment; Health; Sports.*

The above tables suggests some correspondence between number of axis by regional programmes and homogeneity of priorities by axis. In fact, we find it easier to classify priority areas in those regions with a relatively high number of axes and vice versa.

Taking into account all these issues, we propose a cross-cutting classification of priority axes based on 5 priority themes (or priority areas):

- 1) *Business Support*: business services; support for start-up enterprises; support for SMEs; developing business environment; financial support or facilitation in general; promotion of young entrepreneurial; research & technology development; information and knowledge society; ICT and innovation;
- 2) *Infrastructure*: transport and accessibility infrastructures; technology and telecommunication infrastructures.
- 3) *Environment*: energetic and environmental infrastructures; promotion of renewable energy and energy savings; water and waste treatment; decontamination and pollution reduction; nature conservation.
- 4) *Human Resources*: employment support; social inclusion; equal opportunities; vocational training; educational programmes.
- 5) *Others*: tourism; culture; agriculture, forestry and fishery; urban and rural areas development; community development and neighbourhood renewal; territorial development and cohesion (specific or local projects, key strategic locations support); social services; promotion of the regional image.

We assume here that *business support* is the most Lisbon-consistent category, while the category *other* has less direct consistency with both the Lisbon objectives and the ERDF main themes. In these light it is possible to build a picture of the actual degree of correspondence, in terms of broad policy priorities, with the guidelines for the new programming period.

We assign each axis to one priority theme according to its general purpose of assistance; for example, if it is generally aimed to create a favourable business environment, we assign it to priority 1 though some measures of workforce training or assistance are concerned. If we can not assign it to one priority - because it clearly involves different rationales of intervention, or it is divided into two sub-priorities - we assign it to more than one and divide financial contributions in equal parts.

Although this method may imply some loss of information, we think there are at least two good reasons for that. First, financial breakdowns of Structural Funds at the measure level is only available by country. Second, maintaining a classification by axis is required to be coherent with the above mentioned approach. The aim of this analysis is assessing strategic choices in terms of policy options and prioritisation. In this context, we consider programme documents (written *ex-ante*) since they are thought to better express the strategic dimension of the regional programming activity. The full list of regions and financial allocation to these categories is detailed in the Annex.

### 3.1.2 Policy objectives and strategic choices

Data processing shows that, on average, 'Business Support' receives the largest percentage of funds, (43%), followed by the category 'Other', (28%).

**Table 1 - Percentage of financial allocation by categories**

	<i>Min</i>	<i>Max</i>	<i>Mean</i>
Business Support	0.00	99.28	43.25
Environment	0.00	56.86	6.35
Human Resources	0.00	38.29	7.29
Infrastructure	0.00	53.93	10.37
Other	0.00	76.98	28.15

*Source*: our processing of DG Regional Policy data

In the first case, this result is somewhat expected since measures in this category are aimed at fostering productive environment through direct support to enterprises and include a very broad range of interventions. In almost all countries the

Business Support category has a high share of contributions<sup>8</sup>. In countries with a stronger tradition for innovation and entrepreneurial support, like Sweden or Finland, data reflect this policy priority. On the contrary, Objective 1 regions, like Greece or Portugal, record a lower percentage of financial allocation.

**Table 2 - Percentage of financial allocation to Business support by country**

<i>Country</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>N.</i>
SWEDEN	26.00	97.41	62.61	6
AUSTRIA	31.54	85.09	56.50	9
GERMANY	32.35	91.75	55.83	12
FINLAND	34.94	96.40	50.50	5
SLOVAK REPUBLIC	48.01	48.01	48.01	1
SPAIN	11.29	75.51	44.83	11
UNITED KINGDOM	24.22	77.55	44.36	17
ITALY	15.68	99.28	41.78	16
FRANCE	0.00	72.38	37.49	22
BELGIUM	0.00	69.43	37.26	7
NETHERLANDS	24.51	58.80	36.84	4
CYPRUS	32.99	32.99	32.99	1
DENMARK	23.98	23.98	23.98	1
IRELAND	21.89	23.94	22.92	2
CZECH REPUBLIC	22.30	22.30	22.30	1
PORTUGAL	12.88	24.03	18.46	2
GREECE	8.39	16.09	12.24	2
LUXEMBOURG	0.00	0.00	0.00	1
Total	0.00	99.28	43.25	120

*Source:* our processing of DG Regional Policy data

The result for 'Other' is particularly significant as this category generally refers to interventions not directly repeatable in the next programming period; its relative weight in terms of total contributions gives evidence of the importance of the re-addressing issue for regional policy makers in the next programming period. Even if the mean value for the whole category is significantly lower than business support, however there are some countries where financial resources allocated to this category has a strong weight. This is the case of operative programmes that address to territorial specificities such as the urban dimension, where urban regeneration and infrastructure for social inclusion are preferred, or areas heavily dependent on tourism or characterized by rural economy.

<sup>8</sup> It is important to notice, however, that data referring to countries with one programme could be not very precise because in this cases very few priorities were classified.

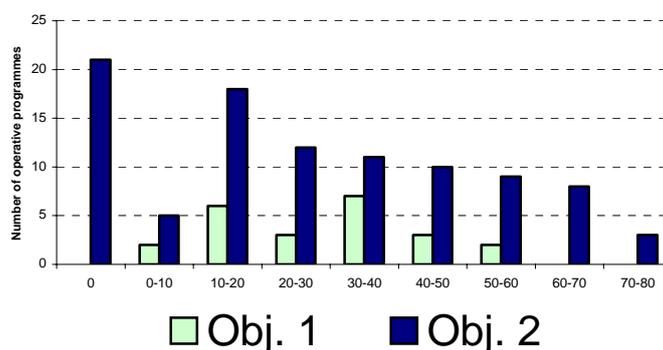
**Table 3 - Percentage of financial allocation to other by country**

Country	Min	Max	Mean	N.
CZECH REPUBLIC	75.18	75.18	75.18	1
IRELAND	52.12	56.21	54.17	2
SLOVAK REPUBLIC	48.01	48.01	48.01	1
NETHERLANDS	23.84	60.36	46.74	4
FRANCE	0.00	76.98	42.13	22
UNITED KINGDOM	11.39	72.78	41.27	17
PORTUGAL	39.13	40.76	39.95	2
GREECE	34.50	43.72	39.11	2
CYPRUS	30.01	30.01	30.01	1
BELGIUM	0.00	45.49	23.81	7
AUSTRIA	0.00	43.38	24.12	9
FINLAND	0.00	36.10	17.67	5
SPAIN	3.98	35.43	16.35	11
ITALY	0.00	47.83	17.11	16
GERMANY	0.00	31.23	12.18	12
SWEDEN	0.00	29.00	11.95	6
DENMARK	0.00	0.00	0.00	1
LUXEMBOURG	0.00	0.00	0.00	1
Total	0.00	76.98	28.15	120

Source: our processing of DG Regional Policy data

If we turn to differences among Objective 1 and 2 regions there are some kind of regularities.

**Figure 2 - Distribution of operative programmes by contributions to other (%)**



Source: our processing of DG Regional Policy data

As stressed before at country level 'business support' allocations are systematically higher in the Objective 2 regions as compared to the Objective 1. On the contrary, figures for Environment and Infrastructure priorities are higher in Objective 1 regions. This does not imply, however, that re-addressing in these priority areas will be easier. In fact, the Accessibility priority in the new Competitiveness Objective refers only to secondary networks, while Objective 1 regions principally focuses on basic infrastructures, mainly financed through large national projects. Then, phasing in regions will probably have to cope with the re-addressing problem in a broader and deeper way. At the same time, contributions to environmental projects, according to the new regulation, should be focused only on specific interventions (as contaminated areas, sources of renewable energy, clean urban transports).

**Table 4 - Percentage of financial allocation by Objective**

Obj	Business Support				Other				Infrastructure				Environment			
	Min	Max	Mean	N.	Min	Max	Mean	N.	Min	Max	Mean	N.	Min	Max	Mean	N.
1	8.39	54.06	27.51	23	0.00	43.08	10.50	23	0.00	41.63	14.57	23	0.00	43.08	10.50	23
2	0.00	99.28	46.98	97	0.00	56.86	5.37	97	0.00	53.93	9.38	97	0.00	56.86	5.37	97
Tot	0.00	99.28	43.25	120	0.00	56.86	6.35	120	0.00	53.93	10.37	120	0.00	56.86	6.35	120

Source: our processing of DG Regional Policy data

We explored the possibility to find out some kind of regularities according also to territorial specificities, focussing especially on the *Business Support* and *Other* categories. If we consider the rural/urban dimension of regions<sup>9</sup>, assessed on the basis of indicators of population density and share of employment in the primary sector, there is no clear cut distinction as compared to the country/objective dimensions<sup>10</sup>. The only significant figure is the highest percentage of contributions to Other in the regions classified as urban. This probably reflects the large resources committed to urban areas development and/or renewal projects.

**Table 5 - Percentage of financial allocation by typology of region**

Typology	Priority	Mean
Rural	Business Support (%)	41.11
	Other (%)	27.49
Intermediate	Business Support (%)	45.21
	Other (%)	28.27
Urban	Business Support (%)	44.84
	Other (%)	37.14
Total	Business Support (%)	43.13
	Other (%)	30.09

Source: our processing of DG Regional Policy data

## 4. Conclusions

The rationale of the new cohesion policy can be summed up in a more strategic approach focussed on the Lisbon objectives. There is number of potential tension in the effort of implementing this strategy trough a more consistent architecture of Structural Funds. In particular, the tension among top down call for overarching objective of Lisbon agenda (translated in the ERDF regulation in the requirement of art. 5 of a thematic concentration of specific objective of operational programmes) and the Structural Funds approach based on a bottom-up dynamic driven to the identification of effective answers to territorial needs and potential, could have as a result, a lack of relevance by one hand or a lack of consistency on the other, of the new operative programmes for the year 2007-2013.

Our reading of the regional operative programmes funded in the current 2000-2006 programming period in the region eligible for the new Competitiveness objective gives evidence of an apparent lack of correspondence between territorial specificities defined in a broad sense and specific priority areas and prioritisation of them within the operative programmes. Different

<sup>9</sup> In the classification of the rural-urban dimension of regions, the following regions are not included:

- Brabant Wallon, Vlaams Brabant (new regions);
- Liege, Luxembourg, Namur-Luxembourg (no data on financial breakdowns available);
- Berlin, Nord-Pas-de-Calais (each of them include two regional programmes, Obj. 1 and 2);
- Hungary (no regional programme);
- Noord Holland, Zuid Holland (covered only by the Urban Areas multi-regional programme);
- All Swedish regions (not correspondence between regions and programmes);
- All Scottish regions (not correspondence between regions and programmes).

Bolzano and Trento are considered as one region.

<sup>10</sup> Percentage allocations to Business Support and Other by region do not show apparent regularities also with GDP, GDP per capita and growth of GDP.

programming structures and institutional frameworks, on the contrary, show greater regularities as concerns the policy priorities, as demonstrate the percentage allocations by countries or by Objectives.

In this context the Commission overwhelming role in the negotiation process is crucial to transform the Structural interventions into a more strategic and integrated action to support regional development in the light of the Lisbon priorities. The shift to a more strategic approach is the result of a process of good governance, that should be guided by the Regulations and the Community/National strategic guidelines, rather than be based on building consensus around specific territorial needs and potential.

## Annex

Tab. A1 EU contribution breakdown among priorities-*millions Euro.*

REGION	Business Support	Environment	Human Resources	Infrastructure	Other	Technical Assistance	Total
Abruzzo	51.00			65.00	65.00	4.44	185.44
Aland Islands	4.40					0.16	4.56
Alsace	25.16		11.74		53.47	3.05	93.40
Antwerp (Pr.)	26.56				18.36	2.12	47.04
Aquitaine	327.77				113.38	11.71	452.86
Aragon	155.84	53.47		6.14	88.03	2.79	306.26
Auvergne	106.80				186.24	6.53	299.56
Baden-Wurttemberg	33.25			45.05	14.57	4.89	97.77
Balearic Islands	57.94	11.82		2.50	16.63	1.58	90.46
Basque Country	338.01	78.54		103.28	64.77	3.04	587.64
Basse-Normandie	186.48	36.20			36.20	6.45	265.33
Bolzano (Aut. Prov.)	7.15			9.01	15.51	0.75	32.42
Border, Midland and Western	87.63			87.63	225.00		400.25
Bourgogne	133.98		45.47		47.93	6.30	233.67
Bratislava	17.84				17.84	1.48	37.16
Bremen	74.04	28.12			8.49	2.39	113.03
Bretagne	187.75	64.78	76.95	64.78		9.39	403.64
Brussels-Capital	30.50				12.36	1.07	43.93
Burgenland	117.77		55.39		92.16	5.68	271.00
Canary Islands	233.20	745.63	244.35	393.47	218.67	10.81	1846.13
Cantabria	46.71	77.65	43.45	22.90	105.05	0.74	296.50
Carinthia	59.39		3.67		20.91	1.29	85.25
Castile-Leon	356.24	1147.76	429.76	608.23	598.81	14.76	3155.56
Catalonia	747.26	216.25		71.45	192.73	7.81	1235.49
Centre Region	58.01				135.27	5.97	199.25
Champagne-Ardenne	122.20	16.44			63.26	5.80	207.70
Continental Greece	44.62		27.73	221.32	232.44	5.51	531.62
Corse	88.51		31.94		57.51	3.04	181.00
Cyprus (2004-2006)	9.25			9.25	8.41	1.12	28.02
Denmark	45.33		52.29	82.35		9.03	189.00
East Berlin	231.80	53.00	156.16	227.88	6.89	11.84	687.56
East Flanders	6.86				6.18	0.54	13.59
East Midlands	162.91				210.29	3.34	376.53
East Netherlands (multireg.)	34.70		15.84		85.44	5.58	141.56
East of England	47.23				107.16	1.93	156.32
East of Scotland	93.48				151.56	5.50	250.54
East Wales	68.60				48.89	3.63	121.12
Eastern Finland	218.94		180.82	87.59	129.84	9.40	626.60
Emilia-Romagna	52.67			66.17		3.86	122.70
Flevoland	39.54		20.18		62.78	3.50	126.00
Franche-Comté	84.81				93.81	5.20	183.81
Friuli Venezia-Giulia	43.41	6.41		26.74	17.57	2.41	96.54
Gibraltar	2.09	2.09		2.09	2.09	0.02	8.38
Hamburg	5.68					0.51	6.19
Haute-Normandie		35.23	116.79		147.70	7.62	307.34
Hessen	102.18			37.11	35.05	9.18	183.52
Ile-de-France			13.16	13.16	109.56	6.43	142.32
La Rioja	23.63	5.41		8.54	4.81	0.25	42.64
Land of Bavaria	219.38			155.79	154.62	6.86	536.64
Languedoc-Roussillon	133.68				129.58	7.01	270.27
Lazio	71.82	47.49		118.12	126.46	7.63	371.52
Liguria	74.30	36.76		79.18		2.85	193.09
Limburg	50.71	31.10			8.12	2.77	92.70
Limousin	64.33			42.99	26.53	3.72	137.56
Lisbon	186.61	186.61	321.84	186.61	566.84		1448.51
Lombardy	66.14	33.25		94.18		6.81	200.39
London	106.30				148.49	5.11	259.89
Lorraine		102.45			69.37	8.36	180.18
Luxembourg							41.00
Madeira	169.34		117.90	117.90	287.24	12.33	704.71
Madrid	284.69	30.24		20.31	58.70	0.98	394.92
Marche	57.44	16.46		16.46	32.49	2.43	125.28
Merseyside	458.35		474.10	188.60	188.60	23.70	1333.25
Meuse-Vesdre basin (Liege)							158.32
Midi-Pyrenes	214.65		62.89		113.80	13.43	404.77
Molise	61.90	83.69	57.21	53.85	90.72	2.57	349.94
Namur and Luxembourg (Pr.)							58.38
Navarre	68.40	8.19		10.20	3.61	0.19	90.59
Niederosterreich	114.81			32.45	27.69	2.21	177.17
Niedersachsen	404.34			92.43	229.18	8.00	733.95
Nord-Pas-de-Calais	373.19	61.90	177.84		372.17	11.30	996.40
Norra	180.20					4.80	185.00
Norra Norrland	105.53		84.86	100.09	93.12	7.80	391.40

North East of England	482.87		84.98		142.37	6.79	717.00
North Netherlands	201.05		54.68		81.50	4.68	341.90
North Rhine-Westphalia	694.05		177.66		85.36	13.29	970.36
North West of England	343.26				451.49	13.58	808.33
Northern Finland	130.90		84.36		101.36	4.78	321.40
Northern Ireland	351.77	37.73	341.00		157.00	3.00	890.50
Oarna	7.80		4.50	7.80	8.70	1.20	30.00
Pays de la Loire	118.90		49.41	109.02	115.10	8.87	401.29
Picardy	48.21	15.70	41.34		143.39	5.64	254.29
Piedmont	252.40		43.30		189.60	3.30	488.60
Poitou-Charentes	96.57				161.96	7.12	265.65
Prague	15.90				53.60	1.80	71.30
Provence-Alpes-Cote-d'Azur	69.97	26.67			203.16	7.62	307.43
Rheinland-Pfalz	103.28	5.93	11.20	48.38		1.90	170.68
Rhone-Alpes	156.52				240.26	12.36	409.14
Saarland	55.35			79.51	33.97	2.26	171.09
Salzburg	6.85	3.85			6.80	0.26	17.76
Sardinia	305.25	520.63	283.87	218.06	611.76	6.66	1946.23
Schleswig-Holstein	152.58		38.73	20.88	38.73	7.41	258.32
Sodra	68.44		12.16			2.91	83.50
Sodra Skogslan	167.05	23.54	68.54	23.54	67.52	6.42	356.60
South Aegean	59.89	49.61		129.00	128.40	5.32	372.22
South East England	8.65				25.98	1.07	35.70
South Netherlands	45.66		15.51		74.02	4.68	139.87
South of Scotland	56.72				13.86	2.56	73.13
South West of England	95.19				92.64	1.90	189.72
South Yorkshire	633.84		346.13	41.27	133.58	17.66	1172.48
Southern and Eastern	136.88			136.88	297.97		571.74
Southern Finland	87.92		46.11		78.80	5.46	218.29
Steiermark	175.14		20.35		17.52	2.45	215.47
Tirol	18.70	5.80			19.39	0.80	44.69
Trento (Aut. Pr.)	12.34	4.11				0.42	16.88
Tuscany	119.13	47.99		148.41		6.95	322.49
Umbria	82.84	37.21		26.74		3.71	150.50
Upper Austria	77.29				11.50	2.04	90.84
Valencia	481.73	1182.32	489.26	315.70	267.77	7.72	2744.49
Valle d'Aosta	15.96					0.12	16.08
Vastra	120.14					4.36	124.50
Veneto	128.73	35.76		73.23	47.20	1.14	286.07
Vienna	5.70		4.70		7.31	0.36	18.08
Vorarlberg	11.88			10.39		0.45	22.72
West Berlin	268.70	41.04	66.54			8.17	384.45
West Flanders	9.82	4.65	2.48		14.95	1.17	33.05
West Midlands	430.60		250.79		166.36	6.46	854.21
Western Finland	114.12	34.49	93.83	34.49		7.23	284.15
Western Scotland	156.29				314.92	12.08	483.29
Yorkshire and the Humber	250.73				259.63	7.48	517.84
<b>Total</b>	<b>15898.76</b>	<b>5293.93</b>	<b>5453.72</b>	<b>4994.10</b>	<b>11521.32</b>	<b>594.86</b>	<b>44014.29</b>

Source: our processing of DG Regional Policy data ([http://europa.eu.int/comm/regional\\_policy/atlas/index\\_en.htm](http://europa.eu.int/comm/regional_policy/atlas/index_en.htm))